Focused on being a responsible business

Our Responsible Business Framework

As a global lending business, we have the responsibility and opportunity to make a real difference to our customers' financial futures and to contribute to the creation of a low-carbon, fairer and more ethical society. We aim to ensure that our business serves the interests of all our stakeholders, from investors to local communities. By placing the safety and wellbeing of our people and the planet at the centre of our business, we also consider the needs of society at large and deliver returns for all.

2023 highlights

2050
net zero target approved

£177m
total tax contribution in 2023

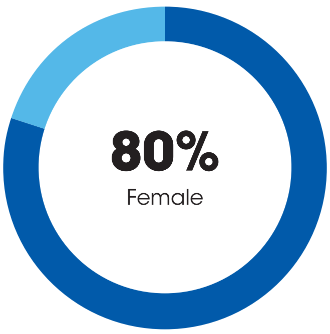
500+
training programmes delivered to over 21,000 colleagues

£893,000
total community investment

16,000
customer representatives attended our Learning Academies

69,000
people assisted through our global Invisibles programme

Global workforce



Our Global People Survey results

In 2023, our Board approved our Responsible Business Framework, an overarching vision for how the Group should contribute to a more sustainable world and how we can contribute to the objectives of the United Nations Global Compact. Our Responsible Business Framework is also an important part of how we deliver our purpose of building a better world through financial inclusion. Our Board endorsed a vision for our Responsible Business Framework which sets out how we are committed to improving the social, economic and environmental wellbeing of the communities of which we form part. The vision states that we will conduct our business in a socially responsible and ethical manner, and we respect the law, support universal human rights, protect the environment and benefit the communities where we operate.

We have sought to drive real change in the markets in which we operate and those sustainability topics where we can make a difference. In this section you can read more about how we performed in 2023 for our stakeholders and the areas we will be focusing on in 2024.

Materiality assessment

Where we want to make a difference

In 2023, we conducted our first materiality assessment to engage formally with our internal and external stakeholders to identify the sustainability topics that were most important to them. This work is the foundation of our Responsible Business Framework and was designed to ensure that our efforts remain focused on those areas where we can have the greatest impact and which are most important to our stakeholders. Our first materiality assessment has been used by the Board and our senior leadership team to inform strategic decision-making, including reviewing our 2024 strategic plan, and prioritising themes in our external reporting.

Completing the materiality analysis

We have a large number of stakeholders, each with different expectations. We adopted a systematic approach to materiality to ensure all perspectives could be included. We reviewed a range of external ESG risks and defined topics as being material if they have a substantial likelihood of influencing the judgement and decisions of key stakeholders and impacting business performance significantly. This formed the basis of our stakeholder engagement exercise which included consulting with customers in each division, suppliers, colleagues (including our Board and senior leadership team) and our top ten shareholders. The resulting output was our materiality matrix detailed below.

How we did it

1 Desk research

Reviewed external reporting standards and other relevant sources to create long list of potential topics.

2 Stakeholder identification

Identified our stakeholders - customers, colleagues, suppliers, NGOs and investors.

3 Management input

Reviewed the long list of potential topics to determine shortlist of topics to share with stakeholders.

4 Materiality surveys

Quantitative online surveys undertaken anonymously by internal and external stakeholders.

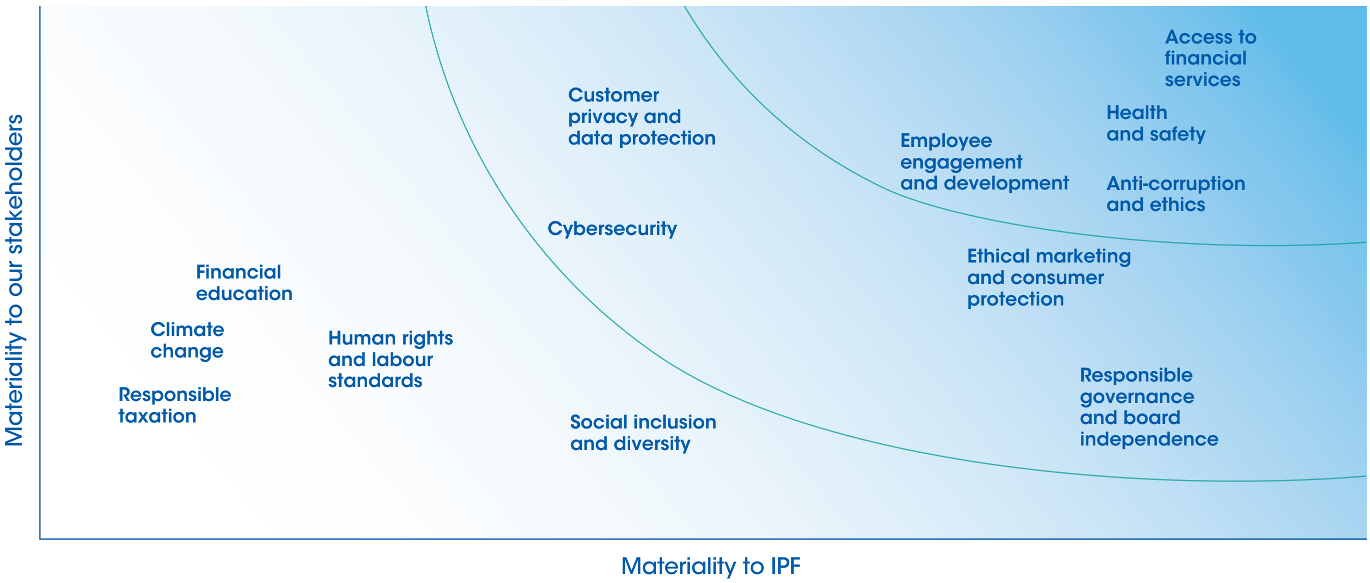
5 Analysis and interpretation

Results were weighted to reflect the appropriate level of importance to the Group.

6 Results report

Outputs discussed as part of Board strategy process and internal stakeholders informed to assist decision-making.

Materiality matrix



Key takeaways

Access to financial services is the Group's most material theme and was shown consistently across all stakeholder groups. This aligns with our purpose and the work we do on financial inclusion. Similarly, **financial education** underlines the fact this is a topic where we can have a significant societal impact through our community investment activities.

Health and safety is a highly material topic reflecting the importance of customer representatives to our business and their unique role in connecting with customers where they live.

Responsible governance and board independence, human rights and labour standards, and anti-corruption and ethics reflect the expectations to demonstrate transparency in all our activities and maintain high governance standards.

Overall, this exercise indicated there is strong alignment between our Responsible Business Framework, our 2024 strategy and the material sustainability themes identified.

Each of the topics set out on the materiality matrix is covered in more detail on pages 48 to 66.

Stakeholders in focus

In this section, we provide insight into how we worked with four key stakeholder group in 2023; our customers, colleagues, suppliers and communities.

Our customers

Our products and services are aimed primarily at the financial inclusion of underserved consumers. We offer our customers a range of digital and face-to-face lending and credit solutions as well as associated insurance products, with multiple options for disbursements and collections.

Our customer vision

Whilst each of our markets is unique and our strategy reflects this, our overarching theme is our vision of a community of customers choosing a range of affordable consumer finance and value-added services across all our markets. Achieving this goal means ensuring that we meet customer expectations with products that are affordable, flexible and transparent. We also want to make customer experience an additional reason for our customers to choose, and then stay, with us.

We look to achieve these ambitious objectives through our 'customer vision', the building blocks of which are detailed below.

Our customer vision

Our customer vision
A community of customers choosing a range of affordable consumer finance and value-added services.

Who we are serving
People in need of affordable consumer finance loans and value-added services to help support their everyday lives.

Our customer value proposition
A family of simple, affordable and accessible consumer finance products and channels.

Our markets
Countries with high proportions of low to medium income communities.

Promises	Flexible	Transparent	Valued	Supported	Personal	Timely
Capabilities	Products and services	Communication	Great processes	Customer experience culture	Systems, tech and data	
Products and services	Instalment loans	Credit cards	Revolving credit lines	Mobile wallet	Insurances	Other value-added services
Channel	Customer representative	Hybrid	Digital	Call centre	Retail partnerships	

Think Customer programme

Our Think Customer programme enables the delivery of our customer vision. It is a programme dedicated to putting our customers at the heart of the business and the decisions we make, enabling our colleagues to deliver superior customer experience. The programme is now well established in our home credit businesses and will be extended to our digital businesses in 2024. Through this programme we have:

- mapped our customer journeys and use this insight to help us focus on where we can improve the current customer experience;
- identified the moments that really matter to our customers, to ensure we are there at these times to respond to their needs;
- clearly communicated our customer promises and ensure we deliver on them every time, for every customer;
- focused behaviours and relationships to make sure we can truly empathise with our customers; and
- sought to measure our performance from our customers' perspective, using a voice-of-the-customer programme to understand and improve how we operate.

Our commitment to our customers

In 2023, we launched our "Customer Promise", which sets out the standards for how we engage with our customers and is based on what we understand matters most to our customers. The Customer Promise aligns to the broader lending cycle and governs our actions at every stage of the process. Put simply, making promises and keeping them is a great way to improve customer satisfaction.

In 2023, we introduced training for all our customer-facing colleagues focused on our customer service standards. These standards bring to life for our front line colleagues how they can deliver the Customer Promise. This training is delivered via our e-learning platform after which every member of the team must pass a competency test.

The training and development focused on:

- product and sales training with a specific emphasis on responsible sales practices for all customer-facing roles including customer representatives, sales leaders and contact centre colleagues; and
- training on compliance and regulatory matters relevant to specific markets for all customer-facing roles.

Our Customer Promise

Flexible
You want access to a loan that meets your personal circumstances

Our promise: Our dedicated team will work with you to understand your needs and find products and services tailored to your circumstances. You can choose different loan terms and repayment options to meet your personal situation.

Valued
You want to be recognised and appreciated for your custom

Our promise: We value our relationship with you and will go the extra mile to appreciate your commitment. We will communicate with you in a relevant and timely way. We do our best to give you access to additional services, rewards, discounts and special offers.

Personal
You want a trusted partner

Our promise: We treat you with humanity. We don't hide behind jargon and difficult language. Our colleagues will explain the terms of your credit agreement, the repayment terms and any risks connected with missed repayments in an easy to understand way.

Transparent
You want clear information and no surprises

Our promise: We won't hide behind the small print. We will provide you with clear terms and conditions in an easy-to-understand way. You will know all the costs and borrowing options available to you from the beginning to the end of your relationship with us. Your repayment instalments and total amount owed won't change during the contract.

Supported
You want us to be flexible and adapt our services when your circumstances change

Our promise: Our dedicated team are here to help and support you whenever you need us. We care about understanding your situation and your needs. If there are changes in your circumstances, we will be flexible and work with you to find a solution to help you and keep you in control.

Timely
You want a convenient and effortless application process

Our promise: Our flexible application processes mean you can choose the one that is right for you. You can apply online, by calling our contact centre or have one of our customer representatives visit you at home. After signing the contract, you will receive the funds quickly in cash, by cheque or payment into your bank account.

Monitoring what our customers think

In 2023, we evolved the way in which we track our customer experience with the introduction of a revised set of metrics. A single Think Customer dashboard for each market is published and reviewed monthly by senior management, and actions taken where required. We also monitor our performance with customers using a series of measures including transactional satisfaction with our products, and satisfaction with customer representatives and call centre colleagues. In addition, we review and monitor satisfaction with key processes such as issuing loans, and engaging with our website and colleagues. There are also specific customer surveys focusing on our customers post-sale understanding of the products and services they have chosen. The level of service we provide continued to be excellent in 2023 as demonstrated by our Net Promoter Score (NPS) benchmarking assessments which, at December 2023, was +69 for the Group and unchanged compared to 2022.

Customer Appreciation Week

Our customers want to feel valued and appreciated. We have designed a programme of activities to show our customers that we care. During Easter 2023, we visited 770 customers and gave them a gift as part of our first European home credit Customer Appreciation Week.

Meeting our customers' changing needs

Increasingly, consumers want easy, fast access to their finances and to be able to use online and mobile channels when they interact with their financial providers. We have responded by building our product and channel range to reflect this trend. In 2023, we significantly increased the roll out of our new credit card offering in Poland, launched our mobile wallet in Mexico and introduced digital lending in Romania.

Investment in our digital capabilities throughout 2023 enabled us to improve customer engagement as well as deliver on our customers' increased expectations to be able to self-serve through our mobile wallet or customer apps. Following a successful test in 2022, we extended our retail partnership strategy to expand our reach in Romania by linking with leading retailers eMAG and Flanco.

