Directors' Remuneration Report

Deborah Davis
Chair of the Remuneration Committee

"I am pleased to present the 2022 report on directors' remuneration following a year when our colleagues delivered strong growth and a very good financial performance for the Group. The Committee is also grateful for the feedback received from shareholders, which has been valuable in shaping our proposed 2023 Remuneration Policy."

Committee members

Deborah Davis, Chair and independent non-executive director

Richard Holmes, Senior Independent non-executive director

Stuart Sinclair, Chair of the Board

The table below shows the number of meetings held and the directors' attendance during 2022.

Committee member	Scheduled meetings[1]	No. of meetings attended	% of meetings attended
Deborah Davis	5	5	100%
Richard Holmes	5	5	100%
Stuart Sinclair	5	5	100%

Notes

1. The scheduled meetings that each individual was entitled to and had the opportunity to attend.

Dear shareholder,

On behalf of the Board and as Chair of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2022. The report explains how the Committee carried out its duties during the year and the rationale behind the decisions that were taken. In particular, the report explains the new Directors' Remuneration Policy and the reasons behind changes to the 2020 Policy. The report is divided into two sections:

1. Our new Directors' Remuneration Policy (the 2023 Policy); and
2. The Annual Remuneration Report, providing detail of amounts paid during the reporting year, including incentive outcomes and the planned implementation of Policy in 2023.

Overview

Role and composition

The Committee comprises two independent non-executive directors and the Chair of the Board. Full biographical details can be found on pages 66 to 67. The Committee met five times during the year, with attendance detailed in the table to the left.

The Committee's responsibilities include:

- approving the remuneration policy for executive directors and the senior leadership team and making recommendations to the Board. The Committee takes account of the remuneration of the wider workforce when setting policy for, and making remuneration decisions in respect of, the executive directors;
- determining appropriate performance targets and incentive outcomes; and
- engaging with shareholders on matters relating to remuneration.

The Committee's terms of reference are available on our website at www.ipfin.co.uk.

Our remuneration framework is intended to strike an appropriate balance between fixed and variable pay components, and to provide a clear link between pay and our key strategic priorities. For example:

- profitable growth is recognised via the structure and operation of our annual bonus plan, which carries an 80% weighting on financial metrics;
- delivery of sustainable organisational performance and shareholder value is reflected in a progressive dividend policy, which is proposed to underpin our new Restricted Stock Plan (see pages 96 to 97 and 101); and
- our commitment to building a better world through financial inclusion will be reflected in the adoption into variable remuneration of appropriate ESG metrics in 2023, which will reflect issues of direct importance to our key stakeholders, including our shareholders.

Business context

Following the significant rebound in Company performance in 2021 after the impact of the Covid-19 pandemic, this positive trajectory was maintained in 2022 as we:

- delivered very good financial performance with all businesses contributing profitable performances amid challenging global inflationary pressure and uncertainties caused by the war in Ukraine;
- made good progress against our strategy that delivered 14% growth in customer lending, driven by strong performances from all three business divisions;
- managed customer repayment performance effectively, resulting in very good credit quality;
- continued to maintain a robust funding position and well-capitalised balance sheet;
- expanded our product offering to meet the needs of our customers; and
- proposed a 15% increase in the full-year dividend of 9.2p consistent with our new progressive dividend policy announced in February 2022.

2022 focus and progress

The Committee's principal goals for 2022 were to:

- undertake a comprehensive review of the Directors' Remuneration Policy;
- consult with our major shareholders on the 77.82% vote in favour of the 2021 Directors' Remuneration Report and with regard to the operation and evolution of Remuneration Policy; and
- continue to monitor broader market and governance trends.

Given that the shareholder vote in favour of the 2021 Directors' Remuneration Report was just below 80%, and in accordance with the requirements of the UK Corporate Governance Code, we published an update detailing the engagement that was undertaken following the vote within six months of the AGM. Although the feedback we received was positive and supportive, the Committee understands that decisions around the treatment of the outgoing CFO in July 2021and upward discretion in respect of annual bonus outcomes gave some investors cause for concern. Having considered the feedback carefully, the Committee confirmed its view that decisions taken in respect of the outgoing CFO were fair and reasonable given the specific circumstances, and that regarding annual bonus outcomes for 2021, the significant excess cash collected and its resultant impact on borrowings, impairment and receivables warranted the exercise of discretion, not least because this outcome was clearly in the best interests of shareholders.

Our commitment to maintaining an open dialogue with shareholders continued as the Committee conducted its review of the Directors' Remuneration Policy. We have been pleased with the level of engagement from shareholders and with the constructive feedback we have received. The 2023 Policy is presented in full on pages 100 to 106, with key changes and rationale summarised below.

1. The 2020 Policy required 50% of any bonus to be deferred into the Deferred Share Plan for three years. The Committee continues to believe that use of deferral is appropriate as it supports the alignment of executive director and shareholder interests, while also ensuring that there is an effective mechanism to underpin our shareholding policy. However, we believe that 50% deferral is an unnecessarily high percentage relative to market practice of similar sized companies, particularly in circumstances where the executive has met the shareholding requirement and, as a result, can act as a demotivator. Consequently, the Committee considers that the 50% deferral should be retained up to the point where the "in employment" shareholding requirement of 200% of base salary has been met, at which point a 25% deferral should apply. We believe that this will maintain a strong link with shareholder interests and will incentivise the executive to achieve the shareholding policy requirement at the earliest opportunity, through a combination of incentive awards and personal investment. We continue to encourage this practice, which has been demonstrated over many years by the CEO.
2. The Committee recognises that it would be entirely appropriate and in line with the Company's purpose to build a better world through financial inclusion, to include among the strategic/personal bonus targets one or more objectives for each executive director that is clearly aligned to environmental, social or governance matters. Therefore, within the 20% strategic/leadership element of the bonus construct we will introduce one or more targets which are aligned clearly to our purpose, and to our environmental, social and governance ambitions. These will be introduced in 2023 and disclosed retrospectively.
3. The Committee and wider Board have been concerned by the lack of lock-in provided by the Company's Performance Share Plan (PSP) over many years, and by its failure to act as an effective motivational and retention tool. In addition, the Committee believes that a better constructed long-term incentive will enable the lowering of normal and maximum opportunity, which would serve to address any shareholder concerns over total remuneration. Consequently, the 2023 Policy will introduce a Restricted Stock Plan (RSP), coupled with a 50% reduction to normal and maximum awards (from 160% and 250% to 80% and 125% respectively). The Committee believes that the adoption of an RSP offers the best solution for the Company and its shareholders. In particular:

   a. a key measure of the success of the Company's strategy is that it leads to a sustainable recovery and enhancement of the share price. The Committee believes that an RSP coupled with the existing share ownership requirement will ensure that the executive directors have, and retain, a material shareholding, ensuring full alignment with shareholders' interests;

b. the Company has routinely faced difficulties in setting three-year performance conditions for the PSP given the markets in which we operate and factors that are outside of management control influencing incentive outcomes. The Covid-19 crisis also highlighted the need for a simple yet agile approach, which the PSP has been unable to provide. The Committee believes that an RSP with the adoption of an appropriate range of underpins will enable it in future to take a more holistic approach to reviewing management performance, rather than relying solely on formulaic outcomes;

c. the introduction of a RSP would strengthen the lock-in potential of a long-term incentive, which as indicated above is currently negligible. In view of the fact that the 2020 PSP was cancelled at the request of the executive directors in order to support the Company's Covid-19 recovery plan, the Committee is well aware that the retention factor is particularly low at present; and

d. executive directors have relied for many years on the delivery of short-term annual bonus targets to generate an appropriate level of reward. While the correlation between short-term objectives and bonus payouts has been high, the Committee is well aware of the need to ensure sustainable long-term performance, and to incentivise executive directors to achieve this. Consequently, replacing the PSP with a carefully constructed and controlled RSP will support the focus of the executive on the delivery of short-term and long-term shareholder value.

4. In adopting a new approach to our long-term incentive, the Committee has also given considerable thought to the nature of the performance underpins that will be required. In particular:

a. as explained above, the difficulties of setting accurate performance conditions under the existing PSP mean that changes are clearly required;

b. the absence of appropriate comparator companies means that relative performance underpins may be misleading when taken in isolation; and

c. the potential for greater overall protection to be provided by a broad range of underpins, which would allow the Committee to review holistically the overall performance of the Company, individual executive director performance, and wider Company considerations.

Having carefully considered shareholder feedback and having conducted a thorough review of FTSE RSPs, the Committee has agreed that the central, quantifiable financial RSP underpin will be adherence to IPF's dividend policy throughout the vesting period of each annual RSP grant. The Committee believes adherence to the IPF dividend policy is a transparent indicator of both organisational performance and shareholder value, and preferable to other financial metrics, including but not limited to TSR. To ensure a robust assessment, the Committee will also consider a further basket of underpin factors at the end of the relevant three-year vesting period. For 2023 awards, these will be as follows:

- the extent to which any windfall gains have arisen as a result of any marked appreciation in share price;
- whether there have been any material sanctions or fines issued by a regulatory body (which may give rise to allocation of individual or collective responsibility);
- any material damage to the reputation of individual Group Companies, or the Group itself (which may give rise to allocation of individual or collective responsibility);
- the level of employee and customer representative engagement over the vesting period; and
- the level of customer engagement (as measured by net promoter scores, Rep Track or such other means as determined by the Committee).

5. The Committee identified a lack of appropriate detail in the Post-Cessation Shareholding Policy, which now confirms that the requirements apply to shares acquired after the adoption of the Post-Cessation Policy in April 2020.

