IPF PLC- Remuneration Policy

1. Introduction

The Remuneration Policy was approved by shareholders of IPF plc (the “Company”) at the 2023 AGM and took effect from 27 April 2023. It is intended that this Remuneration Policy (the “2023 Policy”) will apply for three years from the date of its approval and if any amendments need to be made to the 2023 Policy within that timeframe, it will first be presented to be voted upon by shareholders.

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 came into 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.

2. Policy Purpose

The purpose of the 2023 Policy is to align directors’ pay to strategy. 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 below); 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.

Executive director and senior management remuneration is structured so that individuals are only rewarded for the successful delivery of the key strategic priorities of the Company over the short and long-term.

3. Policy Requirements

3.1. 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 Remuneration Committee's (the " Committee") 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.

Purpose and link to strategy	Operation	Maximum opportunity	Metrics, weightings and period
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.

Purpose and link to strategy	Operation	Maximum opportunity	Metrics, weightings and period
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).

Purpose and link to strategy	Operation	Maximum opportunity	Metrics, weightings and period
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.

3.2. 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.

Notes to the 2023 Policy tables

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.

3.3. 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.

3.4. 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.

3.5. 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.

3.6. 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.

3.7. 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.