

Nominations and Governance Committee Report



Stuart Sinclair
Chair of the Nominations and Governance Committee

“During 2023, the Committee sought to broaden its areas of focus to ensure that the Group remained well governed.”

Committee members

Stuart Sinclair, Chair

Deborah Davis, Independent non-executive director

Richard Holmes, Independent non-executive director

Aileen Wallace, Independent non-executive director

The table below shows the number of meetings held and the directors' attendance during 2023.

Committee member	Scheduled meetings ¹	No. of meetings attended	% of meetings attended
Stuart Sinclair	5	5	100%
Deborah Davis	5	5	100%
Richard Holmes	5	5	100%
Aileen Wallace ²	5	4	80%
Gerard Ryan ³	3	3	100%

Notes

1. The scheduled meetings that each individual was entitled to and had the opportunity to attend.
2. Aileen Wallace was unable to attend one meeting due to a schedule conflict which the Board was made aware of prior to her appointment.
3. Gerard Ryan resigned as a member of the Committee in April 2023 but still attends meetings, in line with best practice.

Dear shareholder,

I am delighted to introduce this report for the year ended 31 December 2023, covering the vital part the Committee played in ensuring that the Board is effective and the Group is well governed.

Key responsibilities of the Committee

Details on the Committee's key responsibilities can be found below and in our Terms of Reference at www.ipfin.co.uk.

The Committee's purpose is to:

- review the composition of the Board and lead the process on proposed appointments to the Board and senior leadership team. The Committee shall make recommendations to the Board on this topic ensuring that both appointments and succession plans are based on merit and objective criteria and, within this context, promote diversity of gender, social and ethnic background, cognitive and personal strengths;
- ensure that the Board and its Committees consist of directors with the appropriate balance of skills, experience, diversity, independence and knowledge to enable it to discharge its duties and responsibilities effectively; and
- keep the Board's governance arrangements under review and make appropriate recommendations to the Board to ensure that its arrangements are consistent with relevant corporate governance standards and best practice.

Committee composition and changes

I chair the Committee and was regarded as independent on appointment. I will not chair the Committee when it is dealing with matters of succession to the Chair of the Board. The Committee also comprises three other independent non-executive directors, Deborah Davis, Richard Holmes and Aileen Wallace. During the year, Gerard Ryan stepped down from the Committee, but he continues to attend each meeting of the Committee meetings.

Key areas of focus during the year

During 2023, the Committee sought to broaden its areas of focus to ensure that the Group remained well governed.

Firstly, the Committee focused on ensuring that succession arrangements will enable the Board to continue to lead the Group effectively. This work included reviewing succession plans to ensure that the Board has the right balance of skills, expertise and knowledge, and to determine what actions would be taken in the event of a planned or unplanned departure from the Board. This activity was underpinned by an assessment of the Board's skills, knowledge and tenure in terms of the Company's Next Gen strategy overseen by the Chair. The skills matrix on page 89 sets out the attributes we consider to be key for the long-term success of the business as well as how these attributes link to our strategy. The Committee also reviewed in detail the skills and potential of the wider senior leadership team as part of the broader talent management process led by the human resources function.

The second area of focus was on ensuring that the Board continues to operate with a high degree of effectiveness. This is a broad area of responsibility and in 2023 meant the Committee reviewed detailed topics including the 2023 Board training programme, membership of the Board committees and role profiles for Board members. The Committee has also had the opportunity to review external developments in corporate governance to assess whether such developments required changes in the Group's Board governance arrangements. Furthermore, the Committee reviewed the structure, size and ways of working of the Board and oversaw the Group's compliance with the Corporate Code. Additionally, the Committee oversaw the implementation of the recommendations from the external Board evaluation review that took place in 2022 and I am pleased to confirm that all recommendations were implemented in 2023.

The Committee also focused on oversight of key policies dealing with matters relevant to our Responsible Business Framework such as Board diversity, political donations, access to independent advice and conflicts of interest. The Committee has welcomed the opportunity to oversee these important policies.

Finally, the Committee continued to review the external appointments of the current directors. This work considered the time commitments arising from current roles to ensure directors are not over boarded and ensuring directors meet required standards concerning independence as well as determining whether new appointments would affect a director's ability to discharge their duties as a director of the Company effectively.

Committee effectiveness review

An internal effectiveness review of the Board and its Committees was undertaken in 2023, which consisted of a questionnaire completed by the Committee and its regular attendees, and an analysis of compliance with the Committee's Terms of Reference. Overall, the Committee concluded that it had operated effectively and complied with the Committee's Terms of Reference throughout the year.