See page 23 for more information.

Think Customer Heroes

Think Customer Heroes is a recognition programme for employees and customer representatives which has been designed to reward exceptional commitment to customers. Colleagues are nominated for various categories including excellent customer service, initiatives to improve our customer experience and best service quality measurement. This recognition programme is also a great way of highlighting best practices to other colleagues.

Acting ethically

We are proud that so many of our customers are from groups that have historically been excluded from access to financial services. Around 60% of customers are female and around 40% of our home credit customers live in rural locations.

Our overall approach to customers, products and services is owned at a Group level by our Chief Marketing Officer, who works closely with Heads of Marketing in each market. Consideration of new products and assessment of the performance of existing products from a customer satisfaction perspective is reviewed regularly by Local Product Development Committees, which are established in each of our markets. More significant product, promotion and pricing changes are reviewed by the Global Product Development Committee, which is chaired by the Chief Marketing Officer. Product risk is one of the key risks in our Group Enterprise Risk Framework which enables this risk category to be monitored and appropriate mitigation measures undertaken where required. Ultimately, the Board oversees the management of customers and receives regular market intelligence tracking the Group's performance on a range of customer-related metrics.

In every market, all our marketing communications are prepared with the objective of meeting relevant legal and regulatory standards, and to ensure our customers understand the credit commitment they are choosing. Our advertisements, promotions and product information are created in a way that they are easily understood, accurate, do not mislead and comply with applicable regulation. We are always very clear when it comes to the price of our products with all cost information explained clearly in our contracts with consumers. Our Global Pricing and Promotions Policy sets out how we ensure fair advertising policies and procedures globally, which are complemented by market guidelines on this topic.

As part of our commitment to responsible lending, we emphasise prudent practices at the credit underwriting stage to proactively mitigate potential debt-related challenges. Our approach includes a thorough examination of internal and external data and a comprehensive assessment of customers' income and expenses to ensure loan affordability. In the home credit businesses, where our customer representatives establish a direct relationship with customers, we benefit from early insights into potential repayment issues. This personalised interaction allows us to address concerns proactively. In instances where a customer encounters difficulties, we allow borrowers to miss or make reduced repayments, although we are careful to ensure that extended use of this option does not lead to financial difficulty.

Should a customer go into arrears, we demonstrate forbearance by collaborating on short-term arrangements tailored to their circumstances. It is important to note that we do not restructure debts to bring customers back into compliance, as this could distort our impairment metrics and potentially mislead other lenders, given the lack of appropriate markers in credit bureaux across all our markets. In cases where customers find themselves in arrears, we exhibit flexibility to try and come to a mutually acceptable repayment solution with them. In fact, around 95% of our customers in arrears are not charged late fees. If a customer successfully repays the loan, and their repayment levels align with our minimum loan instalment requirements, we are open to rewriting a loan to better suit their financial situation. This reflects our commitment to supporting customers on their journey to financial stability.

Handling complaints

We recognise the pivotal role of an effective complaints handling process in fostering transparency, trust and ongoing improvement. All complaints are handled in accordance with our complaints policies and relevant legal and regulatory requirements and are designed to be easily accessible for our clients.

We seek to enable customers to make complaints through a range of channels, including online, via the telephone or in-person visits. Each complaint is logged and categorised, based on severity and complexity considerations. Straightforward complaints are resolved promptly at this initial stage. For more complex cases, a formal investigation is undertaken involving our dedicated complaints team, with appropriate actions taken to address complaints which are upheld. Our approach extends beyond reviewing individual cases to include root cause analysis and actions to address any potential systemic issues which have been identified.

As is the case with all financial institutions, we do receive complaints from customers, but the level of complaints received by the Group in 2023 was low. In 2023, the total number of complaints received from customers by our home credit businesses in Europe and Mexico was approximately 60,000 which equates to around 4% of the total number of active home credit customers in the year. In these home credit businesses, the average complaint resolution time was 10 days. Our digital business globally received approximately 5,700 customer complaints in 2023, a figure equating to approximately 3% of total customers and the resolution of complaints typically took between 14 and 21 days. In 2024, we will continue to monitor complaints trends and address underlying root causes when identified.

Our colleagues

We believe passionately that the power of our people and our strong culture are key drivers of business performance. Our people strategy continues to focus on ensuring that we recruit, develop, reward and retain the high-performing people required to deliver our purpose. Throughout 2023, we continued to provide high-quality learning and personal development opportunities, and enhanced our value proposition and experience for our customer representatives. We also continued to maintain strong levels of engagement, as demonstrated by the results of our 2023 Global People Survey which is covered in more detail on page 54.

As at 31 December 2023, we had around 21,000 colleagues globally and in 2023 we recruited approximately 9,000 people across our different markets.

Diversity and inclusion

The Group is an equal opportunities employer. It is our policy that no job applicant, employee, or customer representative will receive less favourable treatment because of their race, colour, nationality, ethnic or other national origin, gender, sexual orientation, marital status, age, disability or religion. The purpose of this policy is to ensure that recruitment and progression opportunities are open to all and are based purely on merit, with all employees having the same access to training and career development. We also give full and fair consideration to applications for employment from disabled people. If an employee becomes disabled, we make every effort to ensure their employment with the Group continues and reasonable adjustments are arranged where necessary.

We undertake a wide range of activities to promote gender diversity across the organisation. This includes creating specific groups for women and offering training and mentoring designed specifically to encourage internal mobility, so that pathways for promotion are accessible to all employees.

Power of Inclusion conference

In March 2023, we held our second Power of Inclusion conference. This global online event covered a range of inclusion-related topics including how our purpose is designed to support being an inclusive employer and how neurodiversity impacts the workplace. The conference was attended by around 1,400 colleagues and featured all markets globally sharing best practice on a wide spectrum of diversity topics.

The gender split of our employed workforce is set out in the chart on page 55. The overall gender balance across the Group including all employees and customer representatives is approximately 80% female and 20% male. This reflects our large and unique customer representative workforce which is predominantly female and the fact that the majority of our front-line management roles, known as Business Relationship Managers (BRMs), are also held by women. In our European home credit business around 80% of BRMs are female. In our Mexico home credit business equivalent roles are approximately 50% held by women, up from around 11% in 2018. This improvement has been achieved through specific programmes that have sought to encourage greater gender diversity. The proportion of female senior management including direct reports of the Chief Executive Officer across the Group was 26% in 2023.

80%

of Business Relationship Managers are female

Fair pay and reward

Our comprehensive total reward approach is designed to attract, retain and engage our employees. It comprises a combination of monetary and non-monetary rewards, encompassing all aspects of our colleagues' experience with the organisation. Our pay and benefits are competitive and equitable to attract and retain talent capable of delivering the Group's strategy. Our performance pay and recognition have been developed to motivate and reward sustainable performance and the achievement of specific personal objectives aligned to our Next Gen strategy. More details are available in the Directors' Remuneration Report starting on page 110.

A key aspect of our approach is in ensuring that regular performance appraisals and feedback take place. Our performance management approach, 'Let's Talk Me', has been in place for more than 10 years and is a people-focused process that covers all employees and brings together a review of individual performance and development on an annual basis. These assessments drive development opportunities for employees across our markets.

As a result of our activities to promote gender diversity,we were recognised for our efforts in several of our markets in 2023.

Our digital business in Mexico was recognised as a Best Workplace™ for Women by Great Place to Work.

Our business in Poland received the title of Fair to Women, awarded to organisations for promoting equal treatment and equal opportunities for women.

Our business in the Czech Republic is a Golden Signatory to the European Diversity Charter and was awarded a silver medal by the European Commission's Diversity Charter in recognition of its commitment to advancing diversity and inclusion in the workplace.

Annual Learning Festival

In October 2023, we held our third global annual Learning Festival. The week-long festival comprised a mix of local and global events, and attracted 11,500 individual participations, both virtually and in person. The Festival's virtual global sessions were hosted by 21 internal and external speakers including Amazon Web Services, who brought their insight on creating a culture of innovation. Local stages were tailored to our individual markets and attracted over 9,500 attendees to 90+ sessions hosted by 120 speakers. Topics covered included personal development; technology and innovation; AI; psychological safety; and diversity.

Investing in personal development

Our human resources function includes a dedicated talent and development team which has responsibility for supporting colleagues' personal and career development needs. All colleagues are required to undertake specific mandatory training throughout the year covering areas such as health and safety and data protection to ensure that they have the capabilities necessary to undertake their roles. Beyond compulsory training elements, we also support our colleagues by providing access to high quality and relevant development opportunities – ensuring that we improve performance, increase engagement, and develop future leaders. Development opportunities are available for all colleagues, both employed and self-employed.

In 2023, we continued to evolve our career development programme for our customer-facing colleagues, building on our established learning academies by providing structured development pathways for over 16,000 customer representatives. The academies cover topics such as professional skills, personal development, and financial education.

We created dedicated leadership development pathways for our sales leaders through our 'MyBusiness' programme, which aims to equip future sales leaders with the skills to thrive in new roles. The programme covers areas such as building a commercial mindset and sales leadership. It also includes workshops delivered by our finance function, individual development sessions with internal development consultants and leadership assessment tools from external providers.

Using our global learning management system, we created and shared global development opportunities, whilst also partnering with LinkedIn Learning, Pluralsight, and Harvard Business School to provide development materials and experiences for colleagues throughout the Group.

The table below sets out the number of colleagues provided with training and development opportunities in 2023

		European home credit	Mexico home credit	IPF Digital	UK	Total
Number of people trained in 2023	Customer representatives	7,605	9,683	n/a	n/a	17,288
	All other employees	2,616	2,783	143	130	5,672
Number of training programmes delivered in 2023	Customer representatives	110	5	n/a	n/a	115
	All other employees	324	19	16	32	391

Care and wellbeing for our people

We place substantial emphasis on ensuring that our people are safe and connected, and feel a true sense of wellbeing, both because it is the right thing to do and also because our ability to serve our customers well relies on having highly engaged and skilled colleagues who adhere to our values and ethics. CARE is how we describe our approach towards our people, and it sits at the heart of our culture.

In 2023, our CARE plan focused on four key pillars:

- engaging with our colleagues to understand which elements of wellbeing are most important to them;
- mental health;
- activities to improve physical health; and
- social events to increase togetherness.

Highlights in 2023 included our Romanian business being recognised as a Top Wellbeing Employer of the year; a number of colleagues becoming accredited as mental health first aiders across the business; a range of health screening campaigns; and many social events created to bring colleagues together.

From a policy perspective we support freedom of association, fair terms of employment, safe working conditions for our employees and collective bargaining, consistent with our position as a signatory of the UN Global Compact. We also have flexible working policies in place in all markets for all employees encouraging a healthy work-life balance. In addition to these policies, we also have part-time roles and maternity/paternity options.

Developing customer representatives

We work with over 16,000 customer representatives who serve our home credit customers across five different countries. They are critical to our business and delivering financial inclusion. Following an extensive process of engagement including a comprehensive series of focus groups, we refreshed our customer representative experience in 2023. We created seven programme streams from recruitment and onboarding to recognition and communication. The result was the creation of dedicated learning pathways and refreshed communications processes – including new customer representative forums and more recognition schemes for high-performers.

The results of our 2023 Global People Survey demonstrate that this initiative has contributed to a material uplift in positive sentiment among customer representatives – with a 95% participation rate, improved outcomes in 3 of the 4 areas covered by the survey and a 10% increase in their "Cared" score. See page 54 for more details.

In 2023, we completed our programme of establishing formal employee and customer representative forums for all our home credit markets. These forums are designed to be representative of the entire workforce in terms of location, business division, length of service and seniority and are designed to enable the views of colleagues on a range of key matters to be heard.

Another key method for understanding the views of colleagues is our Global People Survey, which informs our people strategy and was undertaken in 2023. The survey assesses cultural alignment under four dimensions – pride, cared, challenged and inspired. We received a total of 20,605 responses, equating to a 95% completion rate, which is 2% higher than in 2021 when we last ran this survey. The overall positive responses were 81% for our customer representative population, and 77% for our employee group.

2023 Global People Survey results

The key themes emerging from the survey and subsequent focus groups were:

Pride

Our view

There is a strong positive correlation to our purpose of building a better world through financial inclusion and colleague pride.
As a result, we will continue to ensure that everyone understands their role in delivering our purpose and build on our employee value proposition.