6. Finally, in order to ensure that executive directors remain fully focused on the delivery of results even during a notice period, bonus eligibility during notice has been clarified, such that executive directors remain eligible on a pro rata basis up to their date of leaving. The Committee believes this approach will ensure the best possible outcome for shareholders and the wider stakeholder community, including the Company's employees and customer representatives. Bonus eligibility will remain subject at all times to the rules of the Annual Bonus Plan, including those relating to the treatment of leavers.

The Committee is united in a belief that the changes described above strike an appropriate balance between the need to incentivise and retain a high performing executive and to pay for performance that is wholly aligned with shareholder interests.

Shareholder context

In line with the Group's progressive dividend policy and as a consequence of the executive directors' successful execution of our growth strategy and continued growth potential, a full year dividend of 9.2 pence per share is proposed, representing a year-on-year increase of 15%.

Employee and customer representative context

The Committee continued to take into account wider workforce remuneration and related policies in making its remuneration decisions. The significant cost-of-living challenges that we see in the UK have also been felt in many of our markets, with high inflation often coupled with skills shortages. While it would be impossible and counter-productive economically to respond to a high consumer prices index with equally high salary increases, the Committee has noted the proportionate action taken to protect earnings as far as possible and retain our people, while maintaining an appropriate cost-income ratio.

The business continues to work hard to reward and recognise our employees and customer representatives, and to provide the best possible opportunities for learning and development. This has been reflected in:

- extensive work to implement our customer representative value proposition;
- the development and rollout of learning pathways for customer-facing roles;
- the rollout and extensive use of LinkedIn Learning modules for our middle and senior management; and
- the second annual Learning Festival across all markets.

The Committee has noted that the next bi-annual Global People Survey will be conducted in 2023 and will consider the outcomes of this in detail.

Remuneration decisions made in 2022

- As noted in the 2021 Directors' Remuneration Report, a 5% increase in base salary was awarded to our Chief Executive Officer, in line with the increase given to the wider UK workforce, with salary increasing to £559,650; this followed no increase in 2021 and 2020. There was no increase during the year for the incoming Chief Financial Officer, who was appointed on a base salary of £325,000.
- Financial year 2021 bonus awards of 98% of maximum for the Chief Executive Officer and 98% of maximum (pro-rata) for the outgoing Chief Financial Officer (the explanation for which can be found on pages 96 to 99 of the 2021 Annual Report).
- 2022 Performance Share Plan awards of 190% of salary for the Chief Executive Officer and 120% for the incoming Chief Financial Officer, to support a focus on generation of shareholder value as the Company continues to rebuild and grow in line with our strategy. The award of 190% of salary for the Chief Executive Officer reflected his outstanding contribution, over and above what would normally be expected, in very difficult circumstances. In particular, the Committee noted the recovery of the business following the impact of Covid-19; the fact that he covered in a highly effective way in the absence of a Chief Financial Officer during the second half of 2021 and Q1 2022; that he voluntarily surrendered his PSP award in 2020 in order to support the business during the pandemic, and also volunteered the cancellation of the 2020 annual bonus; and his strong commitment to protecting the wider workforce throughout the pandemic.

Implementation of Remuneration Policy in 2023

The Committee has approved:

- An increase in base salary of 5% each for our Chief Executive Officer and Chief Financial Officer in line with the typical annual salary increase for the wider UK workforce and less than the planned wider workforce pay budget of 7%, with salaries increasing to £587,633 and £341,250 respectively.
- Financial year 2022 bonus awards of 98% of maximum for both the Chief Executive Officer and for the Chief Financial Officer. Despite the very significant growth in profit before tax, an increase in the full year dividend of 15% and results exceeding market consensus, the impact of events that could not reasonably be foreseen when targets were originally set meant that the threshold profit before tax would not be met for the Executive Directors or the senior leadership teams of the Group if a purely formulaic assessment was to be applied and consequently, the Committee decided to use an adjusted profit before tax figure that considered the unforeseen financial impacts. After very careful consideration, the Committee determined that an adjusted profit before tax performance of £93.9m was a fairer reflection of underlying performance and thereby the stretch target had been achieved against the profit before tax metric. Full details of bonus outcomes can be found on pages 111 to 114.
- As disclosed previously, executive directors voluntarily surrendered their 2020 PSP awards as a consequence of the impact of Covid-19, therefore there were no PSP awards to be assessed in respect of the thee year performance period ending in 2022.
- Subject to shareholder approval of the 2023 Policy, Restricted Stock Plan awards of 80% of salary each for the Chief Executive officer and Chief Financial Officer. These anticipated awards are in line with the normal level expected under the 2023 Policy and are set at half the normal level of the former LTIP.

With regard to base salary increases, the Committee considered, in particular, the impact of current cost-of-living challenges on our people across the Group and noted that increases have been tailored in each market to address these issues; this has resulted in salary increases in most markets being well above the 5% award made to each of our executive directors, and in particularly high increases to many of our lower-paid employees, who have been especially hard hit by economic circumstances. On that basis, the Committee is comfortable that the 5% awards made to our executive directors are fair and proportionate.

Remuneration priorities for the Committee in 2023

In addition to obtaining formal shareholder approval of the 2023 Policy at the 2023 AGM, the Committee will:

- ensure the effective implementation of the 2023 Policy;
- ensure the incorporation of appropriate ESG metrics into 2023 annual bonus objectives, as explained on page 95; and
- continue to monitor broader market and governance trends, paying particular attention to the ongoing cost-of-living challenges faced by our people in all markets.

As Chair of the Committee I have greatly appreciated the constructive feedback provided by shareholders throughout 2022 and am committed to maintaining this open dialogue with you. I look forward to reporting on further positive progress in 2023.

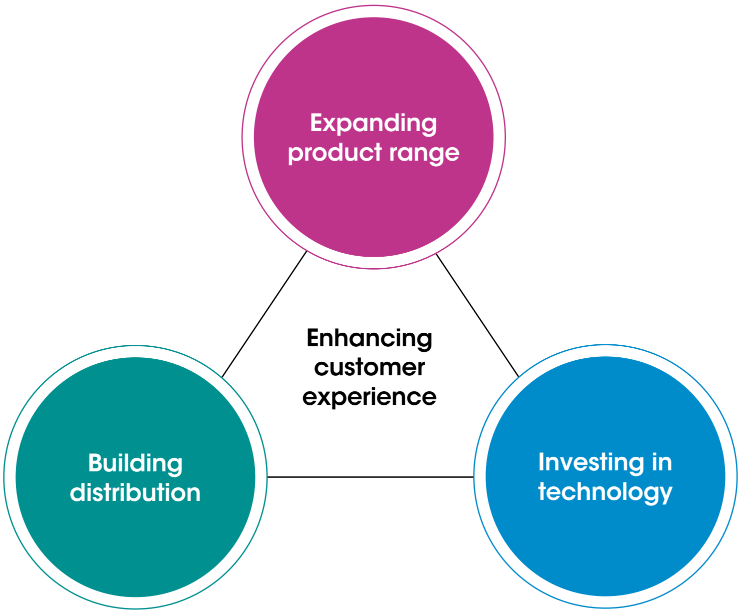
Deborah Davis
1 March 2023

Remuneration at a glance

The 2023 Policy is intended to strike an appropriate balance between fixed and variable pay components, and to provide a clear link between pay and our key strategic priorities. Executive director and senior leadership remuneration are structured so that individuals are rewarded only for the successful delivery of the strategy over both the short and long term.

Strategy

Guided by our purpose, our strategy provides the direction to deliver excellent service to our loyal customers and build on our successful product propositions to attract the next generation. Excellent execution ensures we will continue to deliver a sustainable business with strong growth prospects and optimise value for our customers, colleagues, investors and society at large. Underpinning our strategy is a clearly defined financial model which aligns all stakeholders and is bound by a new target RORE of 15% to 20%.



Outcomes

Long-term profitable growth

RORE 15% to 20%

Strong capital generation

Total business return for all our shareholders

Pay for Performance

Remuneration outcomes

- Annual bonus aligned to in-year objectives with 80% weighting on financial metrics
- three-year deferral of up to 50% of bonus
- RSP with underpin aligned to progressive dividend policy; three-year vesting plus two-year holding period

2022 performance

Profit before tax

£77.4m

+14.3%

Earnings per share

25.6p

+36%

Group net receivables

£869m

+14%

Our remuneration outcomes	2022
Base pay award for our CEO	5%
Base pay award for our CFO	5%
Bonus as % of maximum for CEO	98%
Bonus as % of maximum for CFO	98%
Anticipated Restricted Stock Share Plan awards for CEO	80%
Anticipated Restricted Stock Share Plan awards for CFO	80%
Legacy 2020 Performance Share Plan	Cancelled

Our 2023 Remuneration Policy at a glance

Our Remuneration Policy	2022–2027	Links to strategy	Key features
Salary, pension and benefits		To attract and retain talent capable of delivering the Group's strategy.	Normally reviewed annually. Increases take into account salary reviews across the Group and increases paid to UK employees.
Annual bonus	Deferral of 50% to 25% Malus on deferral Clawback on cash	To motivate and reward sustainable Group profit before tax and the achievement of specific personal objectives linked to the Company's strategy.	On-target performance delivers 50% of maximum. Maximum opportunity 130% of base. 50% cash and 50% deferred for three years until shareholding requirement met; thereafter 75% cash and 25% deferred. Typically, 80% based on financial measures and 20% on personal objectives, linked to strategy.
Long-term incentive plan	Vest period Two-year post-vest holding Clawback period	To motivate and reward longer-term performance and support shareholder alignment through incentivising absolute shareholder value creation.	Award normally equivalent to 80% of base salary at time of grant (maximum 125%). Three-year performance period with the extent of any vesting subject to satisfaction of an underpin as determined by the Committee. Two-year post-vesting holding period. Two-year post-cessation shareholding requirement.