Feedback from this process indicated that the Committee's main areas of focus in 2024 should be on succession planning, including oversight of executive director performance and ensuring development of key talent.

Annual re-election of directors

As in previous years, Board members will stand for re-election by shareholders at the 2024 AGM. All non-executive directors are considered independent in accordance with the requirements detailed in the Code, and they continue to make effective contributions, constructively challenge management and devote sufficient time to their role. Accordingly, all directors are proposed for re-election. Further details are contained in the Notice of Meeting circulated to shareholders.

Progress in 2023

- Reviewed Board composition and succession planning.
- Reviewed the governance framework and made recommendations for improvement where appropriate.
- Oversaw the induction of Aileen Wallace.
- Reviewed key policies relating to the Responsible Business Framework.
- Reviewed and updated the Committee's Terms of Reference.
- Oversaw the implementation of the recommendations from the external Board effectiveness review.

Key priorities for 2024

- Focus on succession planning in light of the Group's Next Gen strategy.
- Oversee the implementation of the recommendations from the external Board effectiveness review.
- Keep under review the governance framework and make recommendations for improvement where appropriate.

Recruitment and succession planning

The Committee recognises the importance of the Board to anticipate and prepare for the future, and ensuring that the skills, experience, knowledge and perspectives of the directors and members of the senior leadership team reflect the changing demands of the business. When considering succession plans, the Committee and the Board are cognisant of the need to ensure that a diverse range of individuals is included and the Board's diversity objectives, as set out in the Board Diversity Policy on page 100, reflect how the Board ensures that diversity is considered when recruiting new directors to the Board and considering succession planning. The Committee's approach to succession includes anticipating departures and allowing sufficient time for orderly succession, ensuring appointments are made on merit against objective criteria and taking into account the Company's strategic priorities and the main trends and factors affecting the long-term success and future viability of the Company. Succession plans are in place for the Chief Executive Officer, Chief Financial Officer, Chair and Non-executive directors for contingency, medium-term and long-term horizons.

On behalf of the Board, the Committee also leads on oversight of executive talent and succession planning. As part of the broader talent management process, the Committee receives an annual and mid-year update from the Chief Human Resources Officer on talent and succession planning, considering the skills and potential of those in the central management team.

During 2023, the Board also created and approved a Board skills matrix, which sets out the skills of each Board member and allows the Committee to identify skill gaps which will be reviewed as part of the Board's succession planning process. The Board skills matrix can be found on page 89.

Induction of new directors

Aileen Wallace
Independent
non-executive
director



All directors receive a comprehensive induction programme, designed to ensure that they receive the information, support and guidance, consistent with their own experience and background, required to be able to discharge their role as director.

Aileen Wallace was appointed to the Board in December 2022 and underwent a detailed induction programme facilitated by the Company Secretary, details of which can be found to the right and below.

Aileen Wallace induction programme

In the first six months of 2023, Aileen's induction plan focused on knowledge-based sessions with internal functions and external advisors that covered:

- IPF's culture, products, customers, colleagues, business model, governance of the Group and the markets in which we operate;
- the regulatory context in which each market operates;
- the role of the non-executive director at IPF;
- the processes for managing risk; and
- IPF's stakeholders.

Following discussions with Aileen, these sessions were supplemented by a site visit in Poland and additional sessions with the Chief Information Officer and Chief Marketing Officer when they joined the Group.

Following completion of the induction programme, the Company Secretariat followed up with Aileen to check whether she had any additional requirements to conclude her induction. No further requests were made and the induction was deemed complete. Further detail on Aileen's induction programme have been included below.