Cared

Our view

Our people appreciate the focus that the Group places on wellbeing and the attention placed on caring for people. As a result, we will continue to evolve the work we are doing, building a strong programme of activity around psychosocial risk and wellbeing throughout 2024.

Challenged

Our view

A key theme is ensuring that we have the right management capability and tools to lead our teams and business. Colleagues appreciate the investment in their careers and personal growth and development, and it is important that we continue to invest to ensure our people have the right capabilities.

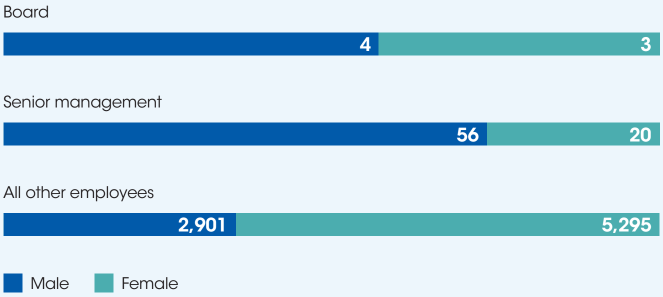
Inspired

Our view

Our people believe strongly in our values of being responsible, respectful and straightforward, and we need to continue to maintain awareness and ensure alignment with our values for existing and new colleagues.

Our colleagues in numbers

Gender split of employees at 31 December 2023



* All other employees* include customer representatives in Hungary and Romania where they are employed to meet local legislation

Gender split of all colleagues including self-employed customer representatives

	Total			
	Male		Female	
	Count	%	Count	%
Senior management	56	74%	20	26%
All other employees (except customer representatives)	2,369	47%	2,708	53%
Customer representatives	2,008	13%	14,053	87%

Senior management includes two executive directors

Age split

	Total
Senior management	**76**
Under 30	0
30 to 50	54
50+	22
All other employees*	**5,077**
Under 30	849
30 to 50	3,697
50+	531
Customer representatives	**16,061**
Under 30	2,814
30 to 50	8,992
50+	4,255

Colleague turnover and stability

	Total
Stability of employees*	80%
Turnover of employees*	22%
Stability of customer representatives	68%
Turnover of customer representatives	41%

* Employees excludes customer representatives in Hungary and Romania. These are included in the customer representative category.

Our suppliers

Our goal is to co-operate with informed and engaged suppliers who understand how their products and services contribute to the delivery of our purpose and business goals and who also act according to our values and culture.

Our supply chain

In 2023, we spent around £181m on a broad range of products and services with almost 2,700 suppliers globally. We categorise our suppliers into four tiers – strategic, critical, leverage and routine, depending on an assessment of defined business risk factors and spend. Of our global suppliers approximately 120 are deemed strategic or critical. The major areas of expenditure within our supply chain are marketing, property services, professional services and IT.

Doing business responsibly with suppliers

Our procurement and supplier management activities are provided by an internal procurement function, which is part of the Group's broader finance function. The procurement function is responsible for managing risks relating to supplier relationships including potential breaches to approved sourcing processes. Their actions are overseen in each of our markets by a Local Procurement Committee, which comprises members of the local board and procurement function, and which meets every quarter. Important matters, including any suppliers evaluated as high risk, are reported subsequently to the Global Procurement Committee which meets on a quarterly basis and comprises members of the Group's procurement, finance, legal, and internal audit functions.

The Group's Global Responsible Procurement Policy and Global Procurement Standards document the minimum standards for our engagement with suppliers, including sourcing, supplier selection, supplier risk management, contract requirements and supplier management and evaluation processes. The Group's Global Responsible Procurement Policy is approved by the Chief Financial Officer.

Creating a sustainable supply chain

Our Global Responsible Procurement Policy and Global Procurement Standards detail our approach to managing our supply chain sustainably. Our supplier due diligence process involves identifying, assessing and monitoring supplier practices in the areas of human and labour rights, the environment, health and safety and anti-corruption. This is achieved through the undertaking of a risk assessment with suppliers against relevant standards in each of these areas. This effort is designed to ensure that relevant principles and standards are upheld throughout our supply chain and is in line with our commitment to the UN Global Compact.

Our Board recently approved our updated Code of Ethics which will be shared with all our strategic and critical suppliers who are required to adhere to equivalent behaviours and standards. Suppliers can raise any matters of concern through our whistleblowing channels.

We pay suppliers promptly and within contracted periods.

We believe that given the markets we operate in, modern slavery and human rights remain the most significant potential sustainability risks within our supply chain. In 2023, we undertook a comprehensive human rights and modern slavery assessment process which identified suppliers of cleaning, maintenance and facilities services to be the greatest potential risks areas in our supply chain. Following this assessment, we amended our supplier segmentation procedure to include these risks in our evaluation criteria and extended our definition of critical suppliers to include relevant suppliers. This will mean that over the next 12 months all suppliers in these categories will be evaluated for human rights and modern slavery risk.

Engaging with suppliers

The procurement function engages with suppliers to better understand their perspectives on the Group. Those suppliers which are assessed as strategic or critical are the focus of our engagement activity. Engagement takes place through multiple channels, from discussing with specific suppliers when at the point of contract renewal or termination, tender processes with existing and potential suppliers and dedicated supplier relationship management activities. The discussions with existing suppliers address their performance including on sustainability matters. The materiality assessment process, which is explained in more detail on page 47, was another source of useful insight on what matters to our suppliers.

In 2024, we intend to build on the progress made in 2023 and plan to work with suppliers to reduce their greenhouse gas emissions, extend the number of suppliers covered by our risk management evaluation procedures and continue to integrate sustainability considerations into our Global Procurement Standards.

Our communities

We are committed to contributing to the social and economic development of the communities in which we operate. Our main focus is on helping those groups who struggle with financial inclusion, by ensuring their stories are heard and supporting financial education activities, both directly and via NGOs.

We also invest in a broad range of community activities which are important to our colleagues and communities. By fostering financial inclusivity and social equity, we aim to create more sustainable and resilient communities. Our community strategy comprises three elements - our Invisibles programme, financial education and colleague volunteering opportunities.

There are several ways in which we support our communities: financial contributions, in-kind contributions and employee involvement. Our total financial community investment in 2023 was £893,000.

The Invisibles programme

We recognise that financial vulnerability, stemming primarily from economic disparities, poses a significant challenge and that we have an important role to play in addressing this issue.

Our Invisibles programme was created to ensure those segments of society that currently struggle to access financial services become visible to stakeholders and are also provided with practical help. The programme has four elements:

1. **Identify:** Studies commissioned by independent third parties to identify the underbanked groups in each of our markets provided meaningful insights concerning the specific challenges they face.
2. **Highlight**: Publish the results of the study to highlight the insights we have gathered and what it means for that market.
3. **Engage:** Initiate dialogue with relevant stakeholders on what practical steps would improve the situation of the identified invisible groups.
4. **Help:** Identify a relevant NGO partner to enable joint working to offer help to one or more selected invisible groups.

The programme allows us to focus on the most vulnerable groups in society and help to address their specific needs. By the end of 2023, all four elements had been established across all our European markets and the programme had been launched in Mexico. The total number of people we helped through the programme during the year was approximately 69,000.

In 2024, we plan to extend our efforts to reach new invisible groups and we remain dedicated to advancing our social initiatives to make a lasting and positive impact on financially vulnerable people.

Financial education

We are supporting children in Hungary to develop their financial literacy skills.

"Financial literacy is a crucial life skill that empowers individuals to make informed decisions about their finances, plan for the future, and secure their financial wellbeing. In most markets where we operate a significant proportion of the population lack the knowledge necessary to make sound financial choices."

Our research into financial wellbeing suggests many people in our markets do not receive a formal financial education and would value the opportunity to learn more about financial management.

We have implemented comprehensive financial literacy programmes targeted at empowering financially vulnerable individuals. These initiatives, include workshops, webinars and educational materials aimed at improving financial knowledge, developing budgeting skills and supporting long-term financial planning

They also provide volunteering opportunities for our colleagues to impart their knowledge and expertise on these topics for the benefit of financially vulnerable individuals.

£893,000

invested in our communities

3,295

colleagues volunteered in their communities

Colleague volunteering

Our team in Romania dedicated time to help renovate properties at Motivation Camp, an initiative supporting people with disabilities in learning how to adapt to using their motorised wheelchair.

Thousands of our colleagues make a difference in their communities through volunteering in both company time and their own.

In 2023, they donated their time and skills to support a range of community projects from financial education to environmental causes. Our volunteering programme also helps improve teamwork, engagement and motivation.

Our focus for volunteering is brought together with our annual Volunteer and Financial Inclusion Month, which we organise each May. This exciting international effort brings colleagues together from ten countries to take positive action in the communities they serve and to support local causes through volunteering and fund raising. In 2023, some of the events were linked to our Invisibles programme while others supported environmental and local charity fund raising efforts.

For the year as a whole, around 3,295 colleagues volunteered to support charities and people in need.

Colleagues in Poland getting props ready to host a workshop for children to discuss finances, savings and entrepreneurship.

Invisibles and financial literacy in action

Mexico: Funding provided to Save the Children by our Mexico home credit business was used to help 'invisible' young adult migrants access the labour market. The partnership was aimed at developing their employability skills and around 1,000 people participated in the programme.

We also ran five financial education programmes during 2023 in conjunction with a number of NGOs which enabled around 15,000 students from Puebla, Nuevo León, Guanajuato and Guadalajara to build their financial knowledge.

Poland: We partnered with the Polish Federation of Consumers and Ukrainian Women in Poland to launch our 'Don't be invisible' financial and customer education programme. We organised workshops for 200 female refugees from Ukraine to build their knowledge of financial and consumers' rights in Poland. The programme was also recognised with a Golden Laurel Award. We also created an award-winning fairy tale for children focused on personal finance in conjunction with the Zaczytani Foundation. The book, which was also recorded by our employees and customer representatives to create an audio version, was distributed to 14,000 schools, youth centres and childcare organisations across Poland.

Hungary: We partnered with a leading Hungarian charity that helps families living in poverty to provide a programme on financial education. We also began working with the Semmelweis Medical University to undertake a roadshow around the country offering financial and health education to seniors.

Czech Republic: We highlighted the lack of support for social workers, who can be financially vulnerable and often have limited mental health support. We worked with a local NGO to help address these challenges.

Romania: We created an online education platform to help economically marginalised groups re-enter the workforce, which was used by more than 15,000 visitors to the site during the year. We also provided workshops on employability, financial education and change management which were attended by over 600 people.

Educating the next generation

In Hungary, as part of our long-term financial literacy programme, we supported a financial literacy summer camp for 30 children whose families live in extreme poverty. Organised with our established community partner, Hungarian Interchurch Aid (HIA), the children developed new skills ranging from sport to learning about money and basic finances.

"The Invisibles programme addresses the financial vulnerability and illiteracy of our clients which impedes them from progressing with their lives. This partnership allows us to offer financial education in a sustainable and impactful way."

Laszlo Lehel,
Chair and CEO of Hungarian Interchurch Aid.

IPF Digital: Our digital business in Mexico collaborated with leading NGO, AMFE (Mexican Association of Financial Entities), to create engaging and easily accessible financial literacy content including a comic to help our customers develop their financial skills.

IPF in society

Our Code of Ethics

Our Code of Ethics is designed to ensure everyone working for the Group understands how we deliver on our purpose and how to act ethically and with integrity at all times. Our Board recently approved our updated Code of Ethics which can be viewed on the policies section of our website at www.ipfin.co.uk. The Chief Legal Officer has Board responsibility for oversight of ethical issues.

The Code communicates the minimum standards which we expect from all colleagues. We take breaches of our Code of Ethics very seriously and they could result in disciplinary action. If our colleagues have any concerns about the provisions of the Code not being followed, we encourage them to report this at the earliest opportunity. Whistleblowing processes are available if for any reason reporting to line management is not appropriate or preferred.

In 2023, we held our ninth annual global Ethics Week which is a series of events, training and communications for all full and part-time employees and customer representatives on topics relating to ethics. 97% of all employees and customer representatives globally completed our online annual ethics training in 2023.

Our updated Code of Ethics will be translated into local language and communicated to all employees and customer representatives throughout 2024 to ensure all of our people understand its requirements fully and the part they have to play in upholding the Code. The Code will underpin all activities planned for our 2024 Ethics Week.