Directors' Remuneration Policy 2023

The Committee presents the 2023 Policy, which will be put to shareholders for a binding vote at the AGM to be held on 27 April 2023. The 2023 Policy will apply to awards granted from its approval at the AGM onwards. It is a provision of the 2023 Policy that the Company can honour all pre-existing incentive award obligations and commitments that were entered into before the 2023 Policy takes effect. These awards remain eligible to vest subject to their original terms. In addition, where the terms of any remuneration payment (including any payments for loss of office) were agreed before the 2023 Policy came into effect or at a time when the relevant individual was not a director of the Company, these remain eligible to be paid based on their original terms.

Subject to shareholder approval, the effective date of the 2023 Policy will be 27 April 2023. The intention of the Committee is that the 2023 Policy will remain in place for three years from the date of its approval.

Policy changes table

The table below summarises the substantive changes to the 2020 Policy, which was explained in full on pages 88-96 of the 2019 Annual Report and Financial Statements, a copy of which can be found on our website at www.ipfin.co.uk.

Aspect	2020 Policy – summary	2023 Policy changes	Rationale
Annual bonus and Deferred Share Plan	50% of total annual bonus amount deferred for three years in Company shares through the Deferred Share Plan (DSP). 50% paid as cash.	50% of total annual bonus amount deferred for three years in Company shares through the DSP, until such time that the shareholding requirement (200% of base salary) has been achieved; thereafter, 25% deferral. 50% paid as cash until shareholding requirement has been met; thereafter, 75% paid in cash.	The Committee continues to believe that use of deferral is appropriate as it supports the alignment of executive and shareholder interests, while also ensuring that there is an effective mechanism to underpin our shareholding policy. However, 50% deferral is an unnecessarily high percentage relative to market practice of similar-sized companies, particularly in circumstances where the executive has met the shareholding requirement and, as a result, can act as a demotivator.

Aspect	2020 Policy – summary	2023 Policy changes	Rationale
Annual bonus – eligibility during notice	No current policy – determined by terms of the relevant service agreement.	Executive directors remain eligible to participate in, and receive pro-rata payments under the terms of the annual bonus during notice until their date of leaving.	In order to ensure that executive directors remain fully focused upon the delivery of results, even during a notice period, the 2023 Policy will clarify that bonus eligibility will apply during the full period of notice. This clarification will ensure the best possible outcome for shareholders and the wider stakeholder community.
Long-term incentive	Performance share plan. Normal grant of 160% of salary with maximum of 250%. Annual grant of awards, made generally as nil-cost options over a specific number of shares subject to meeting specified performance targets. Committee has discretion to decide whether, and to what extent, targets have been met. Executive directors required to hold shares acquired on vesting (net of any shares that may need to be sold to cover taxes) for a two-year period starting on the date of vesting. Provisions for malus and clawback adjustments on the occurrence of certain events.	Restricted stock plan. In normal circumstances, awards equivalent to 80% of salary at the time of grant. Annual grant of conditional awards or options. Rules will permit annual grants up to 125%. Adherence to the Company's dividend policy as the primary, quantifiable underpin; additional basket of underpins, which for 2023 will be: – the extent to which any windfall gains have arisen as a result of any marked appreciation in share price; – whether there have been any material sanctions or fines issued by a regulatory body (which may give rise to allocation of individual or collective responsibility); – any material damage to the reputation of individual Group Companies, or the Group itself (which may give rise to allocation of individual or collective responsibility; – the level of employee and customer representative engagement over the vesting period; and – the level of customer engagement (as measured by net promoter scores, Rep Track or such other means as determined by the Committee). Executive directors required to hold shares acquired on vesting (net of any shares that may need to be sold to cover taxes) for a two-year period starting on the date of vesting. Provisions for malus and clawback adjustments on the occurrence of certain events.	Please refer to the Chair's detailed explanation on pages 96 to 97.
Post-cessation shareholding	1 x the shareholding requirement (200%) or the number of shares actually held at leaving, whichever is lower, for two years. Requirement applies to any shares held, including those acquired from the executive director's own funds, and any vested shares subject to a holding period.	Clarification that the Policy applies to shares acquired following the adoption of the Policy in April 2020.	Insufficient clarity in the 2020 Policy; now recognised and amended to reflect the Committee's intent.

Notes to the policy change table

Annual bonus targets will remain weighted 80% on financial and 20% on strategic/leadership metrics. Within the 20% strategic/leadership element of the bonus construct we will introduce one or more targets which are aligned clearly to our purpose to build a better world through financial inclusion, and to our environmental, social and governance ambitions.

2023 Policy – executive directors

Purpose and link to strategy	Operation	Maximum opportunity	Metrics, weightings and period
Base salary To attract and retain talent capable of delivering the Group's strategy. Rewards executives for their performance in the role.	Base salary is paid in 12 equal monthly instalments during the year. Salaries are normally reviewed annually; generally, any changes are effective from 1 April. Salary levels are set considering role, experience, responsibility and performance, of both the individual and the Company, and also taking into account market conditions and the salaries for comparable roles in other companies.	Salary increases take into account salary reviews across the Group and are usually in line with increases awarded to UK employees. Additionally, due regard is given to any specific external factors or events relevant to the setting and review of executive salaries. By exception, higher awards may be made at the Committee's discretion to reflect individual circumstances. For example: – changes to role which increase scope and/or responsibility; – development and performance in the role; and – responding to competitive market pressures. There is no prescribed maximum increase.	None, although overall performance of the individual is considered by the Committee when setting and reviewing salaries annually.
Pension To provide retirement funding.	The Company operates a stakeholder scheme; at the discretion of the Committee, this may be paid as a cash allowance. The Company has closed its defined benefit scheme to new members and future accrual.	Company contribution is set at the most common rate for the wider workforce, currently 12%. Cash allowance is paid net of employer's NIC and other employment taxes.	None.
Benefits To provide market-competitive benefits that support the executive directors to undertake their role.	The Company pays the cost of providing the benefits on a monthly, annual or one-off basis. All benefits are non-pensionable.	The standard benefits package includes: – life assurance of 4x salary; – car allowance; – long-term disability cover; – private medical cover for executive director and immediate family; – annual medical; and – ability to participate in the IPF Save As You Earn Plan (SAYE) and any other all-employee share plans on the same terms as other employees. Additional benefits may also be provided in certain circumstances, and may include relocation expenses, housing allowance and school fees. Other benefits may be offered if considered appropriate and reasonable by the Committee.	None.

Purpose and link to strategy	Operation	Maximum opportunity	Metrics, weightings and period
Annual bonus To motivate and reward the generation of sustainable Group profit before tax and the achievement of specific personal objectives linked to the Company's strategy.	Measures and targets are set annually, and payout levels are determined by the Committee after the year end, based on performance against those targets. The Committee may, in exceptional circumstances, amend the bonus payout should this not, in the view of the Committee, reflect overall business performance or individual contribution. 50% of the total amount is deferred for three years in Company shares through the Deferred Share Plan (DSP) until the executive director has achieved the shareholding requirement of 200%, at which point 25% of the total is deferred on the same basis. The remaining bonus (50% or 75% depending on shareholding) is paid in cash. Payments are made around three months after the end of the financial year to which they relate. There are provisions for clawback adjustments on the occurrence of certain events. Executive directors remain eligible to participate in, and receive pro rata payment under, the terms of the annual bonus during notice, until their date of leaving.	On target bonus: 50% of maximum. Maximum opportunity: 130% of base salary.	Performance is measured over the financial year and is assessed using the following criteria: – typically 80% is based on achievement of financial measures; and – typically 20% is based on achievement of personal objectives linked to achievement of Company strategy. Although each of the annual bonus metrics could pay out independently, the Committee will set a minimum threshold profit target before any other metrics are assessed.
Deferred Share Plan (DSP) To strengthen the link between short- and longer-term incentives and the creation of sustainable long-term value.	50% of the total bonus amount is subject to compulsory deferral for three years in Company shares without any matching, until the executive director has achieved the shareholding requirement of 200%, at which point 25% of the total Is deferred on the same basis. Following the vesting of awards, executive directors receive an amount (in cash or shares) in respect of the dividends paid or payable between the date of grant and the vesting of the award on the number of shares that have vested. The DSP has provision for malus and clawback adjustments on the occurrence of certain events. Awards may also be adjusted in the event of a variation of capital, in accordance with the plan rules.	50% of the total bonus amount received (or 25% once the shareholding requirement has been achieved) during the year.	None.

