Viability statement

Assessment of prospects

Alfa is one of the leading providers of software to the asset finance industry and it is the Group's clear focus to increase its relatively small market share in this space by:

- Grow differentiation of market leading People, Product, Delivery;
- Enable profitable growth by focussing on Alfa Cloud, Subscriptions, Incremental sales and our Target markets;
- Increase our capacity for developing and delivering Alfa Systems;
- Enable more concurrent Alfa Systems implementations, more efficiently.

During the year ended 31 December 2023, the Group generated profit before tax of £29.6m and was cash-generative with net cash generated from operating activities amounting to £32.2m. The Group was also able to pay special dividends in the year of £16.2m in addition to the ordinary dividend for 2022 of £3.5m.

Taking into account the Group's current position and its principal risks and uncertainties as described on pages 36 to 44 of this Annual Report, the Directors have assessed the Group's prospects and viability.

Assessment period and process

The strategy and business model as set out on pages 16 to 25 and 14 to 15 are central to an understanding of its prospects. These inputs provide a framework for assessing the Group's prospects and viability.

The three-year timeframe for assessing both prospects and viability is considered to be appropriate because:

- It reflects reasonable expectations in terms of the reliability and accuracy of operational forecasting models; and
- Projections looking out beyond three years become significantly less meaningful in the context of the fast-moving nature of the asset finance industry and the software and technology landscape.

The Group's prospects are assessed primarily through its annual planning process, led by the CEO with the CLT. All relevant functions are involved, including finance, sales, recruitment and resourcing, and commercial.

The Board participates fully in the annual process and has the task of considering whether the plan appropriately takes into account the external environment, including technological, social and macroeconomic changes, as well as the risks and uncertainties of the business.

The output of the annual review process includes the annual financial budget and an analysis of the risks which could prevent the plan being delivered.

Detailed financial forecasts which include profit, cash flow and key financial ratios have been prepared for the three-year period to December 2026.

The first year of the financial forecasts forms the Group's 2024 budget and is subject to a reforecast process each quarter. The second and third years are prepared in detail based on the Group's three year strategic planning process and are flexed based on the actual results in the first year.

Viability statement continued

Assessment of viability

The Board's assessment of the Group's prospects, as described on this page, has been made with reference to current market conditions and known risk factors, as described in principal risks and uncertainties on pages 36 to 44.

The Board has considered the Group's financial performance in 2023, and the risk factors noted above and consider that the key risks which could have a major impact on the delivery of the Group's financial objectives are as follows:

- Socio-economic or geopolitical risks impacting conversion of the sales pipeline and/or spending by existing customers;
- Risks to people, teams and skills impacting our capacity to deliver services to customers;
- Pressure on margins due to increased cost base, or through increased competition;
- Competitive pressure leading to a loss of market share in our target markets.

Conclusion

It was determined that none of the individual risks would, in isolation, compromise the Group's viability. The Directors therefore reviewed the outputs of the alternative forecasts which were produced to model the effect on the Group's liquidity and solvency of severe but plausible combinations of the principal risks and uncertainties affecting the business.

Scenario 2 reflects the combination of all risk factors identified and is considered a 'worst case scenario'. The Directors consider that this scenario addresses the key risk factors outlined above.

Based on the current commercial outlook, Scenario 2 is considered extremely severe and has been prepared for the purpose of creating outcomes that have the ability to threaten the viability of the Group.

In the case of such a scenario crystallising the Group would be required to take some mitigating actions largely related to the level of headcount in the business, the level of partner usage and discretionary spending. In addition there are many other different levers that could be pulled to further minimise the financial impact and maintain liquidity to continue in operation.

Revenue and profitability are clearly affected in this alternative scenario, however based on the Group's existing cash reserves, combined with incremental cost reduction measures, the business would retain sufficient cash reserves to continue in operation throughout the three-year forecast period, with the lowest cash balance modelled in this period of £9.4m.

Whilst it is acknowledged that there is continued uncertainty over future economic conditions, based on the assessment of prospects and viability, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period ending 31 December 2026.

Scenario 1:

This scenario assumes no conversion of sales pipeline, a 25% reduction in uncontracted work for existing customers and prices held constant in order to retain customers, resulting in a 32% reduction from base case revenues by 2026.

Employee retention rates reduced by 12% p.a. resulting in a 20% reduction in headcount from base case by 2026 and partner usage is reduced by 60% from base case in 2026.

Direct costs relating to partner usage and Cloud hosting services are significantly reduced in line with customer activity, however salary costs per person increase as a result of labour market factors and the need to retain personnel. Overheads including SG&A salaries reduced in line with headcount, and the level of bonuses and profit share are also reduced in line with performance.

In this scenario there would be no payment of special dividends, however annual ordinary dividends and share purchases for option vestings would continue as planned and no other mitigating actions take.

Scenario 2:

This scenario assumes no conversion of sales pipeline as well as a significant loss of customers including cancellation of two major ongoing customer projects during 2024 and termination of subscription contracts representing 20% of subscription revenues. This scenario results in a 50% reduction from base case revenues by 2025.

Employee retention declines by 17% from base case in this scenario but recruitment continues and no redundancies made; this results in a 29% reduction in headcount from base case by 2026. Partner usage is reduced by 65% from base case in 2026.

Direct costs are reduced further than in Scenario 1 as well as further reductions in operating and capital expenditure in line with headcount. Salary increases are maintained in order to retain personnel. No bonuses are paid and profit share reduced in line with performance.

In this scenario there would be no payment of special dividends, however annual ordinary dividends and share purchases for option vestings would continue as planned and no other mitigating actions taken with other operating costs remaining in line with the base case.

Engaging with our stakeholders

Section 172 statement

This section of the Strategic report and the pages to which it refers, comprise the Company's section 172(1) statement together with the statements set out earlier in this report as to how the Directors have engaged with employees and have regards to their interests, and how the Directors have had regard to the Company's business relationships with its customers, suppliers and external stakeholders.

The Board is responsible for leading stakeholder engagement and ensuring that we fulfil our obligations. Our key stakeholders are those who influence or are affected by our day-to-day activities. These stakeholders groups have varying needs and expectations; our aim at Alfa is to engage effectively with all stakeholders, to develop and maintain positive and productive relations.

The Board, together with the Directors, considers any current risks or emerging risks with regard to each stakeholder group as part of the overall principal risk assessment, which is contained on pages 36 to 45.

For each matter that comes before the Board, the Board considers the likely consequences of any decision in the long term, identifies stakeholders that may be affected and carefully considers their interests and the potential impact of the decision-making process.

Engagement with our shareholders and wider stakeholder groups plays a vital role in Alfa's business. Alfa's key stakeholders and why they are important to us are set out opposite:

Employees

Our employees are central to everything we do. Listening to our employees, being flexible, supportive and inclusive, are our routes to growing and retaining Alfa's talent pool, enabling us to deliver against our strategic priorities and develop our people.

Investors

The Board places great importance on having positive relationships with all our investors and seeks to ensure there is an appropriate and constructive dialogue with all our investors.

Customers

Our customers are central to our business and we aim to deliver our leading-edge technology to them making our customers future-ready.

Communities and environment

We have a responsibility to add value to the communities in which we operate. We have employee-led community groups that are safe spaces for colleagues to promote issues, support each other and contribute to organisational change.

Suppliers and Partners

Building trusted partnerships and developing relationships with suppliers through ongoing dialogue helps us to better understand the needs of our partners and to develop and improve our offering.

How the Board fulfils its section 172 duties

Our Directors

The Board of Directors of Alfa has always taken decisions for the long term, and collectively and individually our aim is to uphold the highest standards of conduct.

The needs of our stakeholders and the consequences of any decision in the long term are taken into consideration by the Board when making decisions. The differing interests of stakeholders are considered in the business decisions we make across Alfa, at all levels, and are reinforced by the Board setting the right tone from the top.

Considerations in Board decisions

In performing their duties during the year, the Directors have had regard for the matters set out in Section 172(1) of the Companies Act 2006. Examples of how the Directors have oversight of stakeholder matters and had regard for these matters when making decisions is included throughout the Strategic report and Corporate Governance sections of this Report.

Establishing our culture, values and strategy

The Board is responsible for the long-term success of the Company, through setting, overseeing and driving the Company's culture, values and strategy. By discharging the above responsibilities effectively, all our stakeholder groups are impacted positively, whether it be by providing an environment where our employees thrive, or by requiring the highest standards of services and partnership to our customers and suppliers, or by managing the business effectively to generate returns to investors, and the communities we are part of.

Information to the Board

The Board receives information on how we engage with our stakeholders, which they review regularly throughout the year, to ensure that the long-term impact on any of these groups is considered.

Monitoring

Where the Board does not engage directly with our stakeholders, it is kept updated so that Directors maintain an effective understanding of what matters to our stakeholders and can draw on these perspectives in Board decision making and strategy development.

Stakeholder group

Consistently strong employee engagement in 2023

82%

overall engagement

83%

say excellent culture

Three dividends paid, returning

c. £20m

to shareholders

Dedicated customer user focus groups

As part of our journey towards net-zero, our targets were validated by the Science Based Targets initiative (SBTi)

Launched the Alfa Suppliers Code of Conduct

Engaging with our stakeholders
Stakeholder engagement

The following pages set out key stakeholder categories, the forms of Board engagement with those stakeholders, and the wider business engagement and the impact of such activities conducted during the year.

Employees

Why we engage

Engagement with employees is paramount to maintaining the strong culture at Alfa. Employee engagement is fundamental to our success, employees who feel valued are more likely to contribute innovative ideas and solutions. We continue to cultivate a culture of innovation and empowerment and, we are proud that our people are highly engaged and supportive of each other and of the organisation's aims.

How the Company engages

- We maintain our commitment to diversity, equity and inclusion, keeping this front of mind when making decisions. We launched our diversity, equity and inclusion employee survey, which sought feedback from colleagues on how we're doing and suggestions for areas to work on.
- Internal communications are enhanced to consistently align with Alfa's strategy and core themes, providing clarity and focus.
- Regular global and regional Company meetings, conferences and Town Hall meetings are held to bring employees up to speed with the latest projects, strategy and performance. The objectives and progress of our corporate objectives were also cascaded to the wider management team for onward communication.
- We conduct a quarterly employee engagement Pulse survey. The survey is anonymous to encourage employees to be candid in their responses. Focus groups were established to look at particular topics arising from the survey. Output from the survey and focus groups is regularly provided to the Board by the CEO and CPO.
- We have a flexible inclusive working structure that creates opportunities for teams to come together to connect, collaborate, and innovate. Striking the right balance makes it possible for the Group to achieve great outcomes for colleagues, customers, and the community.

How the Board engages

- The Board reviewed the Gender pay gap report and initiatives identified by the action plan.
- Members of the Board attended the EMEA Company meeting, which provided interaction between the Board with a wide range of employees across functions, leading to a deeper understanding of the daily objectives, challenges and opportunities.
- The Board reviewed the results of the Pulse surveys during the year, which allows for greater insight into colleague sentiment across the Group and provides direct feedback on areas that can be improved.
- The Board attended an event which hosted a number of new hires and graduates.

Gender pay gap and the Women's Community

During 2023, the People team collaborated with Alfa's Women's Community to gather feedback through focus groups, with input from female colleagues and allies that make up the Community's membership. Potential actions for reducing our gender pay gap were identified and explored, with open discussion and great ideas were tabled. The key relevant themes and action areas (such as career development and recruitment), have been built into a Gender Pay Gap Action Plan, which was presented to the Board by our Chief People Officer in December 2023. The Women's Community is continuing work alongside central teams to take the agreed actions forward in 2024 and we look forward to seeing the positive impact these initiatives will have.

Investors

Why we engage

Engaging with investors, ensures that the interest of our investors is aligned with the Company's strategic direction and purpose. Engagement helps our investors to understand Alfa's strategy, which, underpins our future growth plans and how the financial and operating performance of the business enhances long-term shareholder value and sustain growth.