Human rights

The Group is a member of the UN Global Compact. Our commitment to this initiative, together with the standards of the United Nations Universal Declaration of Human Rights and the United Nations Guiding Principles on Business and Human Rights, is set out in our Corporate Sustainability Policy and our specific approach to human rights is set out in our Human Rights Policy. Both policies can be accessed on the policies section of our website and are approved by our Board.

Our Human Rights Policy sets out our commitment across the entire Group to respecting internationally recognised human rights standards and codifies our responsibility to take appropriate steps to identify, prevent and mitigate human rights risks and to take action to remedy any adverse impacts we identify. This Policy sets out our risk assessment procedures and controls to detect and mitigate human rights risk in our business and supply chain together with our approach to raise awareness of these absolute and fundamental rights. In 2024, we plan to undertake additional targeted due diligence on suppliers we assess to be as high risk for potential modern slavery and human rights violations.

Combating financial crime

We are committed to combating fraud, bribery, extortion, collusion, money laundering, tax evasion, terrorist financing and all forms of financial crime and corruption and have a zero-tolerance approach to these matters.

The Group Fraud Manual and the Group Anti-Money Laundering (AML) Framework define minimum standards and controls for all markets on fraud, AML, terrorist financing and financial crime. Our markets can create additional requirements to reflect local legislative requirements. The Group Fraud Risk and AML Manager has overall responsibility for the development and implementation of these controls and standards and leads a dedicated loss prevention function, which operates in all of our markets and ensures adherence to the Group standards. Management information is monitored to track trends and patterns of behaviour relating to fraud and AML risks. Suspected frauds and instances of money laundering are investigated by the loss prevention function and, where identified, appropriate steps taken to address underlying control weaknesses.

Compliance with these standards is overseen on a market basis by local Loss Prevention Committees, comprising senior management in each market, which reviews management information to track trends and patterns of fraud. The output of this activity is then monitored at Group level via the Group Credit Committee. The Group's Audit and Risk Committee has oversight of these systems and controls and receives bi-annual updates on this topic.

The Group Fraud Risk and AML Manager carries out annual reviews of each market's systems and controls to ensure compliance with the minimum standards detailed in the Group Fraud Manual and the Group AML Framework as well as reporting quarterly to the Group Risk Assessment Group as risk owner of the fraud and AML risk category.

In 2023, incidents of fraud remained low and within risk appetite. Continued improvements in the fraud control environment were also evident following the implementation of new technology solutions. In 2024, we intend to leverage this technology further to improve efficiencies and effectiveness in our fraud detection capabilities.

To ensure that the Group is not used to launder the proceeds of criminal activity and/or facilitate the financing of terrorist organisations, a variety of methods are used to ensure compliance with legislative requirements. These include automated processes to perform checks against sanctions lists and high-risk countries, and transaction monitoring against defined thresholds at the point of credit application and during the lifetime of a loan.

Bribery and corruption

Our commitment to countering bribery and corruption is detailed in our Anti-Bribery and Corruption Policy, which is approved by our Board and available on the policies section of our website. This Policy seeks to ensure the Group complies with anti-bribery and corruption laws in all markets where we do business as well as complying with the requirements of the UK Bribery Act. To ensure compliance with the policy, we conduct market-level anti-bribery risk assessments annually. Corruption risks are managed by an established framework including first line functional controls, second line oversight and specialised risk management with control assurance and investigations conducted by subject matter experts and third line independent assurance provided by the Group's internal audit function.

In 2023, we revised our Anti-Bribery and Corruption Policy to formalise the Group's zero-tolerance approach to corruption and our mechanisms and controls to combat bribery and corruption including risk assessments and annual compliance checks, along with our processes for recording and assessing conflicts of interest and gifts and hospitality. Training on this topic was provided for employees and customer representatives in 2023 and relevant functions received additional targeted training. There were no substantiated reports of bribery or corruption in 2023 across the Group.

Whistleblowing

The Group has mechanisms to enable individuals to raise concerns about wrongdoing or breaches of the law in the Group's operations or business relationships. These internal and external mechanisms for seeking advice and reporting concerns about unethical or unlawful behaviour and organisational integrity are formalised in the Group Whistleblowing Policy which is approved annually by the Board and available on the policies section of our website. This Policy, which is implemented in local language in all the markets in which we operate, states that there should be no retaliation against whistleblowers, sets out how to raise a concern and details processes for ensuring reports are handled properly.

Anyone, including all employees, customer representatives, customers and suppliers, can raise concerns through the whistleblowing processes which the Group has in place. Reports can be made to independent services which are available at any time and enable concerns to be raised in a variety of languages, and anonymously if preferred. All whistleblowing matters, however reported, come under the governance processes set out in the Group's Whistleblowing Policy.

The Whistleblowing Policy and relating processes are owned by the Chief Legal Officer and maintained by the Group legal function. These whistleblowing systems and investigation processes are overseen by the Group Ethics Committee, which comprises the Chief Executive Officer, Chief Financial Officer, Chief Human Resources Officer and Chief Legal Officer. The Committee receives quarterly updates on outstanding whistleblowing cases and acts as an immediate escalation point for any cases assessed as "significant". The Group's Audit and Risk Committee receives bi-annual reports from the Chief Legal Officer covering statistical data on whistleblowing reports and a summary of notable cases and key follow-up activity from the previous reporting period.

We perform an annual compliance check to ensure that whistleblowing policies and processes are embedded in all our markets, governance is in place for escalation, investigation and reporting of cases, local boards are engaged in the importance of whistleblowing, the service is well communicated across the business and whistleblowers are protected from retaliation. Our whistleblowing processes comply with all requirements of the EU Whistleblowing Directive and local implementing legislation.

In 2023, we updated our Group Whistleblowing Policy and processes to reflect developing best practice in this area. We continued to embed processes and raise awareness through internal communications to our employees and customer representatives and our annual ethics training, which included the importance of this issue. We appointed our legal directors to champion the importance of speaking up and the value that this transparency brings to our business.

In 2023, a total of 438 whistleblowing reports were received. All of these concerns were, or are being, investigated and resolved. 69 of the reports made (16%) were found to be unsubstantiated.

Managing conflicts of interest

Our Conflicts of Interest Policy provides colleagues in every market with the guidance necessary to know how to identify and declare potential conflicts as well as setting out requirements to manage any such conflicts ethically and in line with best practice. Our Responsible Procurement Policy and Global Procurement Standards include processes to ensure conflicts in our supplier relationships are managed appropriately.

In 2023, there was a renewed focus on ensuring the Group's policies for managing conflicts of interest were effective and reflected best practice. In 2024, we plan to provide training on managing conflicts of interest to those areas of our business where this is a particularly relevant issue and will embed our processes for recording and managing of potential conflicts across the Group.

Modern slavery and child labour

We take the steps required to ensure that no forms of modern slavery including forced labour, child labour, human trafficking or any practices detrimental to employment rights are taking place in our business.

The Group's position on modern slavery is set out in our Modern Slavery Policy, which is approved by our Board and available on the policies section of our website. It includes specific prohibitions against the use of forced, compulsory or trafficked labour, or anyone held in slavery or servitude, whether adults or children, and states that the Group expects the same high standards from all of its contractors, suppliers and business partners.

Oversight of compliance with the policy is managed by the legal function, which works closely with the human resources function and procurement function. As well as overseeing the Group's Modern Slavery Policy, the Board receives an annual update showing how processes to combat this risk have performed through the year.

To address the risk of modern slavery in our own workforce, the Group's Human Resources Control Framework and relevant human resources policies are designed to ensure a safe, fair and inclusive workplace for all our employees and customer representatives. All employees are provided with a written contract of employment and steps taken to ensure that anyone employed has a right to work. The Group does not employ children and has processes in place to ensure that there are no incidents of withholding wages, confiscating documents or similar. Our annual ethics training includes modern slavery to ensure our colleagues are aware of the issues involved, understand how to identify signs of modern slavery and what to do in response.

In 2023, we updated our Global Procurement Standards to ensure that an annual risk assessment process for modern slavery is embedded across all our suppliers to identify those in a location and/or industry with a high prevalence of modern slavery risk, and carry out further due diligence on any potential coercive or exploitative practices. We include an anti-modern slavery clause in all negotiated supplier contracts and/or obtain alternative assurance on suppliers' policies and processes. There were no suspected cases of modern slavery reported in 2023.

In 2024, we will continue to enhance the measures in our supply chain designed to deal with this area. We will also update our annual e-learning training to ensure it is relevant and provide targeted training for employees involved in recruitment or procurement on this topic.

Health and safety

We are fully committed to the health, safety, and wellbeing of our colleagues. The Board has overall responsibility for this area and receives an annual safety report on performance. The Group Credit and Risk Director is the executive responsible for health and safety. The Group Safety Manager leads a global team of health and safety professionals across each of our markets, all of whom are responsible for the implementation of our Global Health and Safety Framework. Oversight, governance and assurance is also provided in each home credit business through Quarterly Safety Management Review Committees at market board level. Additionally, annual self assessments of compliance with safety management system protocols are performed by the second line control function trained to perform these reviews. Oversight is provided by the Group Safety Manager. The Group's internal audit function also performs periodic reviews of the Group's Health and Safety Control Framework.

The training programme is supplemented with periodic communications and safety campaigns reminding colleagues of the information, guidance and instructions required to maintain personal safety.

In 2023, ISO 45001 accreditation was gained by our Mexico home credit business for its occupational health and safety management system. This means that all our home credit business have now attained this standard which ensures best practice standards drive continual improvement in health and safety performance. Due to the 'low risk' office working environment within our IPF Digital operations, there is no requirement to gain ISO 45001 accreditation. However, the approach to safety management within IPF Digital follows the ISO 45001 standard principles of best practice safety management.

Mental health support

In 2023, we undertook a broad programme of work to support the business through the provision of health and safety information, advice, education, and training.

These included:

- campaigns to raise awareness of the impact of the cost-of-living crisis on our customers and wider society as financial pressures may lead to an increased risk of customer representatives experiencing a safety incident e.g. verbal threats and/or physical assaults;
- refresher training on maintaining personal safety including conflict de-escalation techniques, performing situational and dynamic risk assessments, and cash management controls;
- the provision of financial wellbeing education and awareness initiatives to support colleagues in dealing with the stresses of current economic conditions including basic financial concepts related to budgeting and managing debts;
- continued focus on psychological health and safety risk management through stress awareness training campaigns, the appointment of around 40 Mental Health First Aiders in our Romanian business and a further 17 individuals to this role in our UK head office; and
- a comprehensive psychosocial risk assessment performed for all employees in the Mexico home credit business resulting in the development of corrective and preventative measures to support around 500 colleagues identified at elevated risk of mental ill health.

57

mental health first aiders trained in 2023

The importance of reporting all health and safety-related events is crucial and colleagues are reminded continually of this requirement within their training and safety communications. All events are recorded and investigated systematically by trained personnel to determine root causes, lessons to be learned, and corrective and preventative actions to minimise the risk of reoccurrence. The table below captures the total number of workers who experienced a work-related safety event during 2023 and the harm caused by this event.

Work related safety events and harm caused 2023

		% of colleagues
Total work-related safety events	1,065	4.6%
Worker Injury Type		
No injury	696	3.0%
Minor injury	201	0.9%
Moderate injury	134	0.6%
Serious injury (requiring hospital treatment)	34	0.1%
Life-threatening injury	0	0.0%
Fatalities	0	0.0%

A key highlight in 2023 was the development of the Group's Global Framework for the Management of Psychological Health, Safety and Wellbeing. This was defined based on ISO 45003, the first global standard guiding employers on managing mental health and wellbeing in the workplace. The Group Safety Manager led a cross-functional, cross-business working group to define the best practice requirements which will be provided to all markets for review and implementation during 2024. This year we will focus on the implementation of the Group's Global Framework for the Management of Psychological Health, Safety and Wellbeing with the view to attain ISO 45003 certification in 2025.

Data privacy

The data security of our customers, colleagues and partners is paramount. We process large amounts of personal information every day and take our data protection responsibilities seriously. We are committed to protecting the privacy of our stakeholders.

Our approach to data protection reflects the following principles:

- We only collect data that is relevant, we use it solely for the purpose for which it was collected and we apply further minimisation rules.
- We are transparent on how we use personal data.
- We process data lawfully, including by obtaining consent from individuals including in accordance with local law when processing personal data.
- We correct inaccurate information when requested and respect individual legal rights.
- We keep personal data confidential and secure.