Purpose and link to strategy	Operation	Maximum opportunity	Metrics, weightings and period
Restricted Stock Share Plan (RSP) Awards are designed to incentivise executive directors to successfully and sustainably deliver the Company's strategy.	Annual grant of awards, made generally as conditional awards or options. Awards vest at the end of the three-year period subject to: – the executive directors' continued employment at the date of vesting; and – the satisfaction of an underpin as determined by the Committee, whereby the Committee can adjust vesting for Company or individual performance. Executive directors will be required to hold any shares acquired on vesting (net of any shares that may need to be sold to cover taxes) for a two-year period starting on the date of vesting. The RSP has provisions for malus and clawback adjustments on the occurrence of certain events. Awards granted under the RSP may incorporate the right to receive an amount (in cash or shares) equal to the dividends which would have been paid or payable on the shares that vest in the period up to vesting.	In normal circumstances, award levels for executive directors equivalent to 80% of base salary at the time of grant. Rules permit annual grants up to individual limit of 125%. There are no performance conditions on grant, however the Committee will consider prior year business and personal performance to determine whether the level of grant remains appropriate.	Central, quantifiable financial RSP underpin will be adherence to the Group's dividend policy throughout the three-year vesting period of each annual RSP grant. A further basket of underpin factors will be considered at the end of the relevant three-year vesting period. For 2023 awards, these will be as follows: 1. the extent to which any windfall gains have arisen as a result of any marked appreciation in share price; 2. whether there have been any material sanctions or fines issued by a regulatory body (which may give rise to allocation of individual or collective responsibility); 3. any material damage to the reputation of individual Group Companies, or the Group itself (which may give rise to allocation of individual or collective responsibility); 4. the level of employee and customer representative engagement over the vesting period; and 5. the level of customer engagement (as measured by net promoter scores, Rep Track or such other means as determined by the Committee).
Shareholding requirement Aligns executive and shareholder interests.	Executive directors expected to acquire a beneficial shareholding over time. Shares which have vested unconditionally under the Company's share plans will be taken into account with effect from the date of vesting (but not before). 50% of all share awards vesting under any of the Company's share incentive plans (net of exercise costs, income tax and social security contributions) must be retained until the shareholding requirement is met.	The shareholding requirement for executive directors is 200% of base salary.	None.
Post-cessation shareholding Aligns executive and shareholder interests.	Post-cessation shareholding policy is set at 1x the shareholding requirement (200%), or the number of shares actually held, at leaving, whichever is lower, for two years. Requirement applies to any shares held, including shares acquired from the executive director's own funds, and any vested shares subject to a holding period. The policy applies only to shares acquired after the date on which the 2020 Remuneration Policy was introduced (30 April 2020).	Not applicable.	Two-year post-cessation holding period.

2023 Policy – non-executive directors

The Chair of the Board and executive directors review non-executive directors' fees periodically in the light of fees payable in comparable companies or to reflect changes in scope of role and/or responsibility, and to attract and retain high-calibre non-executive directors. Non-executive directors receive no other benefits and take no part in any discussion or decision concerning their own fees. The Committee reviews the Chair of the Board's fees. Fees were last increased on 1 October 2013 for the Chair of the Board and 1 January 2014 for non-executive directors. No increases in fees are proposed in 2023.

Element	Purpose	Operation
Fees	To attract and retain a high-calibre Chair of the Board and non-executive directors by offering market-competitive fees.	Fees are paid on a per annum basis and are not varied for the number of days worked. The level of the Chair of the Board's fee is reviewed periodically by the Committee (in the absence of the Chair) and the executive directors. As approved at the 2014 AGM, the maximum aggregate fee level for all non-executive directors allowed by the Company's Articles of Association is £650,000. The Senior Independent Director and Chairs of the Board Committees are paid an additional fee to reflect their extra responsibilities. Any non-executive director who performs services which, in the opinion of the Board, go beyond the ordinary duties of a director, may be paid such additional remuneration as the Board may authorise. Fees are paid on a quarterly basis.
Shareholding requirement	To support shareholder alignment by encouraging non-executive directors to align with shareholder interests.	Non-executive directors are expected to acquire a beneficial shareholding equivalent to 100% of their director's fee within three years of appointment.

When determining the 2023 Policy the Committee addressed the requirements of the UK Corporate Governance Code 2018, as follows:

Factor	How the Committee has responded
Clarity	Performance-based remuneration is intended to support the Company's strategy and focuses on providing a positive customer experience and generating strong returns in our European home credit businesses to reinvest in building a long-term sustainable future for these operations, growing Mexico home credit and IPF Digital, and delivering progressive returns to our shareholders. Performance measures are aligned to these goals.
Simplicity	Policy comprises fixed remuneration, annual bonus and a single LTIP only. Annual bonus and LTIP constructs are clearly and unambiguously aligned to the delivery of short- and long-term goals.
Risk	The 2023 Policy includes risk mitigation in the form of: – clear limits on maximum awards, with no payment of annual bonus for performance below the threshold target; – requiring the deferral of 50% of annual bonus in shares, for three years, until the shareholding requirement is met (25% thereafter); – aligning performance measures with Company strategy; – ensuring that the Committee can adjust payments through the exercise of discretion and the operation of malus and clawback to moderate formulaic outcomes which do not reflect the underlying performance of the Company; and – ensuring that post-vesting and post-cessation shareholding requirements apply.
Predictability	Incentive maxima are clearly stated in the 2023 Policy and there is no annual bonus payment for performance below threshold target performance. Checks and balances summarised in the Risk factor immediately above further support the predictability of outcomes.
Proportionality	The annual bonus plan is clearly structured to reward the successful delivery of strategy in-year, while the RSP underpin assessment ensures reward proportionate to delivery against the Group's dividend policy and in light of an appropriate basket of additional underpins.
Alignment with culture	The Committee considers executive director performance not only in terms of what is achieved, but also how it is achieved. As such, the Committee expects to see strong alignment between performance and the Company's core values of being responsible, respectful and straightforward. The Company's purpose is to build a better world through financial Inclusion, and the 2023 Policy and associated performance measures and oversight are intended to support this goal.

Notes to the 2023 Policy

Determination, review and implementation

The 2023 Policy has been set following an extensive review and shareholder consultation, considering both the remuneration elements and overall balance necessary to support and recognise the delivery of Group strategy. Willis Towers Watson provided independent advice to the Committee in formulating the 2023 Policy and the Committee will continue to seek independent advice on key issues including, but not limited to, ongoing implementation of the 2023 Policy.

The Committee is at pains to ensure that no conflict of interest can arise in respect of its activities. Where necessary and appropriate, input is sought from executive directors, senior leadership team members and the Group Head of Reward. Attendance at meetings is by invitation and no individual is present when matters relating to their own remuneration are being determined.

The Committee considers all relevant factors when determining Policy outcomes, including but not limited to:

- in-year and long-term performance of the Group and individuals;
- trading conditions;
- Group strategy;
- alignment with the wider workforce;
- alignment with the Company's purpose; and
- remuneration trends, shareholder feedback and corporate governance frameworks.

Performance measures and targets

The Committee selects annual bonus performance conditions that are central to the achievement of the Company's key strategic priorities for the year and reflect both financial and non-financial objectives. The Committee's consideration of long-term incentive performance and vesting takes account of the relevant underpins, which cover a range of indicators of long-term performance.

Performance targets are determined annually by the Committee and are typically set at a level that is stretching but achievable, considering our strategic priorities and the economic environment in which we operate. Targets are normally set with reference to a range of data points, including the annual business budget, historical performance and environmental, social and governance (ESG) risks.

The Board believes the performance measures and targets for the annual bonus are commercially sensitive and that it would be detrimental to the interests of the Company to disclose them during the financial year. This is particularly so because most of our competitors are unlisted. However, the Committee commits to making a comprehensive retrospective disclosure in respect of performance against the targets set where the disclosure of that information is no longer deemed commercially sensitive.

Malus and clawback

The circumstances when malus and clawback may apply include, but are not limited to the following:

- reasonable evidence of fraud;
- reasonable evidence of gross misconduct or gross negligence by the participant;
- reasonable evidence of conduct by the participant which results in significant losses or reputational damage to the Company or the Group, or has brought, or is likely to bring, the Group or any member of the Group into disrepute in any way;
- misleading data and/or there is an error in the information, assumptions or calculations on the basis of which the award was granted or paid out or vested;
- a material misstatement of the Group's or any member of the Group's or business unit's financial statements;
- there has been a significant downward restatement of the financial results of the Company;
- there has been a significant deterioration in the financial health of the Group or any member of the Group resulting in severe financial constraints on the ability to fund awards; and/or
- any other circumstances which, in the Committee's opinion, justify the operation of malus and/or a clawback adjustment in relation to the participant's award.

The clawback period for the RSP normally runs for two years from the date of vesting and from the date of payment in the case of the cash portion of annual bonus awards. For deferred awards under the DSP, malus will apply for the duration of the deferral period.

Discretions

The Committee will operate the annual bonus plan, RSP and DSP according to their respective rules and in accordance with the Listing Rules where relevant. The Committee retains discretion, consistent with market practice, in a number of regards relating to the operation and administration of these plans. These include, but are not limited to, the following in relation to the RSP and DSP:

- the participants;
- the timing of grant of an award;
- the size of an award;
- the determination of vesting;
- discretion required when dealing with a change of control or restructuring of the Group;
- determination of the treatment of leavers based on the rules of the plan and the appropriate treatment chosen;
- adjustments required in certain circumstances (for example: rights issues, corporate restructuring events and dividend equivalents); and
- the annual review of performance measures and weighting, and RSP vesting assessment from year to year.

In relation to the annual bonus plan, the Committee retains discretion over:

- the participants;
- the timing of grant of an award/payment;
- the determination of the bonus payment;
- dealing with a change of control or restructuring of the Group;
- determination of the treatment of leavers based on the rules of the plan and the appropriate treatment chosen; and
- the annual review of performance measures and weighting, and targets for the annual bonus plan from year to year.