How the Company engages

- An open dialogue was maintained with institutional investors, updating investors on progress and keeping the Board informed about investors views and priorities.
- Shareholder engagement is the responsibility of the CEO and CFO, they manage and foster Alfa's relationships with investors and analysts.

How the Board engages

- The CEO and CFO hold regular meetings with existing and potential institutional investors and analysts to understand their views and policies. These meetings cover a range of topics, including our long-term strategy, operational and financial performance, and increasingly broader societal issues. The Board receives regular updates to ensure it considers the views of shareholders.
- Capital allocation: the share buy-back programme concluded in June 2023, since the commencement of the share-buyback, the Company has repurchased 4,646,312 shares. The Company paid two special dividends and one final dividend, returning approximately £20m to shareholders.
- Held over 40 investor meetings plus Directors' Remuneration Policy consultation.
- Consultation with investors to discuss the unsolicited bid approaches. Individual meetings held with the Chairman, Senior Independent Director and the Chair of the Independent Bid Committee.
- At each Board meeting, the Board receives an Investor Relations update.
- The Company's brokers regularly attend Board meetings, and provide reports to those meetings, in order to keep the Board apprised of shareholder and wider market sentiment regarding the Company.
- At the Alfa AGM, all Board Directors are present, which provides a key opportunity for the Board to engage with shareholders and for shareholders to vote on the resolutions put to them.

Q1 2023

- **Preliminary results investor roadshows**
- **AGM engagement**

Q2 2023

- **Meetings with investors – potential offer**
- **Investor office visit**

Q3 2023

- **Interim results Investor roadshows**
- **Meeting with SID and ARC chair**
- **Meetings with Investors – potential offer**

Q4 2023

- **Directors' Remuneration Policy consultation**

Engaging with our stakeholders
Stakeholder engagement continued

Customers

Why we engage

We engage to understand our customers better so we can provide a better product to them. This helps their business improve, and also helps Alfa by allowing us to identify new potential products and win new business. Our customers have direct channels to engage with all levels of the organisation and by actively listening to customer feedback and understanding their needs, Alfa can tailor our products to better meet individual customer requirements. We continue to build on our long-term relationships with our customers, which enables Alfa to anticipate and adapt to changing market demands effectively.

How the Company engages

- Our Markets and Products team has worked with our client-facing teams, and has led multiple user group sessions, along with a multitude of liaison and product strategy alignment sessions with our customers.
- We demonstrated our commitment to delivering cutting-edge solutions as we achieved a record seven new customer go-lives across the globe.
- Regular monitoring of customer focus groups helps Alfa to assess customer sentiment and identify areas where we can refine the customer experience.
- Investment prioritisation focuses on aligning the agile approach of our Alfa Development Model and optimising value, with committed resources for the top priority items and a longer tail of lower priority initiatives which will be delivered in smaller increments.
- We continue to innovate and evolve, empowering our customers to do more business and secure the edge over their competition.
- We released the first of the six pillars of Alfa Systems 6, which delivers important changes in performance and function to help address previous challenges and develop future opportunities.

How the Board engages

- Regular updates from the CEO and COO are provided to the Board on the operational priorities in place to deliver a high-quality customer experience.
- The Board hears regular updates on key customer measures across the Group and key themes from customer feedback.
- Regular cyber security updates are provided to the Board and this year the Board's understanding of Alfa's work to reduce cyber risks across the business was enhanced by an AI presentation in August 2023.
- An overview of Alfa Systems 6 was provided to the Board during the year to help Board members understand how the development of Alfa Systems were evolving to meet customer needs.

Communities and environment

Why we engage

Making a meaningful contribution to the wider society enables us to create stronger communities and generate positive environmental and social impacts. Engagement with organisations such as non-governmental organisations and community groups helps us to address our impact on the wider society and support ways in which we can work together to make a valuable, positive contribution.

How the company engages

- Our Environmental Policy includes a commitment to continue to engage and educate employees on possible actions to combat climate change.
- Alfa demonstrates the pathway to achieve 2030 climate commitments through a robust net-zero Transition Plan. Alfa's emission targets were validated by the Science Based Targets initiative (SBTi) in 2023.
- Our ESG Steering Group, made up of members from across the business globally and including our CFO and CPO, meets monthly to focus on goals to report and record progress, and to support the direction of Alfa's employee-led Communities. The CEO has ultimate responsibility to the Board for all ESG matters. Support has been given to carbon-offsetting projects and investment has been made into external consultancy for ESG measurement and guidance.
- We continue to fundraise for charities and support causes close to our colleagues' hearts.

How the Board engages

- The Board has oversight of the initiatives of the Alfa Communities and the impact they have on the external factors.
- The Board oversees the Company's broader sustainability reporting within the Annual Report and through the Audit and Risk Committee.
- Alfa was able to expand its TCFD disclosures after the progress made in strengthening governance and the integration of climate-related objectives in executive remuneration, leadership performance, and risk management.

Partners and suppliers

Why we engage

Engaging with our partners and suppliers is paramount for the development of our business relationships. Increasing our use of partners is a key element of our longer-term strategy for increasing the number of implementations we can deliver and providing us with a more flexible implementation resource. We are working with partners to help cultivate operational agility and engaging with suppliers to ensure that ethical and environmental standards are upheld.

How the Company engages

- We launched our Supplier Onboarding process and Procurement Policy and Procedures. This ensures that the suppliers we choose to work with share our values, in particular those in relation to ESG, as well as meeting our compliance and due diligence requirements.
- We launched a supplier review to ensure we are supporting carbon reduction projects across the world, with a level of transparency on what the project is doing.
- We have grown our partner ecosystem, agreeing engagement terms with a notable global professional services organisation for the combined marketing and delivery of the Alfa Systems platform.
- We are focused on engaging with suppliers to understand our emissions data.

How the Board engages

- The Board supports the continuing development of our partner training and learning programme, which aims to deliver a comprehensive training schedule including Alfa Systems training, our delivery methodology and simulation-based implementation workshops.
- The Board supports continued scaling of our existing partnerships as well as extending our partner ecosystem to strengthen our coverage in core markets.
- The Board has oversight of the road to net-zero, and is focused on regulatory, supplier and consumer pressures which are initiating changes to reporting, financial products and compliance.

Key Board decision in 2023 and how stakeholders were considered

This statement describes a material example of how a principal decision was taken by the Board during 2023. Other key Board decisions are set out on page 87.

Unsolicited offers for the Company

Board discussion

Following the unsolicited approaches from EQT Fund Management S.à r.l (EQT) and Thomas H. Lee Partners, L.P. (THL) regarding a possible offer for the Company, the Board was required to consider the impact on all stakeholders of its decision to recommend, or not recommend, the transactions to shareholders.

The Board was mindful of its duty under Section 172 of the Companies Act 2006 to promote the success of the Company for the benefit of its members as a whole and had regard to all the factors under Section 172 when reaching its decision, in particular the likely consequences of any decision in the long term. See below for further information on the specific factors considered.

Following the initial proposal from EQT, and the potential conflict of interest of the Company's controlling shareholder (whose directors are Andrew Page, Executive Chairman, and Andrew Denton, CEO), the Board approved the establishment of an Independent Bid Committee (IBC), and its members would comprise exclusively the Company's independent Non-Executive Directors. The role of the IBC was to principally decide whether or not to recommend the final terms of any offer to the Company's shareholders in accordance with the requirements of the City Code on Takeovers and Mergers.

Stakeholder considerations and impacts

Stakeholder impacts were considered throughout the offer periods. The interests of the Company's employees were considered at length, both in terms of the impact of negotiations with potential bidders as well as the impact of any potential transaction once completed. Updates were provided to employees on the situation as and when permitted under the City Code on Takeovers and Mergers. The proposals were considered in relation to the potential effects of the employees, including stability and long-term cultural fit of the Company. The Directors considered the impact on business relationships, in particular existing and late-stage pipeline customers. The Executive Directors communicated with the majority of customers to update them on the situation and reassure them that the Company would continue operating as usual.

The IBC thoroughly evaluated the offers, ensuring its commitment to treating all shareholders equally and maintaining the principles of equity and impartiality. The Senior Independent Director and Chair of the IBC, served as a point of contact for shareholders and provided oversight to ensure that governance practices remained robust and transparent. The Chair of the IBC facilitated communication between the IBC and the Board and ensured that Shareholder interests were protected and decisions regarding potential offers were made with their best interests in mind.

Stakeholder

Outcome

EQT announced that it did not intend to make a firm offer to the shareholders of Alfa. Alfa confirmed that it had terminated discussions with THL.

Environmental, Social and Governance

At Alfa, the pursuit of success goes beyond financial achievements. Our commitment to sustainability, responsible business practices, and solid corporate governance lies at the core of our operations. The Alfa culture underpins all that we do in the ESG space. We are pleased to present this dedicated section in our Annual Report, outlining our Environmental, Social and Governance (ESG) performance and initiatives.

We aim to have a small company feel, but make a big impact, wherever we work.

Our Employee Resource Groups (which we call 'Communities'), bring energy and passion to a host of causes.

This year we have made great strides in our journey to net-zero and we've taken leaps towards making our product more sustainable than ever before.

Our ESG initiatives align with our five chosen United Nations Sustainable Development Goals.

Alfa's ESG Steering Group, comprising colleagues from across the business globally and including our Chief Financial Officer and Chief People Officer, meets each month to focus on terms of reference, report and record progress, and to support the overall direction of ESG at Alfa.

Materiality

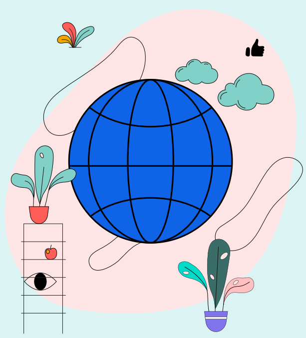
In addition to our chosen UN SDGs, our ESG Steering Group also continues to focus on the key areas identified by SASB as materially impacting the software industry: Energy Management, Customer Privacy, Data Security, Employee Engagement, Diversity & Inclusion, Competitive Behaviour and Systemic Risk Management.

We invite you to explore this section of our annual report, from People to Planet to Product, and join us on our path towards a more sustainable and responsible future.

People

We're growing – and not just in headcount. We are offering more development opportunities than ever before, and are focused on keeping our special culture alive.

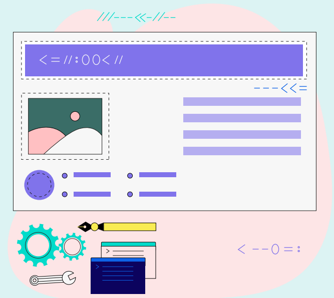
Find out more on page 58



Planet

2023 marked a pivotal moment for Alfa in our journey towards net-zero, as our targets were validated by the Science Based Targets initiative (SBTi).

Find out more on page 66



Product

We've launched new functionality within Alfa Systems, offering customers the ability to track and report on their portfolios' Scope 3 greenhouse gas (GHG) emissions.

Find out more on page 68

Board of Directors

Andrew Page N
Executive Chairman

Appointment to the Board:
May 2017

Skills and experience
Andrew is one of the founding Directors of Alfa. Andrew became the Chief Executive Officer in 2010 and the Executive Chairman in September 2016. Andrew provides commercial oversight and, with the Board, sets the strategic direction and goals of the Company.

Andrew has considerable senior management experience and a deep understanding of the auto and equipment finance industry.

Other appointments
Director of CHP Software and Consulting Holdings Limited

Andrew Denton
Chief Executive Officer

Appointment to the Board:
April 2017

Skills and experience
Andrew Denton has been CEO of Alfa since September 2016, having held roles as Sales & Marketing Director and Chief Operating Officer since he joined the Company in 1995.