Compliance with data protection and privacy legislation is achieved through our Group Data Protection Policy which is reviewed annually and documents the risks that need to be managed and control standards that need to be adhered to, to ensure all personal information is protected and individuals' data protection rights are observed. Breaching of the policy may result in disciplinary action including contract termination. This policy is aligned not only to our purpose, but also to the data protection legislation which applies to the Group. Data privacy is a key part of our Code of Ethics so that every employee is clear on what they need to do on this area.

The policy is supported by more detailed Group Data Protection Standards. The Policy and Data Protection Standards are owned and overseen by the Group Data Protection Officer (GDPO) and Board accountability is owned by the Chief Legal Officer.

The GDPO is supported by a data privacy team which comprises Data Protection Officers appointed in each of our markets who provide advice and support for the wider business on data protection matters and provide assurance on this area. They also act as a contact point for the data protection authorities and individuals in our markets who request information regarding the processing of personal information. A data protection compliance monitoring programme is in place aiming to monitor effectiveness of our controls and oversight measures and enable corrective actions, if required.

The policy requires the production of a group data privacy plan annually under the leadership of the GDPO. The Data Protection Officers in our markets report regularly to the GDPO and to their market boards on how the data privacy plan is being implemented in their market. The Group Audit and Risk Committee provides oversight of the delivery of the Group Data Privacy Plan globally.

All our employees and customer representatives are required to complete data protection training annually to ensure they understand the obligations placed on them in relation to data protection. In addition, customised data protection training is delivered for specific business areas where required.

To ensure appropriate personal data protection and information security safeguards are in place, we expect our suppliers to follow data protection principles which we implement through due diligence and contracting processes.

Management of data breaches is governed through a Data Breach Policy documenting the plan to undertake together with roles and responsibilities. Data breaches can occur in the form of a malicious attack or accidental error and can be widespread or impact one individual. We operate a robust process to ensure data breaches are identified, reported and resolved appropriately.

Whilst errors occur from time to time, in 2023 we experienced only one significant case of which we notified both the competent data protection authority and the impacted data subjects. This case was caused by human error and we undertook appropriate follow-up actions to resolve this incident.

In 2024, we will look to further enhance our privacy compliance monitoring and ensure the impact of external data protection developments are managed appropriately.

Cybersecurity

Our Cybersecurity Governance Framework is designed to ensure accountability, oversight and protection of the Group against cyber risks. These are formalised in our Group Information Security Framework and our Information and Cybersecurity Standards which apply the standards required in all our markets and are owned by the Group Chief Information Officer. To ensure these requirements are met, there is a dedicated cybersecurity team in every market, responsible for implementing and maintaining local cybersecurity measures in line with our Group Standards. These teams are tasked with local adaption and enforcement of the Standards, conducting regular risk assessments and ensuring compliance with Group and local regulatory requirements. Our security monitoring systems are supported by a 24/7 Security Operations Centre (SOC), a crucial role in early breach detection. We have security incident management procedures in place.

Employee awareness is a critical component of our cybersecurity strategy. Mandatory training programmes and regular awareness campaigns are conducted to ensure that all colleagues are familiar with cybersecurity principles. Each employee receives mandatory training before accessing the Group's information and later undergoes refresher training on an annual basis. The effectiveness of these initiatives is assessed regularly through targeted phishing test campaigns.

Across the business we apply personal data security measures reflecting the risks, and follow best practices in managing information security, for example, ISO 27001 specifications and the National Institute of Standards and Technology (NIST) framework.

Particular areas of focus in 2023 included improving security monitoring capabilities, strengthening security controls in relation to cloud processing and enhancing employee training and awareness. In 2024, we will focus on further improvements in detecting breaches, testing incident management procedures and aligning risk management processes in this area to DORA (Digital Operational Resilience Act) requirements.

Anti-competition

We are committed to the principles and spirit of competition law and similar laws in all markets in which we operate.

We recently updated our Competition Law Policy to ensure employees understand these principles and do not engage in anti-competitive behaviour. A copy of our policy is available to view on the policies section of the website.

The Group was not subject to any regulatory findings or legal action relating to anti-competitive behaviour or breach of anti-trust or monopoly legislation in 2023.

Compliance with law and regulation

We comply with all relevant laws and regulations in all markets in which we operate. We support regulation which protects consumers and ensures that only responsible businesses are permitted to provide financial products. The Group's Consumer Protection Regulatory Compliance Management Framework sets out the policies, procedures, structures and responsibilities required to be implemented in all markets to identify and manage compliance obligations across the Group. The focus of the framework is to provide assurance that the Group's consumer credit products and services are transparent and ethical as well as compliant with applicable regulatory standards and legislation. The Group oversees the effectiveness of management of the risk of non-compliance and provides guidance on necessary mitigation measures including adjustment to monitoring and controls appropriate for increased regulation. The assurance activities performed in 2023 did not identify any significant instances of non-compliance.

We maintain good relationships with regulators, legislators and governments who play a key role in shaping the consumer finance sector. We respond constructively to all regulatory audits and investigations to address any findings and continuously improve our business practices in line with changing regulation. There have been no material adverse regulatory findings, sanctions or fines against the Group in 2023.

Engagement with government, trade bodies and regulators

We actively contribute to policy developments relevant to the provision of lending products for underserved communities, in particular to drive policy change that enables our purpose of building a better world through financial inclusion. We advocate for change on the issues that matter most to our customers with governments, non-governmental organisations and regulatory bodies. We are a member of the following trade associations:

- **Poland:** Foundation for Financial Development; Confederation Lewiatan, Employers of Poland; Association of Employers and Entrepreneurs; Federation of Polish Employers; British-Polish Chamber of Commerce in Poland.
- **Hungary:** Association of Non-Banking Financial Institutions; Hungarian Business Leaders Forum; Business Council for Sustainable Development in Hungary; Association of Hungarian Manufacturers; Joint Venture Association; Association of Hungarian Executives.
- **Romania:** Association of Financial Enterprises; American Chamber of Commerce in Romania; British-Romanian Chamber of Commerce; Foreign Investors Council; Association of Credit and Leasing Employers; Aspen Institute Romania; National Association of Treasurers.
- **Czech Republic:** Czech Finance and Leasing Association; Association of Non-Banking Financial Institutions.
- **Mexico:** Employers Confederation of the Mexican Republic; Prodesarrollo; Fintech Mexico.
- **Estonia:** Finance Estonia; Estonian Chamber of Commerce.
- **Latvia:** Fintech Latvia.
- **Lithuania:** FINCO.

All of our public policy engagements and lobbying are aligned with the Paris Agreement for all direct activities and none of the trade associations of which we are a member, as far as we are aware, has taken a position not aligned to the Paris Agreement on climate. In 2023, we did not undertake any public policy advocacy activity concerning climate change.

The Group is a politically neutral organisation. This approach is formalised in our Political Lobbying Policy, which is overseen by the Group Nominations and Governance Committee. We comply with legal requirements on disclosing political donations and we do not provide financial support to political parties. Consistent with this policy, in 2023, the Group made no political contributions directly or indirectly, including in-kind contributions. In 2023, the total monetary value of financial assistance received by the Group from any governmental body was zero. No governmental body has any ownership stake in the Group.

In 2023 our key areas of focus with governmental and regulatory bodies comprised responsible lending, financial inclusion and the regulation of consumer loans to consumers. A particular focus for our advocacy efforts is our annual Financial Wellbeing Report which surveys around 4,500 consumers in nine markets. This exercise provides extensive insights on the views of consumers on a range of important financial and economic issues including savings and borrowing habits, and knowledge about personal finances. We use this research to advocate for the needs of consumers to key groups of decision-makers.

In 2024, our focus will be on continuing to collaborate with key stakeholders to ensure legislation and regulation takes account of the need for responsible lending for all groups of customers as well as engaging on our Invisibles and financial education programmes.

Tax management

We are a responsible taxpayer, committed to ensuring compliance with tax law and practice in all of the territories in which we operate, including the UK, and to operating in a straightforward and transparent manner in our dealings with tax authorities whilst recognising our responsibility to protect shareholder value.

The Group has a publicly available tax strategy which is available in the policies section of our website. This strategy is approved by the Board annually and the Chief Financial Officer has Board responsibility for this area. Our tax strategy focuses on ensuring that we pay the right amount of tax, in the right place, at the right time. Transactions between Group companies are effected for tax purposes in accordance with the arm's length principle as enshrined in the OECD's Transfer Pricing Guidelines. The Group does not seek to reduce its effective tax rate through cross-border profit shifting or similar artificial arrangements and we do not seek to transfer value to, or otherwise undertake transactions with, tax havens. In the absence of a globally-recognised definition of tax havens, the Group has adopted the EU's list of non-cooperative tax jurisdictions for this purpose.

Our tax affairs are managed by a global team of experienced, qualified tax professionals supplemented, where necessary, by advice from external specialist tax advisors. Where there are uncertainties regarding the treatment of the Group's activities, transactions or products, we seek to engage in an open, transparent and constructive dialogue with the relevant tax authority where this is available and seek to obtain rulings in advance where appropriate.

In order to give effect to the principles contained in the tax strategy there is a Group-wide tax policy and control framework which is implemented in all operating entities. Tax risk is one of the principal risks in the Enterprise Risk Framework and is therefore reported and reviewed regularly by the Risk Advisory Group and the Audit and Risk Committee.

Our overall approach to tax is included in our Code of Ethics and reinforced in the global ethics training which is undertaken annually by all colleagues. Specific anti-facilitation of tax evasion training is provided to colleagues identified as working in roles where there is a relevant consideration.

£177m

Total tax contribution in 2023*, supporting the wider economy.

*The total tax contribution in 2023 comprised £83m taxes paid representing a cost to the Group (including profit taxes, employer payroll taxes and irrecoverable VAT/sales taxes) and £94m taxes collected from employees and customers on behalf of governments (including taxes collected on employee salaries and net VAT collected).

Environment

Addressing climate change is an urgent and complex challenge but also an opportunity. It requires a fundamental transformation of the global economy. At IPF we are determined to play our part consistent with our purpose and relevant business and risk considerations.

In our 2022 Annual Report, we made it clear that we would approach the climate challenge thoughtfully and transparently, engaging with our shareholders and other stakeholders. In doing so, we recognise the importance of supporting a just transition considering the social risks and opportunities inherent in the move to a decarbonised economy.

Since then, the Board has agreed an ambition to be a net zero institution by 2050, across all our operations and supply chain. This is a natural progression of the actions we have taken over the last ten years since we first began reporting our Scope 1 and 2 GHG emissions. It also reflects the focus we have had on this area throughout 2023 as we are now starting to make a real difference through a proactive approach on the environmental impact we have and engagement with our colleagues and suppliers.

Our approach to addressing the climate change challenge

The recent Conference of the Parties to the United Nations Framework Convention on Climate Change (COP 27) concluded that to reach net zero emissions and keep the global temperature increase to 1.5°C would require an enormous increase in low-carbon technologies, infrastructure and capacity as well as a co-ordinated reduction in carbon-intensive activity, including fossil fuel consumption. Whilst we are committed to aligning our strategy with the 2015 Paris Agreement on climate, we believe that IPF has a limited role in either reducing financed emissions or financing this transition.

In respect of our financed emissions, the lending we undertake, consisting of originating unsecured consumer loans, is not covered by any global methodology dealing with the measurement of financed emissions. This reflects the fact that, as a lender, we cannot know what our customers use the funds we lend to them for. We will continue to monitor guidance on this topic from credible international bodies to determine if our approach to financed emissions should change and will provide further updates on this point in future Annual Reports.

In respect of contributing to the financing of the transition, the scope for introducing dedicated lending products designed to help our customers in this area was discussed by our Country Management Team in 2023. Their assessment was that the Group's current and potential future products are not likely to be suitable for helping finance transition efforts for our customers in a way which would be aligned to our purpose or customer needs. They reached this determination by considering the requirements of the segment of customers we serve and the amount lent on average to each customer. Given these factors we currently do not consider it feasible to offer lending products in a way that is consistent with our purpose for transition-related expenditure. We will continue to review this topic periodically to ensure that the position does not change across our markets.

Given these assumptions we believe our activities in relation to the environment should be focused on addressing our own emissions which arise from our operations, driving educational efforts with our colleagues centred on reducing their environmental footprint and addressing the broader adverse environmental impacts we create such as waste and recycling.