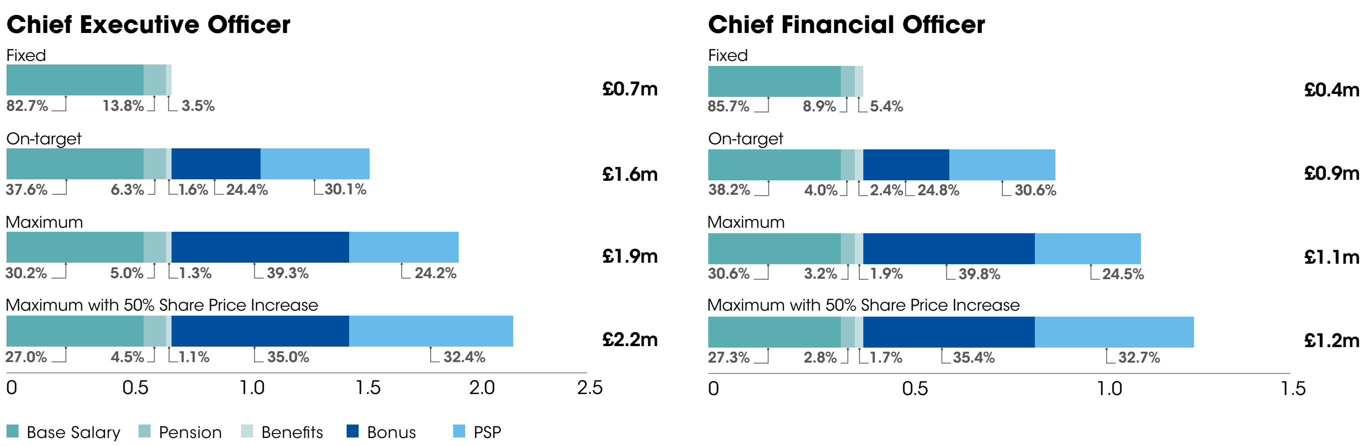
In relation to both the Company's long-term incentive and annual bonus plans, the Committee retains the ability to adjust the performance targets if events occur which cause it to determine that the targets are no longer appropriate (for example: material acquisition and/or divestment of a Group business), so long as the amendment will not make the target materially less difficult to satisfy. Any use of this discretion would be explained in the Directors' Remuneration Report and may be the subject of consultation with the Company's major shareholders.

The use of discretion in relation to the Company's SAYE will be in line with the governing UK legislation, HMRC rules and the Listing Rules.

Illustrations of total remuneration opportunity

The charts below provide an illustration of the proportion of total remuneration made up by each component of the proposed 2023 Policy, together with the value of each. Benefits are calculated as per the single figure of remuneration and four scenarios have been illustrated: 'Fixed', 'On-target', 'Maximum' and 'Maximum + 50% share price growth'. The charts are indicative, as share price movement (other than as indicated) and dividend accrual have been excluded. Assumptions made for each scenario are as follows:

- Fixed: fixed remuneration only, i.e. latest known salary (2023), benefits and pension.
- On-target: fixed remuneration plus on-target annual bonus (50% of maximum) plus 80% of salary in RSP.
- Maximum: fixed remuneration plus full payout of all incentives, that is 130% of salary in annual bonus, 80% of salary in RSP.
- Maximum plus 50% share price growth: fixed remuneration plus full payout of all incentives, that is 130% of salary in annual bonus, 80% of salary in RSP. 50% assumed share price growth over three-year RSP vesting period.



Approach to recruitment remuneration

The Committee's approach to recruitment remuneration is to pay no more than is necessary to attract appropriate candidates. Starting salary will be set in accordance with the approved remuneration policy, based on a combination of market information, internal relativities and individual experience. Thereafter, salary progression will depend on the initial agreed base salary and the normal review process.

The maximum level and structure of ongoing variable remuneration will be in accordance with the approved remuneration policy, i.e. at an aggregate maximum of up to 130% in respect of annual bonus and, if necessary, 125% in respect of the RSP and/or cash awards at equivalent value. For the avoidance of doubt, these limits shall not apply to any replacement awards which the Committee may determine it necessary to make to secure the services of a preferred candidate.

For external appointments, it may be necessary to buy out an individual's awards from a previous employer. The Committee will seek to minimise the need for such arrangements and will aim to recruit executive directors subject to the policy maximum defined above. However, to be able to attract the required calibre of talent, we may offer additional cash and/or share-based elements when we consider these to be in the best interests of the Group.

In doing so, the Committee would ensure that any such payments have a fair value no higher than that of the awards forgone including payments for any benefits in kind, pension and other similar allowances, and reflect the delivery mechanism, i.e. cash, shares and/or options, time horizons and expected value (likelihood of meeting any existing performance criteria). Replacement share awards, if used, will be granted using existing share plans. Wherever possible, any new arrangements will be tied into the achievement of Group targets in either the annual performance bonus or long-term incentives, or both. Full details will be disclosed in the Directors' Remuneration Report following the date of recruitment, which will provide explanations in relation to the amount and delivery structure of the awards made for the purposes of recruitment.

As shares under the RSP will not normally be released for up to three years with a further two-year holding period for executive directors, some cash-based interim long-term arrangement may be provided, but the level will not be more than would otherwise have been paid. For internal appointments, any variable pay elements awarded in respect of the prior role may be allowed to pay out according to the terms of the plan, adjusted as relevant to take account of the new appointment. In addition, any other ongoing remuneration obligations existing prior to appointment may continue.

Any new executive director will be subject to a maximum annual pension contribution from the Company in line with the most common rate for UK employees (currently 12%).

For both internal and external appointments, the Committee may agree that the Company will meet certain relocation expenses as appropriate.

Directors' service agreements and letters of appointment

In 2014, the Committee adopted a policy in relation to service agreements for newly appointed executive directors of six months' notice. Gerard Ryan remains an exception to this, having been appointed on a 12-month rolling contract prior to this change in policy. Gary Thompson was appointed on a six-month rolling contract.

All non-executive directors are appointed for three years, subject to re-election by shareholders. The initial three-year period may be extended. The Company can terminate the appointment on three months' notice.

Our Articles of Association require that all directors retire from office if they have not retired at either of the preceding two AGMs. At the 2023 AGM, all will be standing for election or re-election, in compliance with the UK Corporate Governance Code. Service agreements are available for inspection at the Company's registered office. Service agreements and letters of appointment are not reissued when base salaries or fees are changed.

The date of service agreements of directors who served during the year and their letters of appointment are:

Executive director	Date of service agreement	Duration of service agreement
Gerard Ryan	January 2012	No fixed term
Gary Thompson	April 2022	No fixed term
Non-executive director	**Date of appointment**	
Stuart Sinclair	March 2020	
Deborah Davis	October 2018	
Richard Holmes	March 2020	
Katrina Cliffe	August 2022	
Aileen Wallace	December 2022	

Bronwyn Syiek was appointed as a non-executive director in October 2018 and stepped down from the Board in July 2022.
John Mangelaars was appointed as a non-executive director in July 2015 and stepped down from the Board in December 2022.

Loss of office payments

Our policy is to limit severance payments on termination to pre-established contractual arrangements. If the employment of an executive director is terminated, any compensation payable will be determined having regard to the terms of the service contract between the Company and the employee, as well as the rules of any incentive plans. Except in circumstances of gross misconduct or voluntary termination, the Company retains discretion to make ex-gratia payments where considered reasonable and fair in the Committee's opinion, and to cover costs relating solely to termination of employment by the Company. Example costs may include legal, tax and outplacement services subject to such fees being de minimis in nature and in the best interests of the Company.

Under normal circumstances, good leavers who do not serve notice are eligible to receive termination payments in lieu of notice based on base salary and contractual benefits.

Normally, we expect executive directors to mitigate their loss upon departure. In any specific case that may arise, the Committee will consider carefully any compensatory payments, having regard to performance, service, health or other circumstances that may be relevant.

In the event an executive director leaves for reasons of injury, disability, change of control of the Company, or any other reason which the Committee in its absolute discretion permits (including death in service), any unvested PSP and/or RSP awards will normally vest at the normal time following the end of the performance period and be pro-rated for time. Performance conditions would apply. However, awards will vest early on death and the Committee has the discretion to allow the award to vest early on cessation of employment. In this event, the Committee will determine whether the performance conditions are, or will be, met over such period as the Committee determines appropriate, although the award will normally be reduced on a pro-rata basis. RSP and legacy PSP awards that have vested at the time of leaving will be retained and exercisable for a limited period following leaving. The Committee may determine that the holding period will no longer apply if the director leaves for one of the reasons specified above. When determining the treatment of outstanding awards for exiting directors, the Committee will consider the executive director's level of performance and any contribution to a transition. For all other leavers, outstanding RSP and legacy PSP awards will lapse.

Approval for payments outside the Remuneration Policy

Remuneration payments and payments for loss of office to directors can only be made if they are consistent with the approved Remuneration Policy or if an amendment to that Policy authorising the Company to make the payment has been approved by shareholders.

Differences in remuneration policy for all employees

All employees are entitled to base salary and benefits appropriate to the market in which they are employed. The maximum opportunity available is based on the seniority and responsibility of the role. Long-term incentive awards are currently available at the absolute discretion of the Committee to executive directors, senior management, and other selected employees. The SAYE is available to all UK employees. The Committee considers wider workforce remuneration in determining executive director policy and outcomes.

Policy on executive directors holding external appointments

With the consent of the Board, executive directors may hold one non-executive directorship in an individual capacity and retain any fees earned.

Annual Directors' Remuneration Report 2022

Remuneration principles and alignment with strategy

As explained in the Chair's opening statement on page 95, our remuneration framework is intended to strike an appropriate balance between fixed and variable pay components, and to provide a clear link between pay and our key strategic priorities. For example:

- profitable growth is recognised via the structure and operation of our annual bonus plan, which carries an 80% weighting on financial metrics;
- delivery of sustainable organisational performance and shareholder value is reflected in a progressive dividend policy, which is proposed to underpin our new Restricted Stock Plan (see pages 96 to 97), which has a three-year vesting period coupled with two-year post-vesting holding requirements; and
- our commitment to building a better world through financial inclusion will be reflected in the adoption into variable remuneration of appropriate ESG metrics in 2023, which will reflect issues of direct importance to our key stakeholders, including our shareholders.

Remuneration governance

The Committee met five times in 2022, with consideration given to a range of issues as illustrated below:

	Governance		Annual Bonus		Share Plan				
	Policy	DRR	Design	Performance	Grant	Performance	Salary	Wider Workforce	Shareholder
January		●							●
February		●	●	●	●	●	●	●	●
April	●								
September	●								●
December	●	●	●				●	●	●

The CEO, Chief People Officer and Group Head of Reward attended meetings by invitation, to provide advice and respond to questions. Other members of management may attend by invitation. All such attendees are excluded when any matter concerning their own remuneration and performance is under discussion.