Andrew is Director and joint founder of the Leasing Foundation, supporting the leasing and auto and equipment finance industry through charitable activities, research and development. Andrew is an advisor to The Women's Association, boosting gender equality in the corporate world, and he is a proud member of the Board of Trustees for Professors Without Borders, bringing top-level educators and global experts to the doorsteps of students worldwide.

Andrew is a computer scientist by training, and has considerable senior management experience and significant experience in the auto and equipment finance industry.

Other appointments
Director of CHP Software and Consulting Holdings Limited

Duncan Magrath
Chief Financial Officer

Appointment to the Board:
April 2020

Skills and experience
Duncan started his career at PriceWaterhouse, and qualified as a Chartered Accountant in 1989. He joined Ocean Group in 1992, and spent 13 years in the UK and USA in various finance roles as the group transformed into Exel Logistics. He joined Balfour Beatty, the infrastructure company, in 2006 and was Group CFO from 2008 to 2015. In 2016 he joined Rubix, an Industrial Parts Distributor, as Group CFO and was in that role through to 2019.

Duncan has extensive experience in senior financial positions both in the UK and internationally, including a deep understanding of investor relations and financial strategy. Duncan is a Fellow of the Institute of Chartered Accountants in England & Wales.

Other appointments
None

Matthew White
Chief Operating Officer

Appointment to the Board:
October 2019

Skills and experience
Matthew joined Alfa as a graduate in 1999, starting in a software development role. In his 20-year career delivering software for the auto and equipment finance industry, he has direct experience of everything involved in systems implementation, from configuration and testing support to project management for a number of UK and European projects. From 2010 to 2016, Matthew's role grew to include responsibility for most of the operations of the Company, before he led Alfa's IPO in 2017. As Chief Operating Officer, a role which he assumed in February 2019, Matthew is accountable for the global operations of the business, including Alfa's people function, technology platform and project delivery. Matthew is also responsible for the documentation and communication of Alfa's strategy. Matthew has considerable senior management experience in software company operations, software development and all aspects of systems implementation and delivery.

Other appointments
None

Committee membership

A Audit N Nomination R Remuneration R Committee chair

Steve Breach

A N R

Independent Non-Executive Director

Appointment to the Board: August 2019

Skills and experience

Steve is a member of the Institute of Chartered Accountants in England and Wales, having qualified with EY in 1993 where he focused on providing corporate finance advice to technology businesses in the UK and internationally. Steve has 17 years' experience as Chief Financial Officer of a number of businesses. Between 2010 and 2016, Steve was CFO of Tribal Group PLC, a leading international provider of student management software to the education market. Steve has subsequently pursued a portfolio career, acting as advisor to a number of privately owned companies.

Steve has held a number of CFO roles and has extensive experience in corporate finance.

Other appointments

Director of Elucid Partners Limited and ANDigital Limited

Adrian Chamberlain

A N R

Independent Non-Executive Director

Appointment to the Board: April 2020

Skills and experience

Adrian is the Senior Independent Non-Executive Director of iomart Group PLC. In 2023, Adrian stood down as the Senior Independent Non-Executive Director of Cambridge University Health Trust, one of the country's largest NHS Trusts. He previously has held senior executive positions in a number of private and public hi-tech and telecommunications companies including Chief Executive Officer of Messagelabs and Achilles Ltd, a member of the Board of Cable & Wireless and Bovis Lend Lease, and a member of the Operations Board at Symantec. He was the Executive Chairman of eConsult Ltd, a leading cloud-based medical triage company.

Adrian has extensive experience internationally in both the private and public sectors, particularly in strategy formulation and execution, technology and Software-as-a-Service. He holds an MA in History from Trinity College, Cambridge and an MBA from the London Business School.

Other appointments

Senior Independent Non-Executive Director of iomart Group PLC

Charlotte de Metz

A N R

Independent Non-Executive Director

Appointment to the Board: April 2020

Skills and experience

Charlotte is the Chief People Officer at Keyloop which focuses on software for the automotive industry and which she joined in 2021. She previously served as Chief People Officer at Synamedia where she led a large-scale global transformation. Prior to that, Charlotte was Executive Vice President at Finastra, a global fintech where she was responsible for Executive Talent, corporate social responsibility, culture and values, and diversity, equity and inclusion. Prior to joining Finastra in 2012 Charlotte spent over 11 years at Ventyx, a global provider of software solutions for the energy, utility and other asset-intensive businesses. During her tenure at Ventyx she held various HR roles, latterly as Human Resource Manager for Rest of World.

Charlotte has a strong track record in delivering innovative employee development, engagement, and retention practices. She also has extensive experience in managing high-impact, enterprise-wide transformations in challenging, fast-paced environments.

Other appointments

CPO, Keyloop Limited

Chris Sullivan

A N R

Senior Independent Director

Appointment to the Board: July 2019

Skills and experience

Chris was Chief Executive of the Corporate & Investment Bank at Santander UK during the years 2015-2018, and prior to this held various CEO roles during a 40-year career at The Royal Bank of Scotland and NatWest. His 11 years on the Group Executive Committee included leading Corporate Banking, Retail Banking, Direct Line and Retail Direct and culminated in appointment to the post of Deputy Group Chief Executive in March 2014. A recipient of the Leasing Life European Lifetime Achievement Award, Chris brings expertise in the auto and equipment finance industry, having spent nearly 30 years with the Lombard Group in a number of directorate roles including as CEO. Chris was the Senior Independent Director for DWF Group PLC, which delisted in October 2023.

Chris has extensive experience of corporate, investment and retail banking and asset financing together with general management and listed company experience.

Other appointments

Chairman of the Westminster Abbey Investment Committee, Non-Executive Director of Cannaray Ltd and DVCP Limited

Company Leadership Team

Andrew Denton
Chief Executive Officer
Joined Alfa August 1995

Duncan Magrath
Chief Financial Officer
Joined Alfa March 2020

Matthew White
Chief Operating Officer
Joined Alfa June 1999

Richard Dewire
Chief Revenue Officer
Joined Alfa January 2001

Relevant experience/ previous roles
Richard has over 20 years in the auto and equipment finance industry and an in-depth knowledge of Alfa Systems through many years of implementation, with extensive knowledge of Alfa's sales and commercial process. He was previously Director of Strategy and Investment.

Vicky Edwards
Chief People Officer
Joined Alfa March 2020

Relevant experience/ previous roles
Vicky joined Alfa in March 2020, bringing 26 years of experience in consultancy businesses. A commercially focused HR leader, Vicky has held leadership roles across HR, commercial and operations functions, as well as C-suite level positions in the professional services, technology and energy sectors.

Andrew Flegg
Chief Technology Officer
Joined Alfa February 2005

Relevant experience/ previous roles
Andrew brings over 35 years of programming experience, over 25 years in commercial software development and over 15 years in the auto and equipment finance industry. He was previously Alfa's Global Director of Platforms, covering internal IT systems, cloud, information security and solution architecture.

James Paul
Chief Delivery Officer
Joined Alfa September 1999

Relevant experience/ previous roles
James is accountable for all implementations across the globe and has responsibility for support, resourcing and partnering.

James has over 20 years' experience implementing in auto and equipment finance for organisations of all sizes.

Our governance framework

Our corporate governance framework clearly defines responsibilities and ensures that the Group has the right systems and controls to enable the Board and its Committees to effectively oversee the business, providing challenge where necessary.

Board of Directors

The Board is collectively responsible for the long-term success of the Company. The business of the Company is managed by the Board who may exercise all of the powers of the Company. The Board has a formal Schedule of Matters Reserved for the Board which is available on the Company website. Although the Board retains overall responsibility, it delegates certain matters to the Board Committees, and the detailed implementation of matters approved by the Board and the day-to-day operational aspects of the business to the Company Leadership Team.

Audit and Risk Committee

Provides independent assessment and oversight of financial reporting processes. It oversees, on behalf of the Board, the risk management strategy, risk appetite and the effectiveness of internal control processes. It also oversees the effectiveness of the internal and external audit functions.

Nomination Committee

Reviews the size, composition, tenure and skills of the Board. It also leads the process for new appointments, monitors Board and senior management succession planning, reviews the talent pipeline and talent management, and considers independence, diversity, equity and inclusion, and governance matters.

Remuneration Committee

Determines the remuneration, bonuses, long-term incentive arrangements, contract terms and other benefits in respect of the Executive Directors, the Chairman, the Company Secretary and senior management. Oversees the remuneration and workforce policies and takes these into account when setting the policy for Directors' remuneration.

Company Leadership Team

The Company Leadership Team (CLT) is responsible for the day-to-day running of the business, carrying out and overseeing operational management, and implementing the strategies that the Board has set.

Governance Committees

These governance committees are chaired by a member of the Company Leadership Team and report to the Company Leadership Team, and the Board or Board Committees as appropriate.

Investment Committee

The Investment Committee ensures that Strategic Investment initiatives align with Alfa's business strategy.

Disclosure and Governance Committee

The Disclosure and Governance Committee maintains an overview of the corporate structure and oversees the disclosure of information by the Group to meet its obligations as a listed company.

Deal Committee

The Deal Committee determines standard guidelines for an acceptable deal in terms of financial position and key contractual terms.

ESG Steering Group

The ESG Steering Group supports the CLT in implementing ESG strategy and managing relevant matters relating to our communities covering environmental and social matters.

Governance framework

Half of the Board is made up of Independent Directors whose diverse experience enables appropriate debate and challenge at Board and Committee discussions. The Board has an approved governance framework of systems and controls which enables the effective discharge of the Board's responsibilities.

Our governance framework continued

How the Board engages

Directors have a duty to promote the success of the Company under section 172 of the Companies Act 2006. Our dedicated stakeholder engagement and section 172 statements on pages 48 to 53 set out how the Board engages with, and balances the interests of, stakeholders.

Board engagement

A fundamental role of the Board is to consider the balance of interest between our stakeholders, including shareholders, our customers, our colleagues and the communities in which we operate.

The Board recognises its responsibilities to engage with, and incorporate the views of, key stakeholders in strategic planning and decision making, and the importance of stakeholder trust in building resilience and long-term sustainability. Although the Board retains overall responsibility for stakeholder engagement, there is interaction at various levels of the business so that it is carried out by those most relevant to a particular stakeholder group or particular issue. The Board recognises the importance of considering all stakeholders in its decision making, although the weight given to each stakeholder group may vary depending on the subject in question. Through engagement and greater understanding of the interests of stakeholders, the Board is able to assess the long-term consequences of decisions on stakeholders and the business.

We continue to work on embedding practices across Alfa so that consideration of stakeholder interests in decisions is second nature at all levels of the business.

Employee engagement

The Board monitors and assesses engagement with all stakeholders, with particular attention on employee engagement. Employee Pulse surveys provide regular understanding of wider views, and an 'open door' approach to feedback and communication also allows for frequent two-way conversation and insight. Throughout 2023 our regular Town Hall updates and Company Meetings kept colleagues informed on all the news from around the business and supported engagement across the organisation. Each region gathered for their annual two-day Company Conferences to incorporate valuable time with colleagues, and networking opportunities to keep us all connected. All Board meetings feature updates on People matters and engagement levels. Given the Board's visibility of the engagement channels and efforts, as well as its accessibility to the workforce through the initiatives and events as mentioned, it is confident at this time that appropriate effective measures are in place as an alternative to Provision 5 of the 2018 UK Corporate Governance Code. We believe that our strong culture is a unique strength and we see the benefits in employee engagement, retention and productivity. This reflects the Alfa ethos that we are all striving towards the same goal and to reward our employees, Alfa operates a discretionary profit share scheme through which most employees share in a percentage of the profits of the Company.

Employee engagement survey

Our employee engagement survey, Pulse, remains an important tool to measure employee sentiment and identify areas for improvement and celebration of our achievements.

Shareholder engagement

The Board is accountable to shareholders for ensuring the Group is appropriately managed and achieves its objectives in a way that is supported by the right culture and behaviours. The Board spends time understanding the views of its key shareholders when discussing matters at Board meetings and these views form an integral part of decision making.