Managing our operations

Our Environment Policy sets out our commitment to environmental management and can be found on our website. This policy covers our environmental management strategy and sets out how this area is overseen by the Chief Executive Officer and the Board. This reflects the fact we have sought to reduce our environmental impacts over the last three years through:

- ensuring our new head offices improve energy efficiency through incorporating energy saving technology, such as LED lighting;
- our core data infrastructure activities including greater deployment of cloud-based services, which use less energy than conventional data storage;
- removing single use plastic cutlery and cups internally and issuing colleagues with sustainable alternatives;
- recycling materials wherever possible, collecting used paper and general waste such as plastic bottles and empty aluminium or tin cans; and
- working towards using paper and printed materials more sparingly. We currently produce over 115 million sheets of paper across our European home credit business annually. In 2023, we launched a dedicated cross functional project, championed at a senior level to reduce this number by over 50%.

Greenhouse gas emissions (GHG)

We report Scope 1 and Scope 2 emissions in line with current regulations as detailed below and which comprise electricity, district heating, gas and fuel for cars. Of this, transport by car is our most material GHG emission.

We report annually on the most material carbon emission sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 – Scope 1 and 2 greenhouse gas emissions and energy consumption data. We have applied the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard to calculate our emissions data and have used emission factors from the UK Government's latest GHG conversion factors and the current edition of the IEA emission factors for non-UK electricity. The emission data covers all our offices across the globe. These sources fall within our Consolidated Financial Statements. Where data was incomplete, we have extrapolated data in line with this methodology.

In 2023, the Group's GHG emissions for Scope 1 and 2 decreased by 3.5% year on year. We are also pleased to report that overall emissions have reduced by more than 25% since 2019. This positive trend is due primarily to the gradual replacement of diesel and petrol cars with lower emission LPG vehicles in the Company's fleet.

In 2023, in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008:

i. the Group's Scope 1 and 2 emissions in the UK represent 0.2% of the Group's total (2022: 0.2%);
ii. the Group used 4.5m kWh of electricity (2022: 4.2m kWh) with the UK representing approximately 2.7% of the Group's total (2022: 3.0%); and
iii. no actions were taken during the year with the express purpose of increasing the Company's energy efficiency.

For Scopes 1 and 2, transport by car will remain our priority in 2024 and we plan to continue replacing our petrol and diesel car fleet with LPG and hybrid cars where possible. Scope 3 (indirect emissions) have not been included in our 2023 reporting. However, we intend to assess how best to measure indirect emissions (Scope 3) in 2024. In line with best practice, we have restated our Scope 1 and 2 emissions for 2022 in the table on page 66.

Our GHG emissions report has been reviewed and verified by Be Sustainable Limited and the statement of verification can be found in the sustainability section of our website at www.ipfin.co.uk.

GHG emission sources	Travel and utilities	Tonnes CO_2e 2019	2020	2021*	2022*	**2023**	**Difference vs 2022**	2023 difference vs 2019
Scope 1	Gas	927	1,008	476	468	**761**	**62.7%**	(17.9%)
	Business travel by car	24,274	16,304	18,277	19,012	**17,826**	**(6.2%)**	(26.6%)
Scope 2	Purchased electricity and district heating	3,236	2,664	2,494	1,944	**2,079**	**6.9%**	(35.8%)
Scope 1 and 2		28,437	19,976	21,247	21,424	**20,666**	**(3.5%)**	(27.3%)
	CO_2e emissions by customer	0.013	0.011	0.013	0.013	**0.013**	**-**	-

* 2021 and 2022 data were restated in February 2024.

We do not believe that as a Group we pose particularly significant risks to the environment through our business activities. As detailed above, our greatest source of emissions relates to the transport by car undertaken by our customer representatives. Given the nature of our supply chain and the types of goods and services we purchase, we have not identified any specific material risks arising from our supply chain other than the need to work with suppliers to reduce emissions in order for us to achieve our net zero target by 2050.

Focus on our colleagues

In support of our net zero operations ambition, we are engaging with colleagues and will be implementing initiatives to reduce our individual environmental footprints. In particular, we will continue to utilise tools to reduce the impacts from our company car fleet in 2024, including using tailored fleet management software.

Looking to the future

Our focus in 2024 will be to establish base year data and develop a credible strategy for how we will meet our targets. We will also track progress against our targets, monitor relevant scientific trends, and regularly review and adjust our strategy and targets as needed. We intend to report our progress against our environmental plans in future Annual Reports.

We will also keep our policies, targets and progress under review in light of the rapidly changing external environment and the need to support an orderly transition. The trajectory for our markets' transition varies significantly and is influenced by a number of external factors, including market developments, advances in technology, the public policy environment, geopolitical developments and regional variations as well as behavioural change in society. Over the coming years, our strategy will continue to evolve and adapt to reflect external factors effecting the shape and timing of the transition to a low-carbon economy. Progress is likely to vary year to year and we need to be able to adapt our approach to respond to external circumstances and to manage the effectiveness and impact of our support for the transition, whilst remaining focused on our ambition of becoming a net zero organisation by 2050.

Eco November

Eco November is our annual month-long initiative which brings colleagues together from across the Group to improve their environment. Our team in Estonia volunteered their time to plant more than 14,000 trees in the Kose area, and 2,100 saplings were planted in Leeds, UK, as part of a forest development project. Colleagues from our home credit and digital divisions in Poland joined forces and planted 25,000 trees in the Drewnica Forest District near Warsaw and a thriving woodland has been extended thanks to members of our team in Hungary who planted more than 100 trees and shrubs in the Budakeszi Wildlife Park.

We are still at an early stage in our journey. We recognise there is a huge amount of progress still to be made, but we are committed to achieving our ambition. Over the coming years, we aim to increase our momentum as well as continuing to be transparent about our progress and developing appropriate metrics to track our progress to net zero by 2050.

TCFD Report

Introduction

This Task Force on Climate-related Financial Disclosures (TCFD) report serves as the Group's 2023 disclosure of the climate-related risks and opportunities to our business. It describes how climate change scenarios may impact the Group and outlines our strategy to mitigate these potential impacts to ensure our resilience as a business.

The report is structured in accordance with the TCFD recommendations. As such, it covers our governance structures, strategy, risk management, and targets and metrics. We recognise that the global financial system is connected deeply to the health of the planet and that a changing climate has profound implications for business and society. Therefore, our approach concerns not only mitigating the transition and physical risks of climate change to our business, but also our actions to tackle climate change at source to help the successful transition to a low carbon economy. While we recognise that climate change poses risks to our business model, we believe there may also be opportunities arising from this trend which also require regular evaluation.

Governance

Governance is defined in the TCFD recommendations as **"a set of relationships between an organisation's management, its board, its shareholders, and other stakeholders. Governance provides the structure and processes through which the objectives of the organisation are set, progress against performance is monitored, and results are evaluated."** It is recommended that organisations establish and disclose appropriate internal governance processes for managing climate-related risks and opportunities.

Sustainability considerations are embedded in the way we run our business, with the objective of ensuring we align our business priorities with society's expectations on this topic. Our commitment is outlined in the Group's Corporate Sustainability Policy which is available to view in the policies section of our website. This Policy sets out our commitment to this area, in particular, what is expected from the Group and those it does business with in terms of responsible business conduct and sustainable development. This commitment supports our business decision making at all levels and provides a frame of reference for how we want to deal with business opportunities and risks in the context of direct and indirect sustainability impacts.

Our Board and management-level governance structures and oversight bodies incorporate climate considerations as part of their responsibilities. We seek to ensure that oversight of sustainability and climate-related risks and opportunities are embedded across the Group.

In 2023, we continued to evolve our governance structures with the objective of establishing effective and resilient governance for climate- and sustainability-related issues. Following the work described in the 2022 Annual Report concerning formalising and enhancing the role of the Board and its Committees in this area, we embedded oversight of sustainability and climate-related risks and opportunities into management governance structures at multiple levels of the Group during 2023.

Board oversight of climate and sustainability-related topics

The Group Board oversees our sustainability-related activity including oversight of the risks and opportunities associated with climate change, while the Chief Executive Officer (CEO) has overall accountability for management of this area. This activity has been delegated by the CEO to the Chief Legal Officer (CLO), who has specific responsibility for the management and implementation of measures detailed in our Responsible Business Framework, including assessing risks and opportunities from climate change, and also ensuring these are identified and managed appropriately.

In 2023, the Board discussed the merits of introducing a separate, dedicated board committee on this topic but determined that direct oversight by the Board was preferable. We will continue to monitor the effectiveness of these arrangements in 2024.

How our Board oversees sustainability

Board of Directors

Responsible for: The Group's strategy, organisation and oversight of performance including in relation to climate-related matters. It sets the strategic direction for sustainability at the Group and has ultimate responsibility for sustainability-related governance.

2023 Activity: The Board reviewed and approved key policies in the area (e.g. Human Rights Policy, Corporate Sustainability Policy) as well as reviewing and approving the broader Responsible Business Framework, which includes climate related matters. The Board monitors progress towards the objectives detailed in this Framework through review of management information on a quarterly basis and periodic detailed updates on this topic.

Audit and Risk Committee

Responsible for: Reviewing financial and non-financial disclosures and risks related to sustainability and climate.

2023 activity: The Committee reviewed trends in sustainability reporting, in particular at EU level, as well as reviewing assessments of the risks and opportunities of climate change relevant to the Group and the results of scenario analysis undertaken to assess exposure to physical climate risk.

Remuneration Committee

Responsible for: Approving performance measures, including those relating to ESG for senior management, and ensuring employment and pay practices are appropriate and reflect stakeholder views.

2023 activity: The Committee reviewed proposed ESG metrics for inclusion in senior management compensation-related decisions as well as ensuring consistency of approach between the workforce and senior management on pay-related matters.

Management oversight

In 2023, we have sought to build on the progress made in 2022 in relation to Board oversight of climate-related risks and opportunities by revising our management governance structures to ensure these are better placed to support the Group's ambitions in this area.

There are two primary management roles designed to assign responsibility for the delivery of the Group's assessment and management of climate-related matters. First, the Chief Financial Officer (CFO) has overall responsibility for climate change and environmental matters. Second, in 2023 the CLO was assigned responsibility for overseeing the management of climate change-related risk, and sponsors the Group's Responsible Business Framework (see page 46 for more information). The CLO oversees, in a first line capacity, the work of analysing the potential future impact of climate change on the Group and the results of these scenario assessments are submitted to the Audit and Risk Committee. The CLO's function is also responsible for the Responsible Business Strategy on a day-to-day basis including providing updates that include any climate-related issues of relevance that can be communicated to the Executive Oversight Group when required.

A further means of management oversight is the incorporation for the first time of a specific climate-related section in the 2024 budget process as well as the creation of a dedicated climate resilience fund, which is held centrally and available to each market to help reduce climate impacts and enhance resilience.

The diagram below provides an overview of the Group's management governance bodies with climate-related oversight responsibilities.

Governance body

Escalation path

Responsible Business Framework Executive Oversight Group

Comprises all members of the UK Executive and is chaired by the Chief Legal Officer. Responsible for the overall execution of the Group's Responsible Business Framework, which covers climate-related issues, in alignment with the strategic direction set by the Board. It oversees input to the Group's strategic processes to ensure climate is given appropriate consideration in long-term strategy and planning. It receives regular updates from the Responsible Business Framework Steering Group to assist it with these objectives.

→ **Board of Directors**

Risk Advisory Group
Meeting frequency: Quarterly

The Group-wide risk oversight body, comprising a mix of senior leaders from Group and markets, is responsible for monitoring key risks, including climate risk. The Risk Advisory Group receives updates at every meeting concerning the status of climate risk across all markets.

→ **Audit and Risk Committee**

Country Management Team (CMT)
Meeting frequency: three times per year

The Group-wide steering body, comprising the most senior leaders at Group and market level, provides insight and challenge on key climate-related risks and opportunities.

Responsible Business Framework Steering Group
Meeting frequency: Monthly

Helps drive key climate initiatives, as part of the broader Responsible Business Framework. It provides governance, strategic leadership and execution guidance, making recommendations to the Executive Oversight Group.

Responsible Business Framework Champions Group
Meeting frequency: monthly

Responsible for integrating and implementing the Responsible Business Framework and, where applicable, sustainability best practices and climate strategy into the activities of each of our markets.

→ **Responsible Business Framework Executive Oversight Group**

Sustainability function

The Group's sustainability function is led by the CLO, who is a member of the executive team and attends the Group Board meetings. The function works in collaboration with other functions and markets to implement the Group's Responsible Business Framework on a day-to-day basis including sustainability-related policies, carbon and climate change, stakeholder engagement and reporting.