Advisor to the Committee

Willis Towers Watson, appointed in April 2016, provides independent remuneration advice to the Committee. During 2022, total fees in respect of advice to the Committee (based on time and materials) totalled £48,071 (excluding VAT), (2021: £22,600). Willis Towers Watson is a founding member of the Remuneration Consultants Group and is a signatory to, and abides by, the Remuneration Consultants Group Code of Conduct. Further details can be found at www.remunerationconsultantsgroup.com. The Committee is satisfied that the advice it receives is objective and independent, and that Willis Towers Watson does not have any connections with the Company or any of the directors that may impair its independence.

Single figure of total remuneration (audited information)

The following table sets out the single figure of total remuneration for directors for the financial years 2021 and 2022.

	A. Salary/Fees £000		B. Benefits £000		C. Bonus[1] £000		D. LTIP £000		E. Pension £000		Total £000 (A, B, C, D, E)		Total fixed remuneration £000 (A, B, E)		Total variable remuneration £000 (C, D)	
	2022	2021	**2022**	2021	**2022**	2021	**2022[2]**	2021[3]	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Executive directors																
Gerard Ryan	**560**	533	**25**	26	**713**	681	**13**	19	**98**	94	**1,409**	1,353	**683**	653	**726**	700
Gary Thompson[4]	**242**	–	**15**	–	**309**	–	**–**	–	**18**	–	**584**	–	**275**	–	**309**	–
Non-executive directors																
Stuart Sinclair	**200**	200	**–**	–	**–**	–	**–**	–	**–**	–	**200**	200	**200**	200	**–**	–
Deborah Davis[5]	**65**	62	**–**	–	**–**	–	**–**	–	**–**	–	**65**	62	**65**	62	**–**	–
Richard Holmes[6]	**90**	79	**–**	–	**–**	–	**–**	–	**–**	–	**90**	79	**90**	79	**–**	–
John Mangelaars[7]	**65**	65	**–**	–	**–**	–	**–**	–	**–**	–	**65**	65	**65**	65	**–**	–
Katrina Cliffe[8]	**23**	–	**–**	–	**–**	–	**–**	–	**–**	–	**23**	–	**23**	–	**–**	–
Bronwyn Syiek[9]	**30**	55	**–**	–	**–**	–	**–**	–	**–**	–	**30**	55	**30**	55	**–**	–
Aileen Wallace[10]	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–

1. Bonus payable in respect of the financial year including any deferral element at face value, at date of award.
2. The value of the awards included in the table for 2022 relates to the anticipated value of dividend equivalents that will be payable in 2023, relating to the 2020 DSP from grant to date of vesting.
3. The value of the awards included in the table for 2021 relates to the anticipated value of dividend equivalents relating to the DSP award in 2019.
4. Amounts shown for 2022 reflect the fact that Gary Thompson joined the Company with effect from 4 April 2022.
5. Deborah Davis was paid a fee of £10,000 in her capacity as Chair of the Remuneration Committee, in addition to her base fee of £55,000.
6. Richard Holmes was paid fees of £20,000 as Senior independent director and £15,000 as Chair of the Audit and Risk Committee, in addition to his basic fee of £55,000.
7. John Mangelaars stepped down from the Board In December 2022. In addition to receiving his base fee of £55,000, he was paid a fee of £10,000 for his additional responsibility as Chair of the Technology Committee.
8. Katrina Cliffe was appointed to the Board in August 2022 and her base fee of £55,000 was paid pro rata.
9. Bronwyn Syiek stepped down from the Board in July 2022 and her base fee of £55,000 was paid pro rata.
10. Aileen Wallace was appointed to the Board from 20 December 2022. As non-executive directors are paid in arrears, no payment was made during the financial year. Her base fee is £55,000.

Additional disclosures for the single figure of total remuneration

Base salary

The base salary of the Chief Executive Officer was increased by 5% in to £559,600 following no increase in 2021 or 2020. The Chief Financial Officer was appointed on a salary of £325,000 and no additional increase was given in 2022.

Benefits

The benefits provided to the executive directors in 2022 included: private healthcare, life assurance, annual medical, long-term disability cover, and a cash allowance in lieu of a company car.

Determination of 2022 annual bonus

The maximum bonus opportunity for the Chief Executive Officer and Chief Financial Officer was 130% of salary (pro rata to date of joining for the Chief Financial Officer), with 50% of the maximum for on-target performance. During 2022, a balanced scorecard approach was used to ascertain annual bonus outcomes whereby:

- 60% of total bonus opportunity was subject to achieving the profit before tax (PBT) element;
- a further 20% was contingent on closing net receivables (CNR); and
- the remaining 20% of the plan was subject to the achievement of personal objectives.

Qualifiers for the 2022 annual bonus were:

- for any bonus to be payable, the Group must first achieve the PBT threshold figure; and
- once the Group PBT threshold is achieved, the CNR metric may pay providing the threshold for that element is achieved.

Group bonus targets

Group bonus targets were set considering the Company's operating budget. Targets were designed to be stretching in support of the Company's strategic objectives, and to focus on metrics and personal targets that would deliver in line with this strategy, as well as stretching and motivating participants. Bonus targets for the executive directors for 2022 were as follows:

	Metric	Weighting in Scheme	Threshold	Target	Stretch	Achievement	Bonus Payment %
Financial[1]	Group PBT	60%	£78.3m	£83.0m	£87.2m	£77.4m	78%
	Group Closing Net Receivables	20%	£750.0m	£789.5m	£797.4m	£868.8m	26%

1. Straight line between each point

The Committee uses the annual bonus to focus on short term targets that the Board agrees each year consistent with the Group's strategy and on individual performance against personal targets. Performance is assessed over each calendar year and at the start of the following year. The Committee retains the right to exercise its judgement to adjust the formulaic bonus outcomes to ensure the final bonus outcome for executive directors reflects the broader performance of the Group and the experience of our employees and shareholders over the reported year.

In 2022 the Group delivered a very strong financial performance, with profit before tax of £77.4m, an increase in underlying profits of 117% on the prior year despite the impact of various events through the year which were not foreseeable, including the impact of the war in Ukraine on our businesses in Europe, regulatory changes in Poland and Hungary and the financial impact of a high inflationary environment on our customers and their ability to continue to meet their repayment obligations. In addition to an improvement in profit before tax, closing receivables performance was significantly in excess of target and each Executive Director performed exceptionally well against their balanced scorecard as summarised on pages 112 and 113.

Despite the very significant growth in profit before tax, an increase in the full year dividend of 15% and results exceeding market consensus, the impact of events that could not reasonably be foreseen when targets were originally set meant that the threshold profit before tax would not be met for the executive directors or the senior leadership teams of the Group if a purely formulaic assessment was to be applied. Consequently, the Committee decided to use an adjusted profit before tax figure that considered the aforementioned financial impacts. After very careful consideration, the Committee determined that an adjusted profit before tax performance of £93.9m was a fairer reflection of underlying performance and thereby the stretch target had been achieved.

Consequently, the bonus payment in respect of financial elements totalled 104%.

Key

- Criteria met
- Criteria partially met
- Criteria not met

Personal objectives

The following tables explain the objectives that were set for each executive director in 2022 and achievement against them.

Gerard Ryan – Chief Executive Officer

Category	Objective	Weighting	Results	Achievement
Purpose	– Provide visible evidence that our purpose leads to meaningful change in our business. – Ensure that purpose becomes a core part of our internal and external communications with stakeholders. – Revise internal reward schemes for senior leadership so that purpose has a consistently targeted set of objectives for all.	10%	– Purpose is explicitly embedded in our strategic initiatives. – Progress on our purpose agenda is tracked via quarterly purpose review meetings with senior leadership informed by dedicated MI deck. – Workshops were held with all market boards to communicate and educate around purpose and externally. – Our purpose-based global employer brand was launched and is now in active use for appointments at all levels, and purpose is also a foundational element of induction for our people across all our markets. – We are working towards the creation of specific, measurable KPIs which are a vital prerequisite for reward schemes to include purpose. Specific objectives related to our purpose have been included in the senior leadership team's objectives and have been assessed as part of the end-of-year personal performance criteria, which impacts individual reward.	
Strategy	– Lead the process of creating a strategy for IPF that will help to achieve a market capitalisation for the Group that better reflects the consistent delivery by the leadership team of strong profitability, a robust balance sheet and good growth prospects.	30%	– Research and planning stages complete, with a clear view of the most appropriate time to deliver on agreed plans. – Key external trends relevant to our business identified. – Updated strategy agreed with measurable and challenging objectives for each market.	
Climate change	– Create agreed approach to climate change, with particular focus on effectively dealing with disclosure requirements in this area.	10%	– Revised arrangements for Board and executive oversight of climate risks and opportunities put in place. – Assessment of climate risks and opportunities in line with TCFD created and endorsed by the Board. – Climate risk embedded in risk management structure and regularly reviewed. – Climate related product options considered as part of 2022 strategy process.	
IPF in society	– Provide visible leadership and financial support for a multi-country outreach programme that benefits individuals who are disadvantaged in society.	10%	– Invisibles was embedded as the Company's flagship community programme and supports with the customer segments we serve in each market. – Four-step process introduced to: identify the Invisibles groups in each market; highlight the groups to stakeholders and the public; engage relevant stakeholders and NGOs; and help selected groups through community programmes.	
Attract the next generation of customers	– Launch a credit card in Poland. – Expand our territorial coverage in Mexico. – Develop a hybrid solution in Mexico. – Develop a thriving partnership model.	20%	– Successful launch of the Company's first credit card in October 2022. – In Mexico, operations launched successfully in Tijuana in July 2022 and across Mexico, 660 agencies were opened during the year. – In Mexico, a hybrid approach has now enabled a reduction in time to cash from days to hours, with positive feedback from customers and customer representatives. Various other technology enhancements have further digitised the customer representative journey. – Strong partnership pipeline in place, with a successful partnership in operation in Romania. Some issues in Mexico related to product pricing have restricted progress.	
People and structure	– Strengthen our succession pipeline following multiple internal promotions in 2021.	20%	– Good progress made towards building the talent pipeline, with most key roles having either a named successor or a pipeline plan in place.	