Our 2023 Annual General Meeting (AGM) was held in London and all resolutions were passed. Shareholders were encouraged to vote by appointing the Chair as proxy if they were unable to attend in person. The Board also encouraged shareholders to submit questions in advance and these were responded to individually.

The 2024 AGM is planned to be a physical meeting held in London. The Board looks forward to meeting with and hearing from shareholders at the AGM this year.

Other stakeholder engagement

The Board and each Committee chair actively encourages and engages with key stakeholders and considers this to be paramount to the long-term success and performance of the business. During 2023, there were no significant matters to discuss with shareholders in relation to the Nomination and Audit and Risk Committees. Our section 172 statement on pages 48 to 53 explains how section 172 matters, including this engagement, are taken into consideration by the Board in its decision making. The Board recognises the contribution Alfa makes to society, the environment, and its key stakeholders. It seeks to understand their views and predominantly engages with them through the Executive Directors, who ensure that the Board is kept informed of any key issues or changes. It also keeps ways of engagement under constant review to ensure that they remain effective.

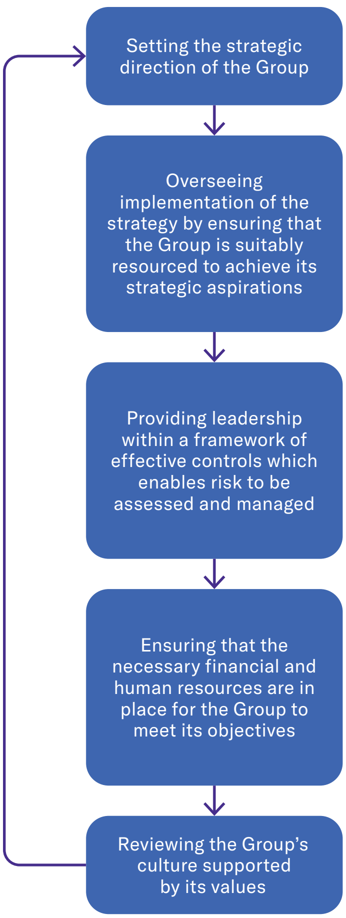
Division of responsibilities

Division of responsibilities

Alfa is led and controlled by the Board, which is collectively responsible for the long-term and sustainable success of the Group. The structure and the roles of the Board and its Committees ensures that control and oversight give a balanced approach to risk and are aligned with Alfa's culture. This assists the Board with carrying out its responsibilities and is designed to ensure that focus is maintained on strategy, monitoring the performance of the Group, governance, risk and control issues.

The Board is collectively responsible for the long-term success of the Group and for ensuring leadership within a framework of effective controls.

The key role of the Board:



The Board responsibilities

We have clear and documented roles and separation of duties between the Chairman and the CEO. The Alfa CEO, Andrew Denton, is responsible for executing the Alfa strategy and day-to-day operations, and leading the CLT. Andrew Page, as Executive Chairman, provides oversight and guidance to Andrew Denton on the strategic direction, key commercial and contracting decisions in addition to his responsibilities for running an effective Board. All Directors have access to the advice of the Company Secretary and, in appropriate circumstances, may obtain independent professional advice at the Company's expense. In addition, a Directors' and Officers' liability insurance policy is maintained for all Directors and each Director has the benefit of a deed of indemnity. The appointment and removal of the Group Company Secretary is a matter for the Board as a whole.

Matters reserved for the Board

The Board has adopted a formal Schedule of Matters specifically reserved for its decision making and approval. The matters that the Board considers suitable for delegation are contained in the Terms of Reference of each Board Committee. There are certain key responsibilities that the Board does not delegate and which are reserved for its consideration. The full Schedule of Matters Reserved for the Board is available under the Corporate Governance section on our website.

The Company Secretary, through the Chairman, is responsible for advising the Board on all governance matters and for ensuring that Board procedures are followed, that applicable rules and regulations are complied with, and that due account is taken of relevant codes of best practice. The Company Secretary is also responsible for ensuring communication flows between the Board and its Committees, and between senior management and Non-Executive Directors.

Workforce policies and practices

Our people bring a diverse range of experience, expertise and perspectives that contribute to the values and culture of Alfa and are essential for the delivery of our strategic objectives. A positive environment where our people feel valued, motivated and able to thrive is essential to Alfa's continued success. The Board recognises the value of, and supports, significant investment of time and resources in our colleagues to allow Alfa to attract and retain talent and develop the skills of our employees. One central policy in creating this environment and culture is Alfa's Ethics and Code of Conduct Policy (the 'Code of Conduct') which clearly sets out a zero-tolerance policy for dishonest and corrupt behaviour among our employees and seeks to educate team members on unlawful and unethical conduct. Compliance with the policy maintains Alfa's reputation in the marketplace as well as our relationship with our colleagues, investors, customers and other stakeholders. The Code of Conduct provides clear guidance to employees in respect of legal and ethical issues which they may come across while conducting Alfa business, and what Alfa expects in respect of our employees' behaviour. It also provides important information on working at Alfa to help embed the behaviours and values alongside more practical information to enable our employees to work effectively and efficiently. The Board is responsible for overseeing the Company's arrangements for the workforce to be able to raise matters of concern and seeks to foster an environment where individuals can be confident about speaking up about concerns without fear of retaliation. The Board monitors this area through reports on the number and types of concerns raised through the whistleblowing process and the outcomes of the concerns raised. Whistleblowing and incident reporting mechanisms are in place to allow issues to be formally reported and investigated.

Division of responsibilities continued

There is a clear division of responsibilities between the Board and the business. The roles of the Chairman, Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Senior Independent Director and independent Non-Executive Directors are set out in separate role statements.

Role	Principal responsibilities
Executive Chairman **Andrew Page**	The Chairman is responsible for the effective leadership of the Board and maintaining a culture of openness and transparency at Board meetings. The Chairman also promotes effective communication between Executive and Non-Executive Directors and ensures all Directors effectively contribute to discussions and feel comfortable in engaging in healthy debate and constructive challenge. The Chairman ensures all Directors receive accurate, timely and clear information to assist them to make their decisions and identifying training and development needs as required.
Chief Executive Officer **Andrew Denton**	The Chief Executive Officer has day-to-day responsibility for the effective management of Alfa and for ensuring that Board decisions are implemented. He plays a key role in defining and guiding the strategy, once agreed by the Board, whilst ensuring the successful delivery against the strategic plan and other key business objectives, allocating decision making and responsibilities accordingly. The CEO is also tasked with providing regular operational updates to the Board on all matters of significance relating to the Group's operations and for ensuring effective communication with shareholders and other key stakeholders. The CEO identifies and executes new business opportunities and assesses potential acquisitions and disposals. He manages the Group with reference to its risk profile in the context of the Board's risk appetite and is responsible for the oversight of the Environmental, Social and Governance (ESG) initiatives.
Chief Financial Officer **Duncan Magrath**	The Chief Financial Officer has overall responsibility for management of the financial risks of the Group. The CFO is responsible for financial planning and record-keeping, as well as financial reporting to the Board and shareholders. The CFO ensures effective financial compliance and control, while responding to regulatory developments, including financial reporting, effective allocation of capital, management of liquid resources, investor relations and corporate responsibility. The CFO has responsibility for the ESG reporting.
Chief Operating Officer **Matthew White**	The Chief Operating Officer is responsible for day-to-day operational activities. The COO plays a key role in developing key business operational models, monitoring performance against KPIs and ensuring adequate staffing recruitment to deliver development and systems implementation. The COO is responsible for software development, systems implementation delivery and the delivery of HR resourcing and planning.
Senior Independent Director **Chris Sullivan**	The Senior Independent Director provides a sounding board for the Chairman and acts as an intermediary for the Non-Executive Directors. The Senior Independent Director is available to shareholders should they have any concerns, where communication through normal channels has not been successful or where such channels are inappropriate. The Senior Independent Director meets with the Non-Executive Directors at least annually when leading the Non-Executive Directors' appraisal of the Chairman's performance.
Non-Executive Directors **Steve Breach** **Adrian Chamberlain** **Charlotte de Metz**	The Non-Executive Directors bring insight and experience to the Board. They have a responsibility to constructively challenge the strategies proposed by the Executive Directors; scrutinise the performance of management in achieving agreed goals and objectives; and play leading roles in the functioning of the Board Committees, bringing an independent view to the discussion.

Board leadership and Company purpose

How the Board operates

During the year, the Board considers a comprehensive programme of regular matters covering operational and financial performance reporting, strategic reviews and updates, and various governance reports and approvals.

Board meetings

The Board held six scheduled meetings in 2023 and a number of ad hoc meetings, which included presentations by a member of the CLT on each of the business areas. During the year, the Board and its Committees conducted each meeting in person, with Directors attending remotely if necessary, enabling the Board to continue to function and maintain the integrity of our governance structure. Materials for meetings are circulated electronically in advance, to give Directors an appropriate amount of time to fully consider the Board matters before the meeting takes place.

Non-Executive Directors meet without the Chairman at least annually to appraise the Chairman's performance and the Chairman also holds meetings with the Non-Executive Directors without the Executive Directors being present. The table opposite records the number of meetings held by the Board and each Committee during 2023 and the number of meetings attended by each member. There was 100% attendance at each meeting.

Board and Committee meetings and attendance

	Board	Audit and Risk Committee	Nomination Committee	Remuneration Committee
Andrew Page	6/6		2/2	
Andrew Denton	6/6			
Duncan Magrath	6/6			
Matthew White	6/6			
Steve Breach	6/6	4/4	2/2	4/4
Adrian Chamberlain	6/6	4/4	2/2	4/4
Charlotte de Metz	6/6	4/4	2/2	4/4
Chris Sullivan	6/6	4/4	2/2	4/4

Unsolicited offers for the Company

As shareholders will be aware, we received a number of unsolicited proposals from EQT Fund Management S.à r.l (EQT) and Thomas H. Lee Partners, L.P. (THL). Following the initial approach from EQT, the Board decided to establish an Independent Bid Committee to consider matters relating to this approach and subsequent approach from THL. The Independent Bid Committee would principally decide whether or not to recommend the final terms of any offer to the Company's shareholders in accordance with the requirements of the City Code on Takeovers and Mergers.

In addition to the scheduled meetings, there were four additional Board meetings arranged for the Board to review the offers from EQT and THL for the Company. In addition, the Independent Bid Committee met four times to discuss the approaches, with the relevant advisors in attendance. As announced on 7 July 2023, EQT reported that it did not intend to make a firm offer to the shareholders of Alfa. On 3 October 2023, Alfa confirmed that it had terminated discussions with THL.

	Board	Independent Bid Committee
Andrew Page	4/4	
Andrew Denton	4/4	
Duncan Magrath	4/4	
Matthew White	4/4	
Steve Breach[1]	4/4	4/4
Adrian Chamberlain	4/4	4/4
Charlotte de Metz	4/4	4/4
Chris Sullivan	4/4	4/4

1. Steve Breach was appointed as Chair of the Independent Bid Committee.

The Board is responsible for providing overall direction for management, debating strategic priorities and setting Alfa's culture and values. Maintaining good governance is essential to support the delivery of Alfa's strategic objectives, and to ensure that the business is run well for the benefit of all stakeholders and for sustainable long-term value. The Board receives an update on key elements of the People strategy which provides insight into a variety of areas including culture, diversity, inclusion, talent management, future capability, succession planning and colleague engagement. The Board continues to monitor the framework, so that it remains appropriate to the business. The governance framework embeds our values into the policies and processes of Alfa and therefore helps to strengthen the corporate culture.

Corporate governance framework

Having an effective corporate governance framework defines responsibilities, helps the Board to deliver the Group's strategy and is vital to its decision making. It supports long-term sustainable growth while operating within a framework of effective controls. Having the right systems and controls in place ensures the

Board and its Committees effectively oversee the business, maintain the highest standards of corporate governance and allow Directors to provide challenge where necessary.