Next steps

Over the next 12 months we intend to further enhance our activities in this area through:

- incorporating the use of scenario analysis data into the Board strategy process;
- maturing the use of ESG metrics into executive compensation; and
- ensuring the revised management governance arrangements are embedded.

Strategy

Strategy is defined in the TCFD recommendations as: **"an organisation's desired future state. An organisation's strategy establishes a foundation against which it can monitor and measure its progress in reaching that desired state. Strategy formulation generally involves establishing the purpose and scope of the organisation's activities and the nature of its businesses, taking into account the risks and opportunities it faces and the environment in which it operates."** It is recommended that organisations disclose the nature and impact of their material climate-related risks and opportunities, as well as the resilience of their strategy under each chosen climate scenario. We recognise that both climate-related risks and opportunities have the potential to impact our business. We have therefore taken the necessary steps recommended by the TCFD to identify and assess the potential materiality of the risks and the opportunities, so we can maximise the positive impacts and minimise the negative impacts on our business. We therefore seek to consider climate change alongside other factors when developing our overall strategy.

We recognise that assessing and quantifying the level of impact from climate change is an emerging practice. A greater level of estimation and assumption is required to address the long-term and forward-looking nature of climate-related risks and opportunities, which causes limitations in assessing how such trends impact our strategy.

In 2023, we undertook an exercise to engage our most senior leaders directly in the process of refreshing our assessment of climate-related risks and opportunities to ensure that we are incorporating any new risks and opportunities appropriately. Specific actions undertaken in this area in 2023 include updating the time horizons for this year's materiality review compared to what we used for the previous year's assessment:

(i) Reviewing time horizons

The time horizons to be used for assessing risks and opportunities arising from climate change were reviewed by the CMT in line with TCFD guidance, which indicates companies should explain the rationale for such choices. It was determined that the following time periods should be used by the Group:

Time period	Original time period	Revised time period	Rationale
Short term	0-2 years	0-3 years	This time period reflects the average term of our loans and the flexibility in both our credit strategies and field operations that allow us to adapt to rapidly changing scenarios.
Medium term	2-5 years	3-10 years	This time period reflects the strategic planning horizon used by the Group.
Long term	5 plus years	10 plus years	This time period is based on the useful economic life of the majority of Group assets.

A number of factors informed the selection of these periods, including the rapid change which has been evident in relation to new climate-related legislation, the volatility of energy prices and the need to align closely with the periods considered in the Group's scenario analysis of climate-related risk, which typically considers scenarios that span thirty years or longer and is discussed in more detail below. The short-term time horizon better aligns to our risk management framework. Medium-term is more appropriately aligned to the timeframes used internally for planning purposes. The long-term time horizon was chosen to capture the impact expected from countries in which the Group operates taking steps to meet its commitments as detailed in the 2015 Paris Agreement. These time periods are a change from those disclosed in 2022 and reflect feedback from the CMT that assessments over the long term should include a more extended timescale.

(ii) Defining risks and opportunities

Details of how we define climate risks and opportunities are set out in the table on page 70.

In Q1 2023, a list of potential risks and opportunities was presented to the CMT for feedback following a benchmarking exercise of risks and opportunities used by peer organisations and commentary from external regulatory bodies. This was the start of a process of consultation and engagement with this group of senior leaders. Following discussion and feedback, it was noted that the attractiveness to employees of the Group's approach to this area should be regarded as a risk as well as an opportunity. The opportunities arising from enhancing our ability to manage transition risk well and move to more remote working (with consequently lower costs and environmental impacts) was also highlighted. This process resulted in the following definitions being adopted by the CMT and approved by the Board in terms of risks and opportunities which could be relevant to the Group:

Principal risks

Risk type	Potential effects
Physical risk Physical risks are those related to the physical impacts of climate change.	**Acute** Increased frequency and severity of extreme weather events affecting customers, customer representatives and employees could impact the success of our business model. **Chronic** Permanent changes to sea, river or lake levels could impact our ability to conduct our business in some areas.
Transition risk Transition risks are those related to the impact arising from changes in climate policies, or changes in the underlying economy due to decarbonisation. These risks emerge from policy, legal, technology, and market changes as the economy shifts towards using less carbon.	**Policy and Legal** (i) Exposure to litigation due to our inability to comply with new carbon-related requirements; and (ii) Increased operating costs due to the increased cost of transport or carbon pricing initiatives. **Market** Uncertainty around the costs incurred in moving to a net zero economy. **Reputation** (i) Increased stakeholder concern or negative stakeholder feedback relating to our ability to transition effectively to a lower carbon economy; (ii) Increased shareholder concern or negative shareholder feedback relating to our strategy to address climate related risks; and (iii) Employee concern or negative feedback relating to our strategy to address climate-related risks.

Opportunity type	Potential effects
Resource efficiency	(i) Reduced operating costs through reduced air and other travel; (ii) Reduced operating costs through reduced paper consumption; and (iii) Potential for reducing costs and environmental impacts through remote working.
Energy source	(i) Use of lower-emission sources of energy; (ii) Use of supportive policy incentives; and (iii) Use of new technologies, which have the potential to reduce costs.
Products and services	Development of new products and services through innovation to address climate challenges.
Markets	Increased attractiveness of the Group to customers and employees by effective execution and communication of the Group's climate strategy.
Resilience	Enhanced access to funding at attractive pricing for organisations which are carbon neutral/positive.

It is envisaged that this process of risk identification will be repeated annually.

(iii) Assessing materiality

For the purposes of assessing climate-related risks and opportunities, the definition approved by the Board and CMT was that for a climate-related risk or opportunity to be deemed material for strategic planning purposes it would have a significant impact on the profitability of the Group (e.g. through delayed customer repayments), expenditures (e.g. increased costs), assets (e.g. closing branches), or financing (e.g. loss of investors due to legal breaches). "Significant" for these purposes means a material impact on the Group's ability to meet the targets detailed in our 2024 budget.

(iv) Determining climate risks and opportunities over different time periods

In 2023, we undertook a detailed evaluation of the climate risks and opportunities defined on page 70 with members of the CMT and the Group Audit and Risk Committee. We reviewed each of the risks and opportunities and assessed how likely that they would impact the Group materially over different time periods. Impacts were assessed as follows: (i) High Impact indicated significant risk or opportunity on the Group. (ii) Medium Impact: indicated moderate influence on the Group. (iii) Low Impact indicated minimal effect on the Group. The consensus was that most impacts would be low over the short and medium term with higher impacts possible over the long term.

Risk type	Risk	Short term			Medium term			Long term		
Impacts		Low impact	Medium impact	High impact	Low impact	Medium impact	High impact	Low impact	Medium impact	High impact
Physical	Acute-chronic									
	Policy and legal									
	Market									
Transition	Reputation									

Opportunity type	Short term			Medium term			Long term		
Impacts	Low impact	Medium impact	High impact	Low impact	Medium impact	High impact	Low impact	Medium impact	High impact
Resource efficiency									
Energy source									
Products and services									
Markets									
Resilience									

The process indicated material impacts from climate risks and opportunities are not assessed as likely over the short and medium term. Over the longer term, however, there was a consensus that risks and opportunities were likely to be of much higher relevance. This reflected the assessment we made of physical climate risk through scenario planning and our assessment of the broader market and regulatory trends evident in each market. These activities confirmed that the risks and opportunities identified remained largely unchanged from the previous assessment.

(v) Integration with our strategic planning process

The work undertaken confirmed that the actual or potential impacts of climate-related risks and opportunities on the Group over the short or medium term are unlikely to significantly influence the Group's approach in its markets or to its customers due to climate change. The results of the scenario analysis undertaken and discussed in more detail below provided further confirmation that climate change is not expected to have a material impact on the Group's current strategy or financial viability for the time horizon of the next 10 years (i.e. the short and medium term) under the most likely climate scenarios.

The completed assessments of risks and opportunities were incorporated into the 2023 strategic planning process and the conclusions were provided to the Board as part of the strategic planning process for 2024 and beyond.

Next steps:

- incorporate scenario analysis results into the strategic planning process;
- identify the strategic impacts of creating a credible transition plan; and
- review in more detail the potential impact of transition risks on the Group's Next Gen strategy.

Risk management

Risk management is defined in the TCFD recommendations as **"a set of processes that are carried out by an organisation's Board and management to support the achievement of the organisation's objectives by addressing its risks and managing the combined potential impact of those risks."** It is recommended that organisations disclose their processes for identifying, measuring and managing climate-related risks, as well as describing how these processes are integrated into the organisation's overall risk management.

Since publishing the Group's 2022 TCFD disclosures, we continued to integrate climate-related risk into broader risk management practices in 2023. As climate risk management efforts were enhanced through the year, particularly with the completion of scenario analysis, the Group gained deeper insights into this risk category. We remain focused on identifying and measuring climate-related risks relevant to our business strategy and during 2023 revised our risk appetite statement, key risk indicators and definitions to ensure these reflect good practice.

(i) Definition of climate risks

In evaluating climate-related risks, we use definitions and methodologies consistent with the principles of the TCFD, as described in more detail above.

(ii) Risk framework

The Group uses an Enterprise Risk Management (ERM) framework to identify, report and manage risks. The framework is defined centrally and implemented in each of our markets. This approach allows risk management and reporting to balance the importance of having consistency of approach, measurement and risk categorisation across the Group, together with the value of having local expertise and risk action plans.

Risks are identified collectively across the Group and are classified against a taxonomy of 21 key risks. Each risk category is assigned to a member of the Group's senior leadership team or one of their reports, who is accountable for managing the identified risk as first line risk owner. For each risk, the ERM requires the first line risk owner to ensure ongoing measurement/monitoring as well as improvement plans and training to enhance risk mitigation. Each first line risk owner updates the Risk Advisory Group (RAG) on their respective risks for discussion and oversight. Each risk is assessed to determine probability and severity of the risk and assigned a score accordingly. These risk scores allow the Group to determine the relative significance of each risk in relation to other risks. The RAG meets quarterly to consider these topics.

(iii) Processes for identifying and assessing climate-related risks

Our climate-related risk management approach aims to assess and manage the risks posed by climate change to our business and seeks to integrate climate considerations into risk management practices.

Climate risk is one of 21 key risks as defined in the ERM. The first line risk owner is the CLO who engages with internal stakeholders to understand the level of importance and potential climate-related impacts on the Group and reports a series of KPIs to the RAG to provide insight on this topic. These KPIs include assessment on whether there have been changes in the quarter to policy and legal issues, market trends and reputational matters as well as physical risks crystallising.

In 2023, the Group continued to develop and implement processes around climate-related risk identification and assessment. As part of this, the climate change risk appetite statement, which articulates the Group's approach to risk taking, was expanded to include additional detail on how climate and environmental financial risks are evaluated and monitored.

(iv) Scenario analysis

During 2023, we conducted scenario analysis, using the three climate scenarios described opposite to explore and assess the resilience of our business to the physical risks arising from climate change. This helped us to better understand which physical risks could potentially have the largest impact on the Group across different time horizons and informed our efforts to better manage and monitor these risks. We used external datasets on climate trends and internal datasets on the locations of our premises worldwide to model the potential impact of such risks.

The objective was to assess the resilience of the Group's strategy under different climate scenarios. We used the outputs of the high-level impact analysis for all material climate-related risks identified under three different Representative Concentration Pathways (RCP) over different time horizons to better understand the potential impact of climate-related risks and opportunities on our business. These three scenarios were chosen as they represented a suitably diverse range of pathways to be able to understand the impact of physical climate risk.

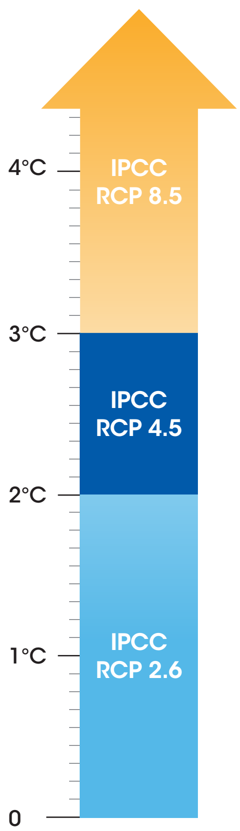
The outcomes of these assessments were considered by the Audit and Risk Committee. The output of this modelling showed that in the short-to-medium term, there were no immediate material risks and exposures that would impact strategy, performance or liquidity.

The scenario analysis allowed us to be more targeted in understanding the current resilience we have against climate-related risks and will enable focus on developing further mitigation strategies for the Group as well as in our local markets where necessary.