Key

- Criteria met
- Criteria partially met
- Criteria not met

Gary Thompson – Chief Financial Officer (From April 2022)

Category	Objective	Weighting	Results	Achievement
Financial performance	– Deliver financial results, with a focus on delivering sustainable financial performance.	20%	– Established framework and reporting to drive improvements in revenue yield, impairment rate and cost efficiency. – Through continuous focus and performance management, all three metrics have improved in 2022. – Established increased rigour around product changes and promotional activity to ensure that any activities drive required returns.	
People and structure	– Critically assess finance systems and capability, and upgrade where necessary.	20%	– New Finance Directors appointed in IPF Digital, Poland and the Czech Republic. – Process to upgrade commercial finance talent underway. – 'Raising the bar' mentality embedded within the global finance community together with greater cross-border activity to drive better bottom-line performance. – Improved financial reporting embedded to drive core metrics to deliver shareholder returns.	
Develop a clear strategy for shareholder value creation	– Develop and embed a framework for linking business performance to the creation of shareholder value. – Enhance investor communication to attract new shareholders and ensure existing shareholders are provided with sufficient granular information to assess their investment.	20%	– Established a clear and transparent financial model to drive internal behaviour and performance, and provide clear linkage to strategy and purpose. – Development of a revised capital expenditure/deployment framework underway to ensure that capital is only deployed when it meets minimum returns criteria. – Upgraded communication with investors to enable better understanding of the Group, including webinars, purpose communication and more granular analysis of results.	
Funding	– Ensure the Group has the necessary funding to support growth. – Evaluate the funding structure and seek out opportunities to diversify funding sources.	20%	– Successfully refinanced £169m of bank facilities in 2022. – £40m of retail bonds refinanced with a further £10m held in treasury. – Improved internal cash and balance sheet management to drive improvements in funding and liquidity of c.£20m. – Actions underway to diversify funding sources.	
Tax	– Develop the framework and strategies to ensure tax charges and tax payments are optimised.	20%	– Successful recovery of tax in Poland of £30m. – Programme established to deliver reduction in deferred tax asset over the medium term to improve funding and core equity. – Structural review of the Group's tax position in progress to optimise tax charge over the medium term.	

Having reviewed the executive directors' performance against their personal objectives and in the context of the progress made by the Group in 2022, the Committee determined that each executive director met the majority of his objectives. Consequently, the bonus payout in respect of personal objectives is 23.4% for both the Chief Executive Officer and for the Chief Financial Officer.

Bonus outcomes for 2022

For the year ending 31 December 2022, the Committee awarded bonuses to the executive directors as follows.

Name	Financial objectives – achievement as % of bonusable base salary	Personal objectives – achievement as % of bonusable base salary	Cash bonus £000	DSP – face value of shares due to vest in 2026 £000	Total value of 2022 annual bonus £000	Cash and DSP shares awarded as a % of maximum available bonus
Gerard Ryan	104%	23.4%	£356.5	£356.5	£713	98%
Gary Thompson	104%	23.4%	£154.3	£154.3	£308.6	98%

In accordance with the 2020 Policy, bonus is payable 50% in cash and 50% in deferred shares, which will vest at the end of a three-year period, subject to the executive not being dismissed for misconduct. There are also provisions for clawback with respect to the cash element of the bonus, and malus and clawback with respect to the deferred element of bonus.

Pension

The Company has two pension schemes, the International Personal Finance plc Pension Scheme ('the pension scheme'), closed to future accrual, and the International Personal Finance Workplace Pension Scheme ('the WPP'). During the year, the Company migrated employees in the International Personal Finance Stakeholder Pension Scheme to the WPP, following a review with the Company's pension provider; new employees are eligible to join the WPP.

The rate of Company pension contribution for the Chief Executive Officer to 31 December 2022 was 20% of base salary (17.6% net). In line with the commitment made in the 2019 Directors' Remuneration Report to align director pension contributions with the wider workforce by the end of 2022. The Company contribution rate for the Chief Executive Officer reduced to 12% of base salary (10.5% net) with effect from 31 December 2022. The rate of Company contribution for the Chief Financial Officer is 12%. At the discretion of the Committee, this may be paid wholly, or in part, as a cash allowance, net of employer's NI contributions.

The Company's contributions in respect of Gerard Ryan during 2022 amounted to £97,762 all of which was paid as a cash allowance. The Company's contributions in respect of Gary Thompson during 2022 amounted to £17,862, of which £11,195 was paid as a cash allowance.

Long-term incentives

Awards estimated to vest during 2023 (included in 2022 single figure)

As explained in the 2020 Annual Report and Financial Statements, executive directors were initially granted long-term incentive plan awards structured as PSP options in February 2020. However, for reasons related to the business impact of the Covid-19 pandemic, awards were subsequently cancelled at the request of the executive directors, via Deed of Surrender, and no additional awards were made that year. Consequently, no awards will vest in 2023.

Awards granted in 2022

Executive directors were granted long-term incentive plan awards structured as PSP options; the award for the Chief Executive Officer was made in March 2022 and for the incoming Chief Financial Officer the award was made in April 2022. The resulting number of PSP shares and associated performance conditions are set out below. Long-term incentive awards granted in 2023 will be in line with the 2023 Policy.

Name	Number of PSP nil-cost options	Face value £	Percentage of base salary	End of performance period	Threshold vesting	Weighting	Performance conditions
Gerard Ryan	1,178,864	1,063,335	190%	31 December 2024	25%	50%	Absolute TSR
					25%	25%	Cumulative EPS growth
					25%	25%	Net revenue growth
Gary Thompson	383,105	390,000	120%	31 December 2024	25%	50%	Absolute TSR
					25%	25%	Cumulative EPS growth
					25%	25%	Net revenue growth

The 2022 LTIP awards will be measured against the following targets, each of which will operate on the basis of a straight line between threshold, target and stretch.

Performance condition	Weighting	Threshold (vesting 25%)	Maximum (Vesting 100%)
Absolute TSR performance	½	30%	60%
Cumulative EPS growth	¼	65.9 pence	80.1 pence
Net revenue growth	¼	8.3%	10.1%

DSP

In 2022, half the annual bonus award earned by the Chief Executive Officer in respect of 2021 was deferred into shares. There are no further performance conditions attached to the vesting of the deferred shares. The following table sets out details of awards of nil-cost options made in the year under the DSP:

	Date of award	**Face value[1] £**
Gerard Ryan	9 March 2022	£340,685

1. The face value was calculated using the mid-market closing price for the day preceding the date of grant, being 90.2 pence per share.

SAYE

UK-based executive directors are entitled to participate in the Company's all-employee plan. Gary Thompson participated in the IPF Save as You Earn Plan in 2022 and, as a result, was granted 24,000 options at 75 pence under the Plan on 26 August 2022.

No loss of office payments were made in 2022.

Payments to past directors

As noted on page 100 of the 2021 Annual Report and Financial Statements, Justin Lockwood was eligible for an annual bonus in respect of 2021, paid pro-rata to the date of his resignation and payable in March 2022, in cash; this totalled £220,381.

Annual percentage change in the remuneration of directors and employees

The table below shows how the percentage change in each director's salary, benefits and bonus compared with the average percentage change in each of those components for employees, on a full-time equivalent basis. The table will build over time to show five years' data. Leavers during the year are excluded.

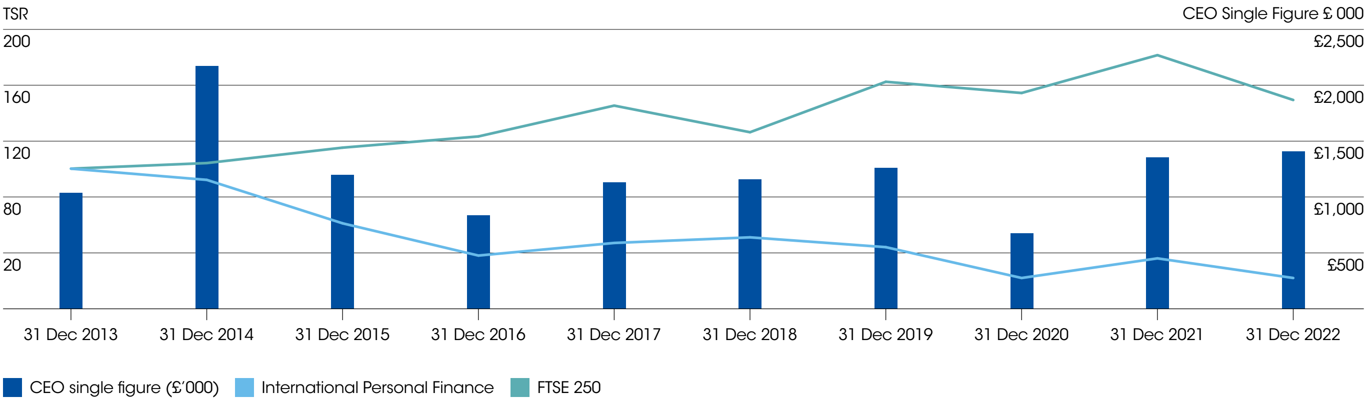
	2020 vs. 2019			2021 vs. 2020			2022 vs. 2021		
Percentage change in the relevant period	Base salary	Benefits	Bonus	Base salary	Benefits[1]	Bonus[2]	Base salary	Benefits[1]	Bonus[2]
Executive directors									
Gerard Ryan	1%	0%	(100%)	0%	0%	100%	5%	(1%)	5%
Gary Thompson	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-executive directors[3]									
Deborah Davis	0%	N/A	N/A	12%	N/A	N/A	5%	N/A	N/A
Richard Holmes	N/A	N/A	N/A	79%	N/A	N/A	15%	N/A	N/A
John Mangelaars	0%	N/A	N/A	0%	N/A	N/A	0%	N/A	N/A
Stuart Sinclair	N/A	N/A	N/A	42%	N/A	N/A	0%	N/A	N/A
Katrina Cliffe[4]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Employees	1%	3%	(100%)	(2%)	(2%)	100%	15%	3%	1%

1. Non-executive directors are ineligible for any benefits.
2. Non-executive directors are ineligible for any bonus.
3. Aileen Wallace was appointed to the Board on 20 December 2022 but received no payment during the financial year.
4. Katrina Cliffe was appointed to the Board with effect from 1 August 2022.