The Board has overall responsibility for ensuring adequate resource is available for Alfa to deliver on its strategic priorities. The Board has established a risk management framework to manage and report the risks we face as a business, which are reviewed on at least an annual basis. The Board also undertakes a robust assessment of the Company's emerging and principal risks. Efficient internal reporting, effective internal controls, and oversight of current and emerging risks are embedded into our business processes, which align to our strategic priorities, purpose and values. The Board, with the support of its Committees, places great importance on ensuring we achieve a high level of governance across the Group.

Strategy

The Board provides support in implementing strategic priorities as well as oversight and constructive challenge on the running of the business. Through reporting, including the use of both financial and non-financial metrics, the Board is able to evaluate and guide the progress and performance of the Company.

During the year, the Company has continued to embed across the business the purpose and values as set out in the Strategic report on pages 1 to 73 of this report. The Board continues to monitor the strategic direction of the Company and the key investments we need to make to remain in a leading position in an ever-changing market, and ensures we have the resources and the right people, in the right place operationally, to ensure we remain relevant to the markets in which we operate. This brings focus to strategic objectives and translates into better decisions, driving competitive advantage, stronger performance and a sustainable business model.

Promoting a positive culture

The Board recognises the importance of a good culture and the role it plays in delivering the long-term success of the Company. Alfa employees want to work for a company that values them and provides them with the opportunity to be themselves and to thrive. The Board and CLT strive to create a positive culture at Alfa, providing employees with the opportunity to grow, experiment and innovate in an inclusive environment.

To create the right culture, it is important that employees live and breathe Alfa's values, and this starts with our leaders. The Board sets the tone from the top to demonstrate and promote these values, which are a critical element in achieving our purpose of knocking down barriers so everyone can thrive. The Board uses several tools to monitor the culture, through surveys, Town Hall sessions, and formal and informal engagement activities. In addition, to monitor whether our culture is and remains aligned with our values, the Company seeks feedback from customers to understand what they experienced during the sales process and through the various stages of software implementations and provision of services.

Shareholders' agreement

The relationship between the Board and the controlling shareholder of the Company (the 'Controlling Shareholder'), CHP Software and Consulting Holdings Limited, is governed by the Relationship Agreement (dated 26 May 2017, as amended by deeds of adherence dated 10 January 2024 and 15 January 2024). This agreement is a framework under which the Controlling Shareholder, and the shareholders of the Controlling Shareholder will operate to protect the rights of the non-controlling shareholders. There were no changes to the Relationship Agreement during 2023. As part of a corporate restructuring, the Controlling Shareholder entity changed from CHP Software and Consulting Limited to CHP Software and Consulting Holdings Limited in January 2024; and CHP Software and Consulting Holdings Limited and CHP Software Holdings Limited each adhered to the Relationship Agreement. Under the Relationship Agreement, two Non-Executive Directors can be appointed to the Board for as long as the Controlling Shareholder holds 20% or more of the voting rights over the Company's shares.

One Non-Executive Director can be appointed to the Board for so long as the Controlling Shareholder holds 10% or more but less than 20% of the voting rights in respect of the Company's shares.

If none of the Controlling Shareholders are members of the Nomination Committee, the Controlling Shareholder can appoint an observer to the Nomination Committee. Andrew Page is designated as the first appointed Director of the Controlling Shareholder. Andrew Denton has not been appointed as a designated Director by the Controlling Shareholder. It has been agreed that for as long as the Controlling Shareholder has the right to appoint two Directors to the Board, and whilst Andrew Denton is a Director of the Company, the Controlling Shareholder will not exercise its right to appoint a second Director to the Board. There have been no Board observers appointed either under the Relationship Agreement, or otherwise.

For further details of the Relationship Agreement, see page 131 of the Directors' report.

Board activities and key discussions in 2023

The table below sets out the key areas of Board focus during the year and how these align with the Group's strategy. It also sets out which of Alfa's key stakeholders have been considered and are relevant in the Board's discussions.

Strategy and operations

Key stakeholders: Customers, Employees, Investors

Link to strategic objectives: 1 2 3 4

Activities

- CEO and COO present an operational update to each Board meeting with operational, key stakeholder and innovation updates.
- Monitored the performance of the Company against agreed strategic objectives, including key financial targets.
- Individual objectives reviewed at each Board meeting.
- Three-year strategic plan, with updates on Group strategic execution.
- Deep dives on specific areas of the business and their challenges and opportunities.
- Applied the Board's strategic understanding of principal risks to key challenges and opportunities.
- Evaluated two unsolicited approaches regarding a possible offer for the Company.

Leadership, people and culture

Key stakeholders: Employees, Investors

Link to strategic objectives: 1 2 3

Activities

- Received updates on employee views and engagement levels.
- Continued to monitor senior executive talent management and development plans to provide succession for all key positions.
- Received updates from the Chair of the Remuneration Committee on its activities, recommendations regarding remuneration strategy and decisions regarding the Executive Directors' and senior management pay.
- Reviewed people and talent reports, including updates on talent development programmes and diversity, equity and inclusion programmes.
- Received presentations from each member of the CLT.
- Received recommendations from the Nominations Committee on the re-election of Directors and the structure, size and composition of the Board.

Finance

Key stakeholders: Customers, Employees, Communities and environment, Investors

Link to strategic objectives: 1 2 3 4

Activities

- Business planning and budget approval.
- Reviewed financial key performance indicators (KPIs).
- Approved full-year results, half-year results, trading updates and the Annual Report and Accounts.
- CFO report on the Company's financial performance.
- Approved two special dividends and recommended a final dividend to shareholders for approval.
- Reviewed the key risks to Alfa and the controls in place for mitigation.
- Considered and monitored the Group's risk appetite and principal risks and uncertainties.
- Reviewed internal controls.
- Approved the viability and going concern statements.
- Developed and monitored the ESG reporting framework.

Governance

Key stakeholders: Customers, Employees, Communities and environment, Suppliers, Investors

Link to strategic objectives: 1 4

Activities

- Monitored and reviewed the Company's approach to corporate governance, its key practices and its ongoing compliance with the 2018 Code.
- Reviewed the results from the internal Board and Committee effectiveness evaluation and confirmed actions.
- Reviewed climate change risks and TCFD disclosures.
- Reviewed the global insurance programme and D&O liability insurance.
- Approved the Company's section 172 statement.
- Reviewed and approved matters reserved for the Board and its Committees' Terms of Reference.
- Received a presentation from the corporate broker and considered feedback from shareholder engagement.
- Reviewed and approved the modern slavery statement.

Key stakeholder groups

Customers | Employees | Communities and environment | Suppliers | Investors

Strategic priorities

1 Strengthen | 2 Sell | 3 Scale | 4 Simplify

Composition, succession and evaluation

Board composition

During the year, the Board reviewed the overall balance of skills, experience, independence and knowledge of the Board and Committee members. We consider that the skills and experience of our individual Directors, particularly in the areas of financial services, people and software, are fundamental to the pursuit of our objectives. Further details of this review, including actions taken, are set out in the Nomination Committee report on pages 91 to 94.

As required by provision 11 of the Code, at least 50% of the Board, excluding the Chairman, are independent Non-Executive Directors. The Board is currently comprised of eight members: the Executive Chairman, three Executive Directors and four independent Non-Executive Directors. Details of the skills and expertise of each member of the Board is set out in the Board biographies on pages 78 and 79.

The Board reviews the independence of its Non-Executive Directors as part of the annual Board and Director evaluation process. The Nomination Committee also considers Non-Executive Director independence on an ongoing basis as part of its consideration of the composition of the Board. The Board has determined that all the Non-Executive Directors were independent as outlined in the Code.

The Board also believes that each of the independent Non-Executives has retained independence of character and judgement and has not formed associations with management or others that may compromise their ability to exercise independent judgement or act in the best interests of the Group.

Director re-election

Each Director is required under the Articles of Association to retire at every Annual General Meeting and submit themselves for re-election by the shareholders. This report, and in particular the Board biographies on pages 78 to 79, sets forth the contribution of each Director on the Board to the Company, and on this basis, the Board, and specifically the Chairman, believes each Director proposed for re-election at the AGM should be reappointed. The Board has based its recommendations for re-election, in part, on its review of the results from the Board evaluation process outlined on the next page, and the Chairman's review of individual evaluations. It has assessed whether a Director has demonstrated substantial commitment to the role (including time for Board and Committee meetings noted in this report) and other responsibilities. Whilst, taking into account a number of considerations including outside commitments and any changes thereof during the period.

External commitments

The Company is mindful of the time commitment required from Non-Executive Directors in order to effectively fulfil their responsibilities on the Board, particularly providing constructive challenge and holding management to account, and utilising their diverse skills and experience to benefit the Company and provide strategic guidance.

Prior to their appointment, prospective Directors are asked to provide details of any other roles or significant obligations that may affect the time available for them to commit to the Company. The Chairman and the Board are then kept informed by each Director of any proposed external appointments or other significant commitments as they arise. These are monitored to ensure that each Director has sufficient time to fulfil their obligations and Chairman approval is required prior to a Director taking on any additional external appointment.

Each individual's commitment to their role is reviewed annually and any external appointments or other significant commitments of the Directors require the prior approval of the Board. The Board will take into consideration the time commitment required by the Non-Executive Director in their role as a Board Director, Committee Chair or Committee member in giving any such permission.

Directors' conflicts of interest

Each Director is required to disclose conflicts and potential conflicts to the Chairman and the Company Secretary as and when they arise. As part of the induction process, a newly appointed Director is asked to disclose any conflicts of interest to the Company. Thereafter, each Director has an opportunity to disclose conflicts at the beginning of each Board and Committee meeting and as part of an annual review.

None of the Directors declared to the Company any actual or potential conflicts of interest between any of their duties to the Company and their private interests and/or other duties. The Companies Act 2006 provides that Directors must avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. Boards of public companies may authorise conflicts and potential conflicts, where appropriate, if their company's Articles of Association permit.

Board evaluation and performance review

To ensure the Board remains effective, a performance evaluation is carried out each year to review the effectiveness of the Board, its Committees and Directors. The Board recognises the benefit of a thorough evaluation process to reflect on its strengths and the challenges it faces, and to identify opportunities to continuously improve its effectiveness.

The evaluation for 2023 was conducted by the Company Secretary in conjunction with the Chairman. The Directors were asked to complete a detailed Board performance evaluation questionnaire to assess the performance of the Board and the Committees over the year. Each questionnaire was analysed and a summary of the results and the Board's performance was presented to the Board for discussion.

The Board considers this exercise to be of significant value, and focus is placed on reviewing the quality of information provided to the Board at the Board's discussions, the effectiveness of the Board, the composition of the Board, including the skillset of the various Directors, highlighting whether there are any gaps in the breadth and depth of the Board that should be addressed by the Nomination Committee as part of its succession planning, and to ensure that the Board is best placed to deliver on its strategic goals and ensure the long-term sustainable success of the Company.

The evaluation confirmed that there was a strong emphasis on the welfare of employees, with active consideration of fairness to employees and their rewards, and a recognition of the need to support wellbeing.

The overall conclusion of the evaluation was that the Board and its Committees remain strong and effective, with a clearly defined role and purpose. The evaluation found that the Board is chaired well, demonstrated by Board discussions which were rigorous and open, combined with constructive challenge, allowing for diversity of opinion.

Focus area	Recommendation and plan
Education and training	• Maintain a commitment to ongoing learning and development opportunities as a Board.
Engagement	• Facilitating increased contact between the Board and the business, and between the Non-Executive Directors and senior management colleagues. Consider building unstructured time between Board and Committee sessions.
Succession planning	• Succession planning will continue to be an area of priority for the Board. Broaden focus on development of talent and succession mapping for CLT and senior management. Maintain focus on exposure of the Board to future leaders in the talent pipeline.
Risks and opportunities	• Focus on continuing to enhance understanding of external and emerging risks, opportunities, and trends specific to Alfa and the industry, and developments and potential disrupters to the business. Maintain focus on Alfa's competitive performance.