Desired outcome	Topics covered	Sessions with
About the Board – the incoming director has a clear understanding of how the Group operates and the current key topics for the Board.	<ul style="list-style-type: none"> - Key Board discussion points - The roles of the Committees and key discussion points - Board succession planning - Board effectiveness - Board workforce engagement - Governance 	<ul style="list-style-type: none"> - Chair of the Board - Chief Executive Officer - Committee chairs - Workforce Engagement Director - Deputy Company Secretary
About the business – the incoming director gains the required level of understanding of the Group's performance, culture and processes to be able to discharge the role of director successfully.	<ul style="list-style-type: none"> - Purpose, culture, values - Current strategy and strategic planning process - Strategic partnerships and data science - Employee engagement, human resources strategy, and performance management and succession planning - Key legal, compliance and privacy matters - Key regulatory matters, external trends and risks in the markets - Credit risk performance and Group Risk Framework and reporting 	<ul style="list-style-type: none"> - Chief Executive Officer - Chief Strategy Officer - Corporate Development Director - Chief Human Resources Officer - Chief Legal Officer and Company Secretary - Corporate Affairs Director - Credit Director
About our markets – the incoming director develops a strong understanding of our different markets.	<ul style="list-style-type: none"> - Overview of the divisions and markets 	<ul style="list-style-type: none"> - Divisional directors - Country Managers
About our IT and change activities – the incoming director has an overview of the Group's IT and information security position and key future priorities.	<ul style="list-style-type: none"> - IT estate and service - Information security and privacy - Key change projects 	<ul style="list-style-type: none"> - Data Protection Officer - Group Head of Information Security - Chief Strategy Officer
Finance – the incoming director learns about the recent and forecast financial performance of the Group and its external funding activities.	<ul style="list-style-type: none"> - Current financial position and historic performance including KPIs, current challenges and future opportunities - Financial reporting - Funding, treasury and wholesale activity including funding plans 	<ul style="list-style-type: none"> - Chief Financial Officer - Group Treasurer
Audit – the incoming director learns about internal and external audit processes.	<ul style="list-style-type: none"> - External audit - Internal audit 	<ul style="list-style-type: none"> - External auditors - Group Head of Internal Audit

Board diversity and policy

Diversity is built into the Group's policies as appropriate and, as a business operating in different countries, collaboration between our international operations is a central dynamic of our culture. Diversity and inclusion is about treating people fairly, equitably and without bias, creating conditions that encourage and promote respect, dignity and belonging. This is embedded in our culture and values.

The Board Diversity Policy formalises its approach to this topic and it can be accessed in the policies section of our website. The purpose of the policy is to set out the Group's approach to diversity of the Board and its Committees. The policy aims to drive balance and alignment with our purpose, strategy and values, through measurable objectives which reflect the actions the Board will take when considering membership of the Board and its Committees. The Committee reviews the policy, including objectives and progress, at least annually.

In setting the principles and objectives of the policy, the Committee and Board acknowledge the external expectations of stakeholders and the opportunities to drive change through succession planning. The Parker Review, Hampton-Alexander Review and the new requirements of Listing Rule 9.8.6(9)R are supported fully by the Board.

The percentage of female representation for the senior leadership team and their direct reports was 27%.

Annual statement on Board diversity targets

On behalf of the Board, the Committee is pleased to confirm that as at 31 December 2023, all three of the targets set out in Listing Rule 9.8.6(9)R, and also included in the Board Diversity Policy objectives, have been met. Further detail on how these targets have been achieved can be found below.

As required by Listing Rule 9.8.6(10)R, detailed numerical information on the gender and ethnicity representation on the Board and our executive management as at 31 December 2023 is set out on page 101. There have been no changes between 31 December 2023 and the date of this report.

Data concerning gender and ethnicity representation was collected directly from all the individual Board and senior leadership team members through a Diversity and Inclusion Monitoring Form (the "Form"). The Form asks the individuals to disclose their gender and ethnicity using the options included on the Form, which align with the detail in the left-hand column of the tables on page 101 and therefore includes the option to not specify an answer. The data was collected on an anonymous basis by the Company Secretariat and this process will be completed annually going forward.

Board Diversity Policy objectives	Implementation	Progress against objectives
Consider candidates for appointment as non-executive directors from a wider pool including those with little or no listed company board experience. Ensure non-executive director 'long lists' include 50% female candidates.	The Board and the Committee recognise the importance and benefits of greater diversity, including gender, age, nationality, ethnic origin, socio-economic background, educational and professional background, sexual orientation and disability. On instruction of an executive search firm, the specification will ensure that candidates with no listed company Board experience are fully considered.	The Board actively seeks diverse candidates. Over the past two years, the Board has appointed two female Board members, Katrina Cliffe and Aileen Wallace. The Board will continue to consider candidates from a wide pool when completing future recruitment.
Engage only with executive search firms which have signed up to the Standard Voluntary Code of Conduct on both gender and ethnic diversity and best practice.	The Board will continue to engage executive search firms that have signed up to the Standard Voluntary Code of Conduct.	When recruiting Katrina Cliffe, the Board engaged with Ridgeway Partners. At the time of engagement, Ridgeway Partners were, and continue to be, a signatory of the Standard Voluntary Code of Conduct.
Maintain a continuous level of at least 40% female directors on the Board.	The Board will continue to ensure that recruitment and succession planning for the Board take consideration of these objectives, whilst also ensuring that any succession plans and appointments are made based on merit and objective criteria.	As set out in the annual statement on board diversity targets above, 43% of individuals on the Board are women.
A female director is appointed to at least one of the senior Board positions (Chair, Chief Executive Officer, Senior Independent Director, Chief Financial Officer).		In December 2023, Katrina Cliffe was appointed Senior Independent Director for the Board.
At least one director from an ethnic minority background is appointed to the Board.		As set out in the annual statement on board diversity targets above, one member of the Board is from an ethnic minority background.