TSR performance

The graph below compares the TSR of the Company with the companies comprising the FTSE 250 Index for the 10-year period ended 31 December 2022. This index was chosen for comparison because it is the index on which IPF originally listed, and to which it continues to compare itself. TSR data is presented in tandem with CEO single figure total remuneration for the same period to highlight the relationship between remuneration and shareholder returns.

TSR Performance vs CEO Single Figure



The table below shows the corresponding Chief Executive Officer remuneration, as well as the annual variable element award rates and long-term vesting rates against maximum over the same period:

Year	CEO	CEO single figure of remuneration £000	Annual bonus payout (as % of maximum opportunity)	LTIP vesting (as % of maximum opportunity)
2022	Gerard Ryan	1,409	98.0%	–
2021	Gerard Ryan	1,353	98.3%	–
2020	Gerard Ryan	677	–	–
2019	Gerard Ryan	1,260	72.3%	33%
2018	Gerard Ryan	1,158	98.0%	–
2017	Gerard Ryan	1,130	96.6%	–
2016	Gerard Ryan	838	16%	23.3%
2015	Gerard Ryan	1,197	45%	58.8%
2014	Gerard Ryan	2,172	74.2%	100%
2013	Gerard Ryan	1,037	100%	–

Relative spend on pay

The table below shows the expenditure and percentage change in overall spend on employee remuneration and dividend:

£ million unless otherwise stated	2022	2021	Percentage change
Overall expenditure on pay	**168.4**	156.9	7%[1]
Dividend paid in the year	**18.9**	4.9	286%

1. The percentage change at a constant exchange rate is 19%.

Other directorships

Neither executive director currently holds any external directorships or external appointments.

Directors' shareholdings and share interests (audited information)

The interests of each person who has served as a director of the Company during the year as at 31 December 2022 (together with interests held by his or her persons closely associated) are shown in the table overleaf. Stuart Sinclair, Katrina Cliffe and Aileen Wallace are currently within the three-year period to build their shareholding. However, due to the fall in the Company's share price during the year Gerard Ryan's and Deborah Davis' shareholding has also fallen below the threshold. This will be rectified as soon as is practicable. Executive directors are required to retain half of any vested Company share plan options until the shareholding requirement is met.

	Shares held	Options held							
	Owned outright	Unvested and subject to performance conditions	Unvested and subject to deferral only	Unvested and subject to continued employment	Vested but not yet exercisable and subject to continued employment	Vested and exercisable, but not yet exercised	Shareholding required (% salary/fee)	Shareholding (% salary/fee)[1]	Requirement met
Executive directors[2]									
Gerard Ryan	1,465,288	1,989,049	497,309	20,930	–	–	200	191	Y
Gary Thompson	110,000	383,105	–	24,000	–	–	200	25	N
Non-executive directors[3]									
Katrina Cliffe	–	–	–	–	–	–	100	-	N
Deborah Davis	45,000	–	–	–	–	–	100	51	N
Richard Holmes	275,133	–	–	–	–	–	100	223	Y
Stuart Sinclair	86,944	–	–	–	–	–	100	32	N
Aileen Wallace	–	–	–	–	–	–	100	-	N

1. Based on a share price of 73 pence, being the closing price on 31 December 2022 and using the non-executive directors' base fee. Any vested but unexercised shares are included in the shareholding requirement calculation net of tax and NI.
2. Executive directors are expected to acquire a beneficial shareholding over time with 50% of all share awards vesting to be retained until the requirement is met. Of the 1.5 million shares held by Gerard Ryan, 0.9 million were purchased outright by him using his own funds.
3. Non-executive directors are expected to acquire a beneficial shareholding equivalent to 100% of their director fee within three years of appointment

There were no changes to these interests between 31 December 2022 and 1 March 2023.

No director has notified the Company of an interest in any other shares, transactions or arrangements which requires disclosure.

The current shareholding requirements for executive and non–executive directors are described in the 2020 policy which can be found on pages 89 to 92 of the 2019 Annual Report and Financial Statements, available via the Investor section of the Company website at www.ipfin.co.uk.

Executive directors' interests in Company share options (audited information)

	Date of award	Awards held at 31 December 2021	Awarded in 2022	Exercised in 2022	Lapsed / Surrendered in 2022[1]	**Awards held at 31 December 2022**	Performance condition period	Market price at date of grant (p)	Exercise price (p)	Exercise period
Gerard Ryan										
PSP	08 Mar 19	502,688	–	–	(502,688)	**–**	1 Jan 2019 – 31 Dec 2021	191	–	8 Mar 2022 – 7 Mar 2029
	23 Mar 21	810,185	–	–	–	**810,185**	1 Jan 2021 – 31 Dec 2023	104	–	23 Mar 2024 – 22 Mar 2031
	10 Mar 22	–	1,178,864	–	–	**1,178,864**	1 Jan 2022 – 31 Dec 2024	97	–	11 Mar 2025 – 10 Mar 2032
Deferred	08 Mar 19	128,709	–	(128,709)	–	**–**	–	191	–	–
Deferred	28 Feb 20	119,608	–	–	–	**119,608**	–	147	–	–
Deferred	10 Mar 22	–	377,701	–	–	**377,701**	–	97	–	–
SAYE	30 Aug 19	20,930	–	–	–	**20,930**	–	–	86	1 Nov 2022 – 31 May 2023
Total		**1,582,120**	**1,556,565**	**(128,709)**	**(502,688)**	**2,507,288**				

	Date of award	Awards held at 31 December 2021	Awarded in 2022	Exercised in 2022	Lapsed / Surrendered in 2022	**Awards held at 31 December 2022**	Performance condition period	Market price at date of grant (p)	Exercise price (p)	Exercise period
Gary Thompson										
PSP	05 Apr 22	–	383,105	–	–	**383,105**	1 Jan 2022 – 31 Dec 2024	106	–	11 Mar 2025 – 10 Mar 2032
SAYE	26 Aug 22	–	24,000	–	–	**24,000**	–	–	75	1 Nov 2025 – 31 May 2026
Total		**-**	**407,105**	**-**	**-**	**407,105**				

1. The March 2019 PSP lapsed in full.

The mid-market closing price of the Company's shares on 31 December 2022 was 73 pence and the range during 2022 was 64 pence to 142 pence. The aggregate gains of directors arising from the exercise of options granted under the DSP in the year totalled £124,204.

Share dilution

The Company manages dilution rates within the standard guidelines of 10% of issued ordinary share capital in respect of the all-employee share plan and 5% in respect of discretionary plans.

Shareholder voting

The table below summarises voting outcomes at the 2020, 2021 and 2022 AGMs (% of total votes cast):

AGM		For	Against	Withheld[1]
2020	Annual Remuneration Report	87.24%	12.76%	0.00%
2020	Directors' Remuneration Policy	87.89%	12.11%	0.00%
2021	Annual Remuneration Report	99.98%	0.02%	0.00%
2022	Annual Remuneration Report	77.82%	22.18%	0.00%

1. Votes withheld are not counted in the votes for or against a resolution but would be considered by the Committee in the event of a significant number of votes being withheld.

Statement of Remuneration Policy implementation for 2023

The base salary for the Chief Executive Officer will increase by 5% to £587,633.

The base salary for the Chief Financial Officer will increase by 5% to £341,250.

Maximum bonus opportunity will be 130% of base salary (on target 50% of maximum), in line with the 2020 and proposed 2023 Policies, with performance measures weighted 80% financial and strategic and 20% personal, also in line with the 2020 and proposed 2023 Policies. Annual bonus targets are not disclosed on a forward–looking basis because they are considered by the Board to be commercially sensitive but will continue to be disclosed retrospectively to ensure transparency.

The Committee expects to make 2023 RSP awards following the 2023 AGM in accordance with the new 2023 Policy, if approved; awards will be at 80% of base salary for each executive director, in line with the proposed 2023 Policy.

The central, quantifiable financial underpin for 2023 RSP awards will be adherence to IPF's dividend policy throughout the vesting period of the RSP grant. To ensure a robust assessment, the Committee will consider a further basket of underpin factors at the end of the three-year vesting period, as follows:

1. the extent to which any windfall gains have arisen as a result of any marked appreciation in share price;
2. whether there have been any material sanctions or fines issued by a regulatory body (which may give rise to allocation of individual or collective responsibility);
3. any material damage to the reputation of individual Group Companies, or the Group itself (which may give rise to allocation of individual or collective responsibility);
4. the level of employee and customer representative engagement over the vesting period; and
5. the level of customer engagement (as measured by net promoter, Rep Track or such other means as determined by the Committee).

Approved by the Board

Deborah Davis
Chair of the Remuneration Committee

1 March 2023