Chairman's and Directors' performance

During the year, the Senior Independent Director evaluated the performance of the Chairman. In addition, the Non-Executive Directors met independently from the Executive Directors to discuss with the Chairman the overall functioning of the Board and the Chairman's contribution in making it effective.

In addition, the Chairman holds regular meetings with individual Directors at which, among other things, their individual performance is discussed. Informed by the Chairman's continuing observation of individual Directors, these discussions form part of the basis for recommending the reappointment of Directors at the Company's AGM, and include consideration of the Director's performance, contribution and commitment to the Board and its Committees.

Composition, succession and evaluation continued

Board diversity

It is the Board's policy that appointments to the Board will always be based solely on merit without any discrimination relating to age, gender or any other matter that has no bearing on an individual's ability to fulfil the role of Director. This principle of Board diversity is strongly supported by the Board, recognising that diversity of thought, approach and experience is an important consideration as part of the selection criteria used to assess candidates to achieve a balanced Board. While the Board is mindful of the targets as set out by the FCA's Listing Rules, in respect of 2023, the Board has not met the targets in Listing Rule 9.8.6(9) that at least 40% of the Board should be female, one senior position should be held by a women, and that there should be a Director from a minority ethnic background.

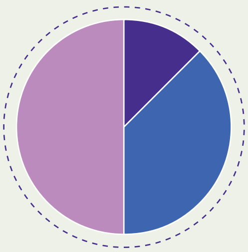
The Board promotes an open, honest and inclusive culture in Board and Committee meetings, during which all Directors are encouraged to share their views based on their own different experiences and backgrounds. The Board remains confident that it currently has the right balance of backgrounds, skills and experience to fulfil the Company's strategy. The Board continues to support diversity of thought and ensures appropriate challenge, interpretation, and interactions between members.

The disclosures required under Listing Rule 9.8.6 are set out on page 130 of the Directors' report.

The charts below set out the demographic information of the Board and the gender diversity of the Board, CLT, the direct reports to the CLT and Company-wide employees.

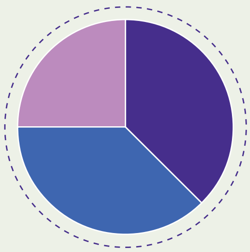
Diversity overview

Board composition



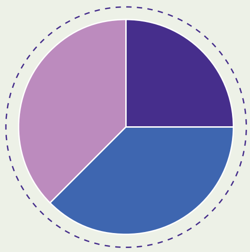
Executive Chairman	12.5%
Executive Director	37.5%
Independent Director	50%

Board tenure



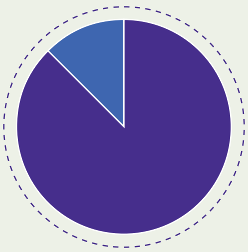
3–4 years	37.5%
5–6 years	37.5%
6–7 years	25%

Age of the Board



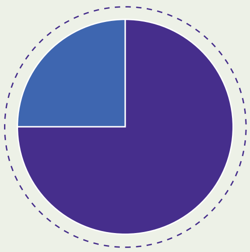
40–49	25%
50–59	37.5%
60–69	37.5%

Gender diversity Board



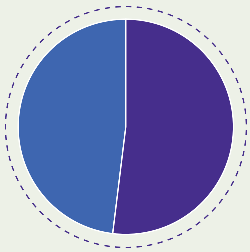
Male	87.5%
Female	12.5%

Gender diversity – CLT[1]



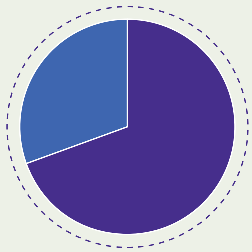
Male	75%
Female	25%

Gender diversity – CLT direct reports



Male	52%
Female	48%

Gender diversity Company-wide



Male	67.2%
Female	32.2%
Non-binary	0.6%

1. Alfa gender balance is captured through voluntary and confidential self-disclosure. The CLT composition data excludes the three Executive Directors who are part of the CLT.

Nomination Committee Report

"We promote an open and inclusive culture in Board and Committee meetings, where all Directors are encouraged to share their views and where their views are considered, without bias or discrimination."

Chris Sullivan,
Nomination Committee Chair

Meetings held during 2023

	Member since	Meetings attended 2023
Chris Sullivan	2019	2/2
Steve Breach	2019	2/2
Adrian Chamberlain	2020	2/2
Charlotte de Metz	2020	2/2
Andrew Page	2017	2/2

The full Terms of Reference for the Committee are reviewed annually and can be found at: www.alfasystems.com/investors/governance.

Committee purpose and responsibilities

The Committee is accountable for reviewing the structure, size, and composition of the Board, and ensuring that the Board and its Committees have the most suitable balance of skills, knowledge, and experience, taking account of each individual Director's time commitment. The Committee ensures that formal, rigorous, and transparent procedures are in place for Board appointments and that plans are in place for orderly succession planning to Board positions. It oversees the recruitment process and advises the Board on the identification, assessment, and selection of candidates; drives the diversity, equity, and inclusion agenda; and confirms that all appointments are made on merit against objective criteria.

The Committee also provides oversight on succession planning activities of senior management. The Committee is responsible for ensuring that a comprehensive induction programme is delivered on the appointment of a new Non-Executive Director and leads the annual evaluation process of the Board.

Introduction

On behalf of the Board, I am pleased to present our Nomination Committee Report for 2023, which summarises our key activities during the year.

During 2023, the Committee continued to recognise the importance of building an experienced, effective and open Board working together with the Company Leadership Team (CLT) to achieve Alfa's strategic objectives. The Committee ensures that the Board and the CLT have the right balance of skills, knowledge and experience to both discharge their responsibilities and to respond appropriately to emerging challenges and opportunities. With this in mind, the Committee continued its succession planning for the Board, Executive Directors and CLT, and considered Alfa's approach to the development of the wider talent pipeline and, in particular, key senior management.

The Committee acknowledges the importance that growing talent internally plays in the Company's diversity ambitions. Directors are encouraged to contribute to the development of a diverse range of future leaders. The Committee increased its focus on the talent management and development of all Alfa employees.

I, as Chair of the Nomination Committee, have overseen and extensively reviewed the composition of the Board and the Directors' relevant skills and experience, to ensure that we have the right balance to fulfil the Company's strategy. We recognise that an optimal board of directors should reflect a diverse range of views, insights, perspectives and opinions, which facilitates constructive discussion and enables enhanced decision making and effectiveness, and we believe that the current Alfa Board epitomises these principles. We promote an open and inclusive culture in Board and Committee meetings, where all Directors are encouraged to share their views and where their views are all considered, without bias or discrimination.

The Committee and Board as a whole is mindful that the composition does not currently meet the requirements of the FCA's diversity rules. For this reason, it pays particular attention in its oversight of employee engagement to ensure there are no cultural or structural barriers for women and ethnic and other under-represented groups. It is satisfied that the Company continues to promote diversity, equity and inclusion, and it expects to see an increasingly diverse talent pipeline that will feed into its workforce with more people from minority groups.

Chris Sullivan
Nomination Committee Chair

Nomination Committee Report continued

Committee role and membership

The Committee comprises the Executive Chairman and the Non-Executive Directors, and is chaired by Chris Sullivan, the Senior Independent Director. The Nomination Committee is responsible for ensuring the composition and structure of the Board remains effective, balanced and optimally suited to the Company's strategic priorities. In practice, this involves overseeing the nomination, induction, evaluation and orderly succession of Directors. This is achieved through effective succession planning, the identification and development of internal talent, and a clear understanding of the competencies and capabilities required to support the delivery of Alfa's strategy. The Committee also ensures the Company's governance structure facilitates the appointment and development of effective management that can deliver shareholder value over the long term.

The Committee's performance was reviewed as part of the 2023 internal Board and Committee effectiveness review, which is detailed on page 89. The evaluation established that the Committee functions well in terms of planning succession to Board roles, Company Leadership Team and the future talent pipeline.

Skills and experience

During 2023, the Committee reviewed the balance of skills and experience of the Board. For Non-Executive Directors, independence in thought and judgement is vital to facilitating constructive and challenging debate in the boardroom and is essential to the operational effectiveness of the Alfa Board and its Committees. The Board is satisfied that it has the appropriate range of skills, experience, independence and knowledge of the Company to enable it to effectively discharge its duties and responsibilities.

The Directors completed a self-capability assessment, which supports our ongoing succession planning work. The output is shown in the matrix below.

The chart below demonstrates the skills and experience of the Board members:

For professional ongoing development, the Board receives presentations relevant to the Company's business and updates on any changes to markets, or regulations, which may affect the Company's operations.

The Company Secretary supplies all Directors with information on relevant corporate governance and best practice. As part of their annual performance evaluation, Directors are given the opportunity to discuss training and development needs. Additional training is available on request, where appropriate, so that Directors can update their skills and knowledge as applicable. The Committee is confident that Board members have the knowledge, ability and experience to perform the functions required of a Director of a listed company.

Succession planning

The Committee keeps under review the leadership needs of the organisation, and both the Executive and Non-Executive Directors, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace. The Committee undertakes comprehensive reviews of the leadership needs of the Company, to ensure the continued ability of the organisation to compete effectively in the marketplace, and keeps informed of the strategic issues and commercial challenges affecting the Company and the market in which it operates.

In addition, the wider talent and succession programmes remained a key focus of the Committee during the year. It evaluated the succession plans for the CLT and the senior management structure, and reviewed employees identified by management as having the potential to develop in the longer term into future leaders of the business, taking into account future challenges and opportunities. The Committee has ensured that there are plans in place for short and medium-term succession for the Board and CLT.

The Committee considers the implications of the requirements relating to the development of a diverse pipeline for succession for the Board and the CLT contained within the 2018 Code. Discussions were held about initiatives taken to increase the diversity in the hiring process, including drawing on NEDs' experience in other organisations of attracting diverse talent.

Diversity, equity and inclusion

The Company is committed to increasing diversity across our operations and has a wide range of activities to support the development and promotion of talented individuals, regardless of factors such as gender, age, ethnicity, disability, sexuality and religious belief.

The Board and the Committee believe that diversity is a wider topic than simply gender. In order to achieve the Group's future growth aspirations, Alfa remains committed to building a pipeline of diverse talent and regularly reviewing HR processes, including recruitment and performance management frameworks. The Committee will take into account a variety of factors before recommending any new appointments to the Board, including relevant skills to perform the role, experience, knowledge and diversity. Alfa endeavours to achieve appropriate diversity, including gender diversity, throughout the Company. It is part of the Committee's remit when making new Board appointments to consider the importance of diversity on the Board, including gender and ethnicity. This is considered in conjunction with experience and qualifications in relation to the balance of the Board and its Committees.

The Committee acknowledges that it does not have a formal Board diversity policy in place in accordance with DTR 7.2.8AR. As a Board, we believe firmly in the principle of appointing Directors based on merit, skill and expertise, regardless of demographic factors. We believe that emphasising merit-based appointments fosters an environment of fairness, transparency, and accountability, where each Director is selected for their ability to contribute meaningfully to the Company's success. This ensures that the Board is highly competent, well-rounded, and capable of making informed decisions in the best interest of all stakeholders. While we do not subscribe to quotas as a means of achieving diversity, we remain committed to promoting inclusivity and diversity through proactive initiatives, recruitment practices, and fostering an inclusive culture within the Company.

The Committee acknowledges that the Board does not meet the targets set by the FTSE Women Leaders Review, nor the target set by the Parker Review with regard to ethnic diversity at Board level. We continue to cultivate a Board, which emphases diversity of thought, to ensure that there is appropriate challenge, interpretation, and interactions to reflect a greater variation in approaches to problems and unique perspectives. We promote an open and inclusive culture in Board and Committee meetings, where all Directors are encouraged to share their views and where their views are all considered, without bias or discrimination. Data on these targets in the required standardised form can be found in the Directors' report on page 130. The Committee considered the gender balance of the CLT and its direct reports, and received information on these from the Chief People Officer on a regular basis.