The Group's overall assessment was that our business model and strategy are resilient in light of these risks. To mitigate this area of risk, the Group will continue to monitor regulatory changes or changes to customer behaviour which would require a reassessment of this decision.

Scenario analysis

The following scenarios have been used:



IPCC RCP 8.5
is the highest baseline emissions scenario in which emissions continue to rise throughout the 21st century. Therefore climate change projected under RCP 8.5 will typically be more severe than under the other two scenarios considered by the Group.

IPCC RCP 4.5
is described as a moderate scenario in which emissions peak around 2040 and then decline, limiting the global temperature increase to 2-3°C.

IPCC RCP 2.6
is representative of a scenario that aims to keep global warming likely below 2°C above pre-industrial temperatures. It envisages emissions peaking and then declining with global temperatures increasing at below 2°C.

Mitigation and Resilience Measures

In 2023 the Group sought to implement credible mitigation and resilience measures, including establishing targets for energy efficiency measures, scenario analysis and reporting transparency.

Next steps

- Continue to invest in climate-focused tools and data to enable our scenario analysis to mature and provide further insights.
- Look to mature the new arrangements put in place in 2023 to oversee climate risk as part of our ERM.
- Develop the management information the Audit and Risk Committee review on this topic.

Metrics and targets

Metrics and targets are used to assess and manage material climate-related risks and opportunities. The TCFD recommends that organisations disclose the metrics and targets they use to assess and monitor climate-related risks and opportunities, including their Scope 1, 2 and, if appropriate, 3 emissions.

We also believe it is important to seek to mitigate broader environmental impacts. For the Group, this means reducing our energy use and the amount of waste we generate as well as looking to maximise the amount of waste we recycle and reducing the impact of the paper we use.

Greenhouse gas emissions (GHG)

We are committed to measuring and reducing our share of GHG emissions in line with the Paris Agreement. We make disclosures on the Group's direct Scope 1 and 2 emissions.

Our Scope 1 and 2 GHG emissions are disclosed on pages 65 and 66 of this report and have been determined in line with the GHG Protocol methodology.

As part of the work we are carrying out to align our climate disclosures with the TCFD recommendations, we are now improving our processes and tools to ensure that emissions data can be collected and managed with better consistency.

Emissions targets and metrics

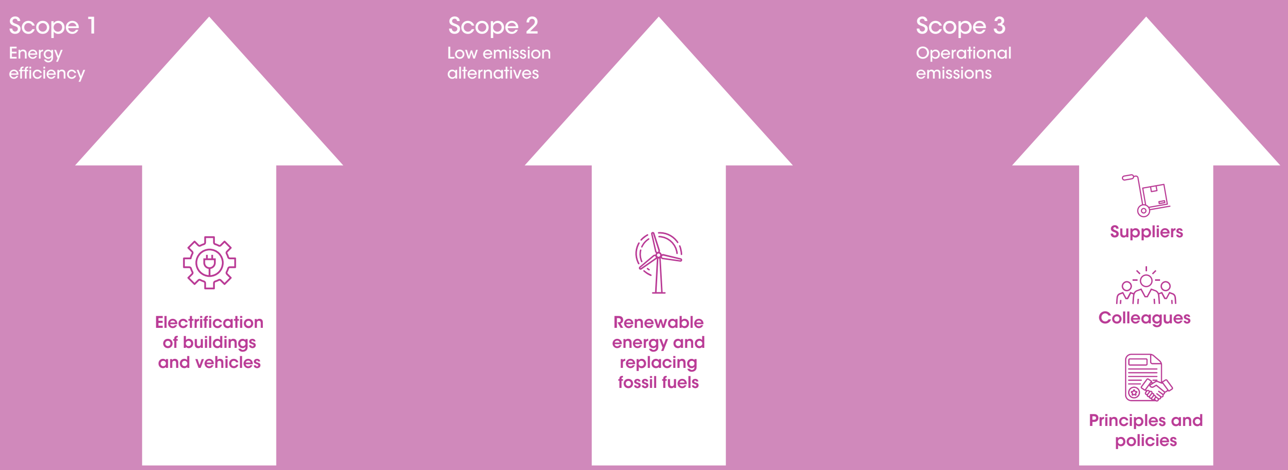
Our focus in 2023 has been on defining and agreeing specific and credible targets beyond initial scoping discussions.

Our overall target is to be net zero across our operations and supply chain by 2050. This commitment means a public undertaking by the Group to achieve progress in three areas: Firstly, the carbon emissions of our own operations – our offices, branches and data centres; secondly, the emissions resulting from the energy we purchase to operate our business; and thirdly, the emissions of our value chain, such as our suppliers' emissions and our business travel emissions.

After we have reduced our emissions as much as possible, we will balance any remaining emissions through high-quality offsetting solutions.

We define net zero operations as the state in which we will achieve a GHG reduction of our Scope 1 and Scope 2 emissions by at least 90% against a 2023 baseline and use carbon offsetting to eliminate any residual GHG emissions through the removal of an equivalent amount of GHGs from the atmosphere.

Achieving our net zero target will require the following actions:



Reduce our Scope 1 and 2 emissions through energy efficiency, electrification of our buildings and vehicles, renewable energy sourcing and replacing fossil fuels with low emission alternatives.

Reduce Scope 3 operational emissions by engaging with our key stakeholders including suppliers and colleagues to track, manage and reduce their GHG emissions, while embedding net zero principles across our policies and contractual requirements.

Other environmental metrics and targets

The Group is committed to wider environmental improvements as well as reducing its emissions.

The Board has agreed targets for the Group using 2024 as a baseline to:

- divert 90% of waste from landfill by 2034;
- source 100% of paper from sustainable sources; and
- reduce paper use by 50%.

Focus on our supply chain

Our target to be net zero in our operations by 2050 will be a catalyst influencing our supply chain to deliver better services and products. We have a real opportunity to drive down emissions and we are focused on developing decarbonisation pathways with our key suppliers to achieve this goal. We will encourage our suppliers to sign up to robust emissions reduction targets and are scaling up our engagement with this stakeholder group. Our initial assessment is that our supply chain emissions are concentrated in a small number of large suppliers. Our initial focus on decarbonising our supply chain will be on engaging key suppliers to adopt credible reduction targets. In the medium term, our goal is to integrate carbon pricing into sourcing and procurement decisions, alongside net zero clauses into our tender processes.

Interim targets

Our Board has approved the following interim targets to be delivered by 2034, using 2024 as a baseline

100%

renewable energy in our head office locations globally

Transition 90%

of our global fleet to EV or ULEV models where EVs are not viable

50%

of our vendors by addressable spend to set their own 1.5° C aligned climate targets

Identify and pursue opportunities

to reduce the distances travelled by our customer representatives, thereby reducing this source of emissions.

Next steps

- collate accurate data on a broader range of environmental impacts to enable credible targets to be set;
- establish and publish targets for environmental impacts; and
- create and publish a transition plan in line with UK Government guidance.

TCFD compliance statement

The Group has complied with the requirements of LR 9.8.6(8)R by including climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures.

The climate-related financial disclosures made by the Group also comply with the requirements of the Companies Act 2006 as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022. Details of how the Group complies with these requirements are set out in the table below.

Governance

	Summary	Alignment	Action in 2024	Reference
a. Describe the board's oversight of climate-related risks and opportunities.	The Board has ultimate responsibility for oversight of risks and opportunities from climate change and receives updates on this topic. It also delegates responsibility for risk oversight to the Audit and Risk Committee.	Aligned	Enhance the use of scenario analysis data as an input to strategy formulation and mature the use of ESG metrics in executive compensation.	Page 67
b. Describe management's role in assessing and managing climate-related risks and opportunities.	Our Responsible Business Framework Executive Oversight Group oversees management of climate risks and opportunities. These efforts are overseen by our Chief Legal Officer, who is a member of the UK Executive.	Aligned	Ensure the revised management governance arrangements for climate are embedded.	Page 68

Risks and opportunities

	Summary	Alignment	Action in 2024	Reference
a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Through our work with the Country Management Team and other stakeholders we identified the risks and opportunities relevant to the Group and the relevant timescales.	Aligned	The climate related risks and opportunities were discussed at a senior level and an agreed assessment produced.	Page 69-70
b. Describe the impact of climate related risks and opportunities on the organisation's business, strategy, and financial planning.	For the time horizon to 2030, we consider the financial and operational impact of our climate-related risks to be non-material.	Aligned	We will increasingly incorporate climate-related risks and opportunities into our strategy, operations and planning.	Page 70
c. Describe the resilience of the organisation's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario.	The results of our scenario analysis and internal assessments show that climate change is not expected to have a material impact on the Group's current strategy or financial viability for the time horizon for the short or medium term.	Aligned	Identify the strategic impacts of creating a credible transition plan. Review in more detail the potential impact of transition risks on the Group's strategy.	Page 72

Risk Management

	Summary	Alignment	Action in 2024	Reference
a. Describe the organisation's processes for identifying and assessing climate-related risks.	The Enterprise Risk Management Framework defines climate risk as a key risk. The Country Management Team reviewed in detail the assessment of climate risk.	Aligned	Embed the changes to risk appetite and KPIs for climate risk category.	Page 72
b. Describe the organisation's processes for managing climate-related risks.	The Group has an Enterprise Risk Management Framework of which climate risk is a part.	Aligned	Continue to develop scenario analysis capability.	Page 72
c. Describe how processes for identifying, assessing and managing climate-related risk are integrated into the organisation's overall risk management.	The Enterprise Risk Management Framework provides structure to ensure consistency of approach, alignment to the risk appetite and monitoring of our risk exposure across the Group.	Aligned	As part of the Enterprise Risk Management Framework process, we will continue to assess on a regular basis the most relevant climate-related risks for the Group.	Page 72

Metrics and targets

	Summary	Alignment	Action in 2024	Reference
a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Metrics used to assess our climate-related risks and opportunities include Scope 1, 2 emissions.	Aligned	We will continue to strengthen our monitoring metrics and mitigation measures in 2024.	Page 74
b. Disclose Scope 1, Scope 2 and if appropriate, Scope 3 GHG emissions and the related risk.	Details of our GHG emissions in 2023 (Scope 1, Scope 2) have been provided.	Aligned	We will continue to strengthen our monitoring metrics and mitigation measures in 2024.	Page 65-66
c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	By 2034, our targets using 2024 as a baseline are (i) 100% renewable energy in our head office locations globally; (ii) transition 90% of our global fleet to EV or ULEV models where EVs are not viable; (iii) 50% of our vendors by addressable spend to set their own 1.5°C aligned climate targets; and (iv) identify and pursue opportunities to reduce the distances travelled by our customer representatives, thereby reducing this source of emissions.	Aligned	Embed actions to deliver proposed interim targets.	Page 73-74

Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022

Disclosures to meet mandatory climate-related financial disclosure requirements under the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 are set out below.

Requirement	Summary	Page
a. Description of the governance arrangements of the company in relation to assessing and managing climate-related risks and opportunities.	Governance arrangements for management of climate-related risks and opportunities are detailed in the Governance section of the TCFD Report.	Page 67-68
b. A description of how the company identifies, assesses, and manages climate related risks and opportunities.	The process for identifying, assessing and managing climate related risks are detailed in the Strategy section of the TCFD Report.	Page 69
c. A description of how processes for identifying, assessing, and managing climate-related risks are integrated into the overall risk management process in the company.	A description of how climate-related risks are integrated into the overall risk management process is set out at Section (iii) of the Risk section of the TCFD Report.	Page 72
d. A description of: i. the principal climate-related risks and opportunities arising in connection with the operations of the company; and ii. the time periods by reference to which those risks and opportunities are assessed.	A description of the principal risks and opportunities and time periods is set out in the Strategy section of the TCFD Report.	Page 70-71
e. A description of the actual and potential impacts of the principal climate-related risks and opportunities on the business model and strategy of the company.	A description of these impacts is detailed in the Strategy section of the TCFD Report.	Page 69-71
f. An analysis of the resilience of the business model and strategy of the company or LLP, taking into consideration different climate-related scenarios.	A description of these impacts is detailed in the Strategy section of the TCFD Report.	Page 69-71
g. A description of the targets used by the company or LLP to manage climate-related risks and to realise climate-related opportunities and of performance against those targets.	A summary of the approach to targets is set out in the Metrics and Targets section of the TCFD Report.	Page 73-74
h. The key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and a description of the calculations on which those key performance indicators are based.	There are currently no KPIs used to assess progress against targets.	N/A