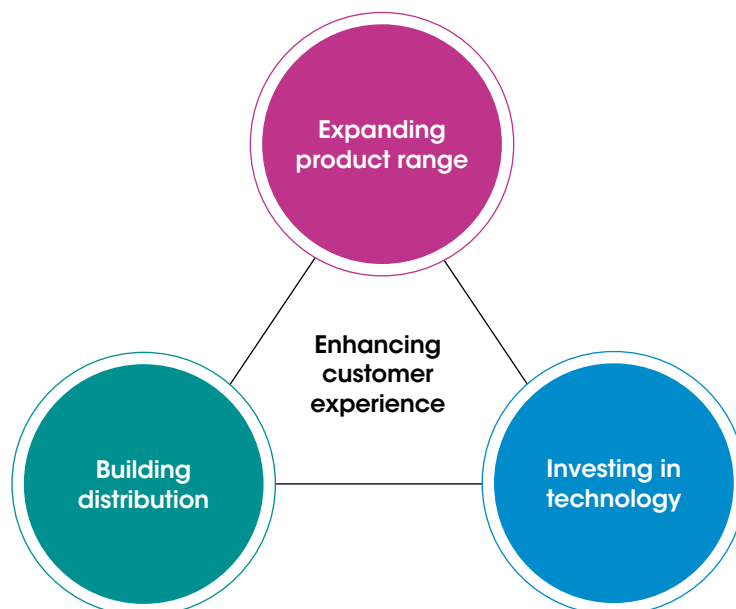


Remuneration at a glance

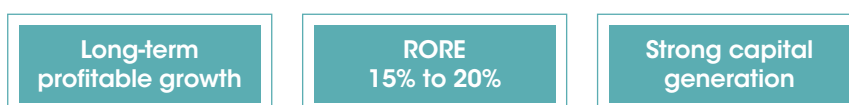
The 2023 Policy is intended to strike an appropriate balance between fixed and variable pay components, and to provide a clear link between pay and our key strategic priorities. Executive director and senior leadership remuneration are structured so that individuals are rewarded only for the successful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



Total business return for all our shareholders

Pay for Performance



- 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	Earnings per share	Group net receivables
£77.4m	25.6p	£869m
+14.3%	+36%	+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						Links to strategy	Key features
	2022	2023	2024	2025	2026	2027	
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%					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.
		Malus on deferral					
		Clawback on cash					
Long-term incentive plan		Vest 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.
		Two-year post-vest holding					
		Clawback period					

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	<p>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.</p> <p>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.</p>	<p>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:</p> <ul style="list-style-type: none"> – 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). <p>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.</p>	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
<p>Base salary</p> <p>To attract and retain talent capable of delivering the Group's strategy. Rewards executives for their performance in the role.</p>	<p>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.</p> <p>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.</p>	<p>Salary increases take into account salary reviews across the Group and are usually in line with increases awarded to UK employees.</p> <p>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.</p> <p>For example:</p> <ul style="list-style-type: none"> - changes to role which increase scope and/or responsibility; - development and performance in the role; and - responding to competitive market pressures. <p>There is no prescribed maximum increase.</p>	<p>None, although overall performance of the individual is considered by the Committee when setting and reviewing salaries annually.</p>
<p>Pension</p> <p>To provide retirement funding.</p>	<p>The Company operates a stakeholder scheme; at the discretion of the Committee, this may be paid as a cash allowance.</p> <p>The Company has closed its defined benefit scheme to new members and future accrual.</p>	<p>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.</p>	<p>None.</p>
<p>Benefits</p> <p>To provide market-competitive benefits that support the executive directors to undertake their role.</p>	<p>The Company pays the cost of providing the benefits on a monthly, annual or one-off basis.</p> <p>All benefits are non-pensionable.</p>	<p>The standard benefits package includes:</p> <ul style="list-style-type: none"> - 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. <p>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.</p>	<p>None.</p>

Purpose and link to strategy	Operation	Maximum opportunity	Metrics, weightings and period
<p>Annual bonus</p> <p>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.</p>	<p>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.</p> <p>There are provisions for clawback adjustments on the occurrence of certain events.</p> <p>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.</p>	<p>On target bonus: 50% of maximum. Maximum opportunity: 130% of base salary.</p>	<p>Performance is measured over the financial year and is assessed using the following criteria:</p> <ul style="list-style-type: none"> - 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. <p>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.</p>
<p>Deferred Share Plan (DSP)</p> <p>To strengthen the link between short- and longer-term incentives and the creation of sustainable long-term value.</p>	<p>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.</p> <p>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.</p> <p>The DSP has provision for malus and clawback adjustments on the occurrence of certain events.</p> <p>Awards may also be adjusted in the event of a variation of capital, in accordance with the plan rules.</p>	<p>50% of the total bonus amount received (or 25% once the shareholding requirement has been achieved) during the year.</p>	<p>None.</p>

Purpose and link to strategy	Operation	Maximum opportunity	Metrics, weightings and period
<p>Restricted Stock Share Plan (RSP)</p> <p>Awards are designed to incentivise executive directors to successfully and sustainably deliver the Company's strategy.</p>	<p>Annual grant of awards, made generally as conditional awards or options. Awards vest at the end of the three-year period subject to:</p> <ul style="list-style-type: none"> - 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. <p>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.</p> <p>The RSP has provisions for malus and clawback adjustments on the occurrence of certain events.</p> <p>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.</p>	<p>In normal circumstances, award levels for executive directors equivalent to 80% of base salary at the time of grant.</p> <p>Rules permit annual grants up to individual limit of 125%.</p> <p>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.</p>	<p>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:</p> <ol style="list-style-type: none"> 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).
<p>Shareholding requirement</p> <p>Aligns executive and shareholder interests.</p>	<p>Executive directors expected to acquire a beneficial shareholding over time.</p> <p>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).</p> <p>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.</p>	<p>The shareholding requirement for executive directors is 200% of base salary.</p>	<p>None.</p>
<p>Post-cessation shareholding</p> <p>Aligns executive and shareholder interests.</p>	<p>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.</p> <p>The policy applies only to shares acquired after the date on which the 2020 Remuneration Policy was introduced (30 April 2020).</p>	<p>Not applicable.</p>	<p>Two-year post-cessation holding period.</p>

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.	<p>Fees are paid on a per annum basis and are not varied for the number of days worked.</p> <p>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.</p> <p>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.</p> <p>The Senior Independent Director and Chairs of the Board Committees are paid an additional fee to reflect their extra responsibilities.</p> <p>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.</p> <p>Fees are paid on a quarterly basis.</p>
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	<p>The 2023 Policy includes risk mitigation in the form of:</p> <ul style="list-style-type: none"> – 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.