The Alfa Inclusion and Diversity Charter sets out our pledge to eliminate discrimination of any kind in our organisation. The aim is for our employees to be truly representative of all sections of society and our customers, and for everyone to feel respected and able to give their best. In 2023, we launched our first-ever Diversity, Equity and Inclusion employee survey, seeking feedback from colleagues on how we're doing and seeking suggestions for areas to work on. Some great ideas were submitted and, in 2024, we will enhance our DEI plans to incorporate some of the themes raised, including a focus on raising awareness of parents within our network and some of the challenges they might face, as well as looking at voluntary diversity pay gap reporting and many more initiatives.

Alfa continues to work to build a more inclusive workplace at all levels of the Company. The Committee supports the diversity, equity and inclusion and initiatives set by the Company, and recognises that the Company is evolving in this space. Recruitment is continually reviewed to ensure equality during the process.

Appointment of Directors

There is a formal, rigorous and transparent procedure for the appointment of new Directors under which the Committee is responsible for leading this process and making recommendations to the Board. The search process for new Non-Executive Directors is to appoint an external search firm to secure a strong and diverse list of candidates. A shortlist of candidates is shared with the Committee, meetings are scheduled and then, once the candidates have been identified, confirmation is provided of the time commitment required and the disclosure of any other business interests is requested from the candidates. If discussions relate to the appointment of a Chairman, then Chris Sullivan, as Senior Independent Director, will lead the recruitment process. When the Committee has found a suitable candidate, the Chair of the Committee will make a proposal to the Board, which retains responsibility for all such appointments. The Committee, on behalf of the Board, regularly assesses the balance of Executive and Non-Executive Directors, and the composition of the Board in terms of skills, experience, diversity and capacity.

Induction and ongoing professional development

To ensure that each Director receives appropriate support on joining the Board, there is a comprehensive and tailored induction programme, including the provision of background material on the Company and briefings with relevant CLT members. The induction programme will continue to be reviewed and updated on a regular basis.

External directorships

All Directors are required to request approval from the Board before accepting any new external directorships. The Board will consider the time commitment required for the role under review and any potential conflict of interest. There were no new public appointments in relation to the Directors during 2023.

The Board believes, in principle, in the benefit of Executive Directors accepting Non-Executive Directorships of other companies in order to widen their skills and knowledge for the benefit of the Company. All such appointments require the prior approval of the Board and the number of public company appointments is limited to one.

Conflicts of interest and independence

The Board operates a policy to identify and, where appropriate, manage any potential conflicts of interest that Directors may have. It is the role of the Committee to monitor and determine actions to address any potential, or actual, conflicts that may arise. The Committee reviews all potential conflicts of interest on an annual basis and when new Directors are formally appointed. No new conflicts of interest were noted in the year and to the date of this Annual Report.

On behalf of the Board, the Committee reviewed the independence of each Non-Executive Director and is satisfied that all Non-Executive Directors, including the Chair, remain independent under the definition in the Code. Furthermore, the Committee is satisfied that each of the Non-Executive Directors commits sufficient time to meet their Board responsibilities. All Directors are required to submit an annual declaration of conflicts of interest and to declare any new conflicts as they arise. The Board delegates to the Committee the responsibility for reviewing the procedures for assessing, managing and, where appropriate, recommending the approval of any conflicts of interest to the Board. The Committee reported to the Board that the current procedures are appropriate and that they have operated effectively during the year.

The Committee is satisfied that the external commitments of the Board's Chairman and members do not conflict with their duties as Directors of the Company.

Election and re-election of Directors

The re-election of Directors is subject to their continuing commitment to Board activities and satisfactory performance. All Directors will stand for re-election annually in accordance with the provision of the 2018 Code. Following discussion of the skills and contribution of each Director, and in conjunction with the Board performance evaluation, the Committee supports the proposed re-election of all Directors standing for re-election at the AGM in 2024. The Committee has confirmed to the Board that the contributions made by the Directors offering themselves for re-election at the 2024 AGM continue to benefit the Board and the members are invited to support their re-election.

Non-Executive Directors are appointed initially for three years and Non-Executive Directors may, subject to Board approval, remain in office for a period of up to six years, or two terms in office, with discretion for the Board to extend the term for one further three-year term, to a maximum of nine years.

Chris Sullivan
Chair, Nomination Committee
13 March 2024

Audit and Risk Committee Report

"Supporting progressive growth with a measured control environment."

Steve Breach, Chair of the Audit and Risk Committee

Meetings held during 2023

	Member since	Meetings attended 2023
Steve Breach (Chair)	2019	4/4
Adrian Chamberlain	2020	4/4
Charlotte de Metz	2020	4/4
Chris Sullivan	2019	4/4

The Committee's members are all independent Non-Executive Directors.

The full Terms of Reference for the Committee are reviewed annually and can be found at: www.alfasystems.com/investors/governance.

Principal activities in 2023

- Reviewed the 2022 year-end financial statements and Annual Report.
- Reviewed the half-year financial results and trading updates.
- Approved the Company's risk management framework, risk appetite and risk register.
- Reviewed key findings from 2023 internal audits and considered the 2024 internal audit plan.
- Review of information and cyber security.
- Review of the company's insurance arrangements.
- Tax compliance status review.
- Reviewed Internal and External Audit effectiveness.
- Considered key accounting matters.

Areas of focus for 2024

- Continue to monitor legislative and regulatory changes that may impact the work of the Committee.
- Continue with oversight of internal audit activities and findings.
- Continue oversight of the Company's risk management framework.
- Monitor the continued progressive enhancements to Alfa's systems and internal controls across all key functions of the business.

Dear shareholders,

I am pleased to present our Audit and Risk Committee Report for the year ended 31 December 2023. The Report explains the work of the Committee during the year, as well as setting out expected key areas of focus for 2024.

The Committee has an annual work plan linked to the Company's financial reporting cycle, which ensures that it considers all matters delegated to it by the Board.

We have continued to review and challenge the assumptions and judgements made by management in the preparation of published financial information and to oversee the internal control environment, including oversight of the external and internal audit processes. Throughout the year, the Committee's primary focus was to maintain the integrity and transparency of the Company's internal and external financial reporting. We continued to spend time assessing the application of IFRS 15 'Revenue from Contracts with Customers', alongside careful consideration of the Company's risk management framework, internal controls and management information systems.

The Company continued to make strong progress during the year, incrementally improving the efficacy and efficiency of its governance and control frameworks, and further enhancing insightful management information across its business.

Alongside core financial controls, Alfa's cyber and information security resilience is critical. The Committee has continued to pay close attention to management's work to enhance Alfa's cyber security control environment.

Committee members' skills and experience are set out on pages 78 to 79. The Board is satisfied that the Committee meets the requirement to have recent and relevant financial experience, and that, as a whole, its members have experience of the auto and equipment finance and enterprise software sector and corporate governance.

As a result of its work during the year, the Committee has concluded that it has acted in accordance with its Terms of Reference.

Steve Breach
Chair of the Audit and Risk Committee

Audit and Risk Committee Report continued

Key responsibilities of the Committee

The Board has delegated to the Committee responsibility for overseeing financial reporting, the review and assessment of the effectiveness of the internal control and risk management systems, and maintaining an appropriate relationship with the external auditor.

The Committee has adopted Terms of Reference, which are available to view at www.alfasystems.com/investors/governance. The Terms of Reference provided the framework for the Committee's work in the year and key responsibilities of the Committee are summarised as follows:

- Overseeing the relationship with the Company's external auditor, monitoring its effectiveness and independence, and making recommendations to the Board in respect of its remuneration, appointment and removal. The Committee also reviews the findings from the external auditor, including discussion of significant accounting and audit judgements, levels of errors identified and overall effectiveness of the audit process.
- Reviewing the financial statements of the Company, including its annual and half-yearly reports and, if applicable, any other formal announcements relating to its financial performance. The Committee will also consider significant financial reporting issues, accounting policies and key areas of judgement or estimation. This review also includes consideration of the clarity and completeness of disclosures of the information presented in the financial statements.
- Overseeing the accounting principles, policies and practices adopted by the Company.
- Monitoring and reviewing internal audit activities, reports and findings.
- Reviewing the effectiveness of the Company's system of internal financial controls and internal control systems.
- Advising the Board on the Company's risk strategy, risk policies and current and emerging risk exposures, including the oversight of the overall risk management framework and systems.
- Assessing the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters and to ensure proportionate and independent investigation of such matters.
- Making recommendations to the Board as it deems appropriate on any area within its remit where action or improvement is required.
- Providing advice on whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable.
- Reporting to the Board on how it has discharged its responsibilities.
- Developing and implementing policy on the engagement of the external auditor to supply non-audit services.

Meetings

During the year, the Committee met four times and met privately with the external auditor once. The Committee operates to a forward agenda linked to the financial calendar which ensures that the responsibilities and duties of the Committee are discharged in accordance with the Terms of Reference and the requirements of the UK Corporate Governance Code.

In addition to the Committee members, by invitation, the meetings of the Committee may be attended by the CFO. The Chairman of the Board, CEO and COO may also attend meetings. The Company's external auditor and the internal audit services provider are also present at all Committee meetings, to ensure full communication of matters as they relate to their respective responsibilities. At the end of each Committee meeting, Committee members have the opportunity to meet with the external auditor (and, where appropriate, the internal auditor) for a private discussion regarding the audit process and relationship with management.

The Chair of the Committee holds regular meetings with the external auditor, which has an opportunity to discuss matters with the Committee without management being present, and also with the CFO (who has responsibility and custody of the internal audit function).

Meetings of the Committee are scheduled close to the end of the half and full year, as well as before the publication of the associated half-year and full-year financial reports, so as to ensure the Committee is informed fully, on a timely basis, on areas of significant risks and judgement. The Board has confirmed that it is satisfied that Committee members possess an appropriate level of independence and depth of financial and commercial expertise. For the year ended 31 December 2023, Steve Breach, the Chair of the Committee, was determined by the Board as having recent and relevant financial experience.

The Committee is satisfied that it receives sufficient information and has access to relevant and timely management personnel to allow the Committee members to engage in an informed debate during Committee meetings and to fulfil its responsibilities.

Significant financial reporting judgements

As part of its monitoring of the integrity of the financial statements, the Committee reviews whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements and seeks support from the external auditor to assess them. The Committee considered the following significant judgements, and other areas of audit focus in respect of the financial statements for the six months ended 30 June 2023 and year ended 31 December 2023.

These areas have been identified as being significant by virtue of their materiality or being accounting items which are new for the current financial year or the level of judgement and/or estimation involved. In order to ensure the approaches taken were appropriate, the Committee considered reports from both management and the external auditor. The Committee challenged judgements and sought clarification where necessary. The Committee received a report from the external auditor on the work it had performed to arrive at its conclusions and discussed in detail all material findings contained within the report.

Area of focus	Assessment	Review of the Committee	Conclusion/ Action taken
Revenue recognition	The Group's operations include complex software implementation programmes and service activities. The delivery of these contracts typically extends over more than one reporting period, and often the original project plans are amended as the implementation programme progresses. In addition, from time to time, the Company is entitled to one-off licence income uplifts or changes to maintenance income entitlements. Contract modifications also occur from time to time. In recognising customised licence revenue, management must apply a number of judgements to allocate the overall transaction price across the multiple performance obligations that have been identified within these projects. Estimates are applied in this assessment for example when assessing the standalone selling price.	In advance of the half-year and full-year results, the Committee received reports from management that outlined the key judgements that were likely to be required to be included in the results. These reports were reviewed and the key points within them, including key sources of estimation uncertainty, were discussed, with the external auditor commenting where relevant. As part of the process of approving the issuing of the half-year and full-year results, these reports were updated and issued by management to the Committee with management's final positions documented. These were considered carefully by the Committee in conjunction with input from the external auditor.	The Committee agreed with the revenue judgements and key sources of estimation uncertainty adopted by management.