Gender representation as at 31 December 2023

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management ¹	Percentage of executive management ¹
Men	4	57.1%	3	11	78.6%
Women	3	42.9%	1	3	21.4%
Not specified/prefer not to say	0	0%	0	0	0%

Ethnic representation as at 31 December 2023

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management ¹	Percentage of executive management ¹
White British or other White (including minority-white groups)	6	85.7%	4	14	100%
Mixed/Multiple ethnic groups	0	0%	0	0	0%
Asian/Asian British	1	14.3%	0	0	0%
Black/African/Caribbean/Black British	0	0%	0	0	0%
Other ethnic group, including Arab	0	0%	0	0	0%
Not specified/prefer not to say	0	0%	0	0	0%

1. Per the definition within the Listing Rules, executive management at IPF is the senior leadership team, which includes the Company Secretary. The Chief Executive Officer and Chief Financial Officer have not been included in the executive management data as they are included in the data for the Board.

Independence and external commitments

The Committee reviews requests for external appointments carefully, taking into account the directors other commitments and their role on the Board. An executive director will be permitted to hold one non-executive directorship (and to retain the fees from that appointment) provided that the Board considers this will not affect their executive responsibilities adversely. The executive directors currently do not hold any external directorships. A non-executive director should not hold more than four other material non-executive directorships. If they hold an executive role in a FTSE 350 company, they should not hold more than two other material non-executive directorships.

In line with the Code, non-executive directors are required to seek Board approval prior to taking on any additional appointments. In January 2023, the Committee recommended to the Board the approval of Katrina Cliffe's appointment as a non-executive director of DCC plc, which took effect from 1 May 2023. In October 2023, the Committee also recommended the approval of Aileen Wallace's appointment as a non-executive director of Tandem Bank Limited and Tandem Money Limited. In making these decisions the Committee were assured that both Katrina and Aileen would continue to be able to devote the appropriate time to their roles as non-executive directors of the Company and the new roles would not give rise to any conflict of interests. The external commitments of the Chair and the other non-executive directors were also reviewed and the Board is satisfied that these do not conflict with their required commitment to the Company.

The independent non-executive directors are appointed for an period of three years initially, subject to annual re-election by shareholders at the AGM. This period may be extended, following recommendation by the Nominations and Governance Committee, for two further three-year periods. The Board will not normally extend the aggregate period of service of any independent non-executive director beyond nine years. Their letters of appointment may be inspected at our registered office and copies are available from the Company Secretary.

Each of the non-executive directors has been formally determined by the Board to be independent for the purposes of the Code and the Chair was considered to be independent on appointment. Katrina Cliffe was appointed as the Senior Independent Director on 1 December 2023. She will be available to shareholders should they have concerns which contact through the normal channels of Chair and Chief Executive Officer has failed to address or for which such contact is inappropriate. The Senior Independent Director will review the performance of the Chair on an annual basis and will consult with other Board members as part of the review. They will also consider the relationship between the Chair and the Chief Executive Officer.

Board effectiveness review

The Board undertakes a formal and rigorous evaluation of the performance of the Board, its Committees, the Chair and individual directors on an annual basis. This process follows a three-year cycle, with the 2022 Board effectiveness review being facilitated externally and the next externally facilitated effectiveness review being due to be undertaken in 2025.