Area of focus	Assessment	Review of the Committee	Conclusion/ Action taken
Development costs	The Group continues to invest in the development of the Alfa Systems product. The majority of development effort is undertaken in partnership with customers and therefore is specific to that implementation or customer's process. Judgement is required to assess whether any development is substantially new in either design or functionality, and whether it would be commercially viable in the open market. Therefore, management assesses the likelihood of capitalisation of such costs prior to initiation of the investment project and also performs regular assessments of the development work that has been undertaken to determine if it meets the criteria set out in IAS38 for capitalisation.	The Committee reviewed reports from management detailing the costs that had been identified as appropriate for capitalisation.	The Committee noted that the amounts being capitalised remained relatively modest compared with the total expenditure on the product during the period. The Committee concurred with management's approach on the amounts to be capitalised in both the half-year and full-year results.
Goodwill and carrying value of investments	The Group has goodwill on its balance sheet and the Company holds investment in subsidiaries. These need to be reviewed annually to assess whether the recoverable amount exceeds the book value and, in the case of investment in subsidiaries, also to see if a previous impairment should be reversed.	The Committee reviewed and challenged management's impairment assessment.	The Committee agreed that no impairment was required in the current year for both goodwill and the carrying value of the investment in subsidiaries.

Area of focus	Assessment	Review of the Committee	Conclusion/ Action taken
Going concern and Viability statement	The Directors must satisfy themselves regarding the Group's long-term viability and confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities as they fall due for the foreseeable future.	The Committee reviewed management's budget and forecasts, including an overview of the assumptions made in the preparation of the base case supporting the going concern and Viability statement. This included the Group's 2024 budget and also plans for 2025 and 2026. The Committee discussed and challenged the budget and forecasts before agreeing with the reasonableness of the three-year period. The Committee assessed this in light of the principal risks and uncertainties as disclosed on pages 36 to 44 in the Strategic report. The Committee discussed and challenged the downside scenarios modelled as part of the Viability statement as disclosed on pages 45 to 47 in the Strategic report, the funding headroom available, the feasibility of mitigating actions, the dividend policy, and the speed of implementation of any cost-saving measures following future management decision making. The Committee noted the 2018 Code requirement for the Directors to state whether they consider it appropriate to adopt the going concern basis of accounting for a period of at least 12 months from the date of approval of the 2023 financial statements.	Following this evaluation and analysis, the Committee was satisfied with the judgements made and that the continued use of the going concern basis was appropriate, and the Viability statement was prepared appropriately.

Audit and Risk Committee Report continued

Fair, balanced and understandable

The Committee has undertaken a careful review to ensure that the Annual Report is 'fair, balanced and understandable' and provides the necessary information for shareholders to assess the Company's consolidated position, performance, business model and strategy, in line with the requirements of the 2018 Code.

The Committee members were consulted at various stages during the drafting process and provided input at the planning stage, as well as having the opportunity to review the Annual Report as a whole and discuss, prior to the March 2024 Committee meeting, any areas requiring additional clarity or better balance in the messaging. In forming its opinion and recommendation to the Board in respect of the above matters, the Committee assessed the following:

- A qualitative review of disclosures and a review of internal consistency throughout the Annual Report and Accounts;
- A review by the Committee of all material matters, as reported elsewhere in this Annual Report and Accounts;
- Disclosures in relation to the Task Force on Climate-related Financial Disclosures (TCFD);
- A risk comparison review, which assesses the consistency of the presentation of risks and significant judgements throughout the main areas of risk disclosure in this Annual Report and Accounts;
- A review of the balance of good and bad news; and
- Ensuring it correctly reflects:
  - the Company's position and performance as described on pages 144 to 183;
  - the Company's business model, as described on pages 14 to 15; and
  - the Company's strategy, as described on pages 16 to 25.

On the basis of this work, together with the views expressed by the external auditor, the Committee recommended, and in turn the Board confirmed, that it could make the required statement that the Annual Report is 'fair, balanced and understandable'.

Risk management

The Board has overall responsibility for determining the nature and extent of its principal and emerging risks and the extent of Alfa's risk appetite, and for monitoring and reviewing the effectiveness of the Company's systems of risk management and internal control. Further details of the risk management objectives and process are on pages 32 to 35. The principal risks and uncertainties facing the Company are addressed in the Strategic report in the table on pages 36 to 45. The Board has delegated to the Committee the responsibility for monitoring the effectiveness of the systems of risk management.

Internal control

The Board determines the objectives and broad policies of the Company and meets regularly, when a set schedule of matters which are required to be brought to it for decision is discussed. Overall management of the Company's risk appetite, its tolerance to risk and discussion of key aspects of execution of the Company's strategy remain the responsibility of the Board. The Board has delegated to the Audit and Risk Committee the responsibility for overseeing the system of internal controls to ensure these are appropriate to the business environments in which the Company operates.

Key elements of this system include the following:

- A clearly defined organisation structure for monitoring the conduct and operations of the business.
- Clear delegation of authority throughout the Company, starting with the matters reserved for the Board.
- A formal process for ensuring that key risks affecting operations across the Company are identified and assessed on a regular basis, together with the controls in place to mitigate those risks. Risk consideration is embedded in decision making processes at all levels and the most significant risks are periodically reviewed by the Board. The risk process is reviewed by the Audit and Risk Committee.
- The preparation and review of the annual budget.
- The monthly reporting of actual results and their review against the budget, forecasts and the previous year, with explanations obtained for all significant variances.
- Controls in respect of financial reporting and the production of the consolidated financial statements are well established. Group accounting policies are consistently applied, and review and reconciliation controls operate effectively.
- The Finance Manual which outlines key control procedures and policies to apply throughout the Company and Group. This includes clearly defined policies and escalating authorisation levels for all procurement activity including capital expenditure and investment.

During 2023, the Board, through the Committee, has continued to monitor the Company's risk management and internal control, and it has also reviewed their effectiveness. Throughout 2023, Alfa's financial, operational and compliance controls continued to operate as intended.

Internal audit

The Audit and Risk Committee supports the Board in fulfilling its responsibilities to review the activities, resources, organisational structure and operational effectiveness of the internal audit activities. Following discussion with the Committee Chair and the CFO, BDO LLP presents its internal audit plan for approval to the Committee at the start of each new financial year and provides an update and further plans at the mid-year stage.

The Committee monitored and reviewed the scope, extent and effectiveness of the internal audit plan in line with the Company's key risks and strategy. Internal audit is a standing agenda item at each Committee meeting and BDO LLP presents an update on audit activities, the progress of the audit plans and the outcomes of all audits with action plans to address any issues. Activities of the internal audit during 2023 included the following areas of focus:

- Compensation approach
- Pricing
- Financial Controls – Treasury
- Cyber security – follow-up
- Talent Development, succession planning and performance management
- Follow-up on prior recommendations.

The Committee performed an effectiveness review of internal audit during the year.

As part of this review referenced above, and considering management's opinion, the Committee was satisfied that the internal audit function remains effective and fit for purpose.

External audit

The Committee oversees the Company's relationship with, and the performance of, the external auditor. This includes responsibility for monitoring its independence, objectivity and compliance with ethical and regulatory requirements. The Committee is the primary contact with the external auditor. The Committee also has responsibility for approving the nature of non-audit services which the external auditor may or may not be allowed to provide to the Company and the fees paid for these services (subject to de minimis levels).

Independence and performance of the external auditor

The Committee is responsible for reviewing the independence of the Company's external auditor, RSM, agreeing the terms of engagement and the scope of its audit.

RSM has a policy of partner rotation, which complies with regulatory standards, and RSM operates a peer review process for its engagements, to ensure that its independence is maintained. The Committee reviewed a report from the external auditor describing its arrangements to identify, report and manage any conflicts of interest.

Maintaining an independent relationship with the Company's external auditor is a critical part of assessing the effectiveness of the audit process. The Board has approved a policy which is intended to maintain the independence and objectivity of the external auditor. The policy, which was updated in the year, governs the provision of audit, audit-related services and non-audit services provided by the auditor. Committee approval is required for any service with an expected cost in excess of £10,000. During 2023, the external auditor confirmed to the Committee that it did not provide any non-audit or additional services other than for the half-year review that could lead to its objectivity and independence being compromised on behalf of the Company.

Details of audit, audit-related fees and non-audit fees are included in note 9 to the consolidated financial statements.

The Committee notes that audit partner rotation every five years facilitates independence and objectivity within the External Audit team. The current External Audit Engagement Partner is Graham Ricketts, who was appointed to lead the audit in July 2020. The Committee is satisfied with the performance and effectiveness of RSM as external auditor, taking into account the Committee's own assessment and feedback. The Committee has concluded that RSM displays the necessary attributes of independence and objectivity.

Assessment of the audit process

The scope of the external audit is formally documented by the auditor. It discusses the draft plan with management before it is referred to the Committee, which reviews its suitability and holds further discussions with management and the auditor before final approval. The Committee has reviewed the quality of the audit plan and related reports for the 2023 audit and is satisfied with the quality of these documents.

The Committee discussed the quality of the half-year review and audit work since RSM's appointment and considered the performance of the external auditor, taking into account feedback from various stakeholders across the business and the Committee's own assessment. The evaluation focused on: robustness of the audit process; quality of delivery; reporting; and people and services. The Committee reviewed the independence of the external auditor and concluded that it complies with UK regulatory and professional requirements and that its objectivity is not compromised.

The Committee does not intend to put the external audit out to tender in the coming financial year as the appointment of RSM occurred in 2020 and therefore the Company has complied with the Competitions and Markets Authority requirement in relation to audit tenders every 10 years. The Committee will continue to keep this under review as part of its review of effectiveness of the external auditor.

Going concern and Viability statements

The Committee reviewed the updated wording of the Company's longer-term Viability statement, set out on pages 45 to 47. To do this, the Committee ensured that the financial model used was consistent with the approved three-year plan and that scenario and sensitivity testing aligned clearly with the principal risks of the Company. Committee members challenged the underlying assumptions used and reviewed the results of the detailed work performed. The Committee was satisfied that the analysis supporting the Viability statement had been prepared on an appropriate basis. The Committee also reviewed the going concern statement, set out on page 31 and confirmed its satisfaction with the testing methodology.

Assessment of the effectiveness of the Committee

The Committee's effectiveness in respect of 2023 was evaluated as described on page 89. The key issues that were identified in the Committee evaluation were discussed by the Committee to ensure these were adequately addressed and the Chair provided an update where appropriate.

Focus for 2024

In 2024, as well as the regular cycle of matters that the Committee schedules for consideration each year, the Committee will continue to monitor legislation and regulatory changes, including those that affect the audit market that may impact the work of the Committee. The Committee will also continue with oversight of internal audit activities and findings as well as monitoring the continued progressive enhancements to Alfa's systems and internal controls.

Steve Breach
Chair, Audit and Risk Committee
13 March 2024

Remuneration Committee Report

"Our Directors' Remuneration Policy is designed to deliver balanced outcomes for our stakeholders, driving long-term sustainable performance for the benefit of all our stakeholders."

Adrian Chamberlain,
Chair, Remuneration Committee

Meetings held during 2023

	Member since	Meetings attended 2023
Adrian Chamberlain	2020	4/4
Steve Breach	2019	4/4
Charlotte de Metz	2020	4/4
Chris Sullivan	2019	4/4

The full Terms of Reference for the Committee can be found at: www.alfasystems.com/investors/governance.

Principal activities in 2023

- Reviewing remuneration of the Executive Directors and members of the Company Leadership Team (including salary, benefits and variable incentives).
- Reviewing and approving the performance outturns against the financial and non-financial measures for the 2022 Annual