Stage 1 September 2023	Proposals for the 2023 Board and Committee effectiveness review processes were reviewed and approved by the Committee, following consultation with the Chairs of the Board and its Committees.
Stage 2 October 2023	Each director completed a questionnaire for the Board and the Committees of which they were a member of. Regular attendees of each Board Committee were also invited to complete the questionnaire.
Stage 3 October 2023	The Chair and the non-executive directors met without the executive directors being present and provided feedback on their performance throughout the year for the Chair to feed into their performance reviews.
Stage 4 December 2023	The Committees reviewed the results from the committee effectiveness questionnaire and the Terms of Reference analysis. All Committees confirmed that they continue to operate effectively.
Stage 5 December 2023	The Chair completed performance reviews for all the non-executive directors. It was confirmed that all non-executive directors continue to be effective in their roles. Following discussion and feedback from the other non-executive directors, the Senior Independent Director, Katrina Cliffe, completed the Chair's performance review. It was confirmed that the Chair continues to be effective in his role.
Stage 6 January 2024	The Board reviewed the results from the Board effectiveness review, along with the Matters Reserved analysis, and the confirmation from the Committees that they continue to operate effectively. They also received confirmation from the Chair and the Senior Independent Director that all directors continue to be effective in their roles. The conclusion of the Board effectiveness review was positive, and confirmed that the Board as a whole continues to operate effectively. The composition of the Board was considered to be effective and it continued to provide successful leadership to the Group, comprising the appropriate balance of experience, skills, knowledge and diversity of background to implement the Group's strategy. The Board places significant reliance on its Committees by delegating a broad range of responsibilities and issues to them, and receives verbal updates from the Chairs of each of the Committees at the Board. Following discussions, it was agreed that the performance of the Board, its Committees, the Chair and each of the directors continues to be effective. Following consideration of the results of the review, the Nominations and Governance Committee approved an action plan to be implemented and monitored during 2024. The action plan addresses the main feedback received during the effectiveness review process.

The Committee ensured that the following actions were taken during 2023, following on from the 2022 Board Evaluation. As part of the overall Board effectiveness process, the Committee reviewed progress against the actions during the year.

Recommendations from 2022 Board effectiveness review

Actions taken during 2023

Consider how Board discussions are better able to contribute to the development of strategy.	Throughout the year, the Chief Strategy Officer and the Chief Executive Officer engaged with the Chair to develop the strategy process and ensure that strategic discussions were effective. This included making sure strategy documents were provided to members in sufficient time.
New Chief Information Officer to present regular updates to the Board to provide clarity on the Group's technology strategy and to consider the resource and capability required.	In December 2022, the Matters Reserved for the Board were amended to include updates from the Chief Information Officer on the Group technology strategy. Following his appointment, the Chief Information Officer will now present to the Board twice annually, which in 2023 included a presentation to the Board in July providing oversight of the development of the strategic plan for technology across the Group.
Understand the risks and opportunities relating to technology projects.	The risks and opportunities of technology projects are covered as part of the regular Chief Information Officer updates. A change dashboard is also provided to the Board on a quarterly basis as part of the Chief Executive Officer's report which provides further insight into these risks over the year.
Review the information the Board receives in order to monitor ESG performance and how it is incorporated into strategic discussions.	Throughout the year, the Board received several papers on ESG matters including approving the Responsible Business Framework. Additionally, the Board receives ESG metrics on a quarterly basis as part of the Chief Executive Officer's report which allows the Board to monitor ESG performance. As part of the Strategy day in December, the Board also considered climate risks and opportunities for the business and how this external force effects the Company's strategy.
Spend more time considering the wider stakeholder base including communities, regulators and politicians.	The Board now considers stakeholders in detail on a twice-yearly basis as part of a dedicated stakeholder update. This covers how the Board and the Group have engaged with each particular stakeholder group throughout the year and what actions have been taken since the previous update. Additionally, stakeholders are also considered as part of every paper following the introduction of a template for board papers. More information about our improvement to Board processes can be found on page 93.
Seek shareholder views to inform Board decision-making.	The Board continues to consider shareholder views to inform decision-making. At every Board meeting, the Chief Executive Officer's report includes an update on investor relations and the Chief Financial Officer's report also includes a more detailed update on shareholder engagement throughout the period. Additionally, the Board's new cover sheet template includes consideration of all stakeholders for every paper.
Gain greater understanding around IT and cyber risks through regular deep-dive discussions.	In December 2022, the Matters Reserved for the Board were amended to include updates from the Chief Information Officer on the Group technology strategy. The Chief Information Officer now attends the Board bi-annually and covers IT and cyber risk in these regular updates. He has also been invited to attend all Audit and Risk Committee meetings where internal audit actions, and IT and cyber risk are discussed regularly.
A dedicated training session on cyber risks will be arranged during the year.	The Chief Information Officer update which goes to the Board bi-annually covers cyber risk and will continue to do so going forward.
Review board paper structure and ensure the purpose of each paper is clear.	In 2023, a template for board papers was introduced to assist with the structure of papers and to ensure that the Board is clear on the purpose of each paper. More information about our improvement to Board processes can be found on page 93.

Stuart Sinclair

Chair of the Committee

14 March 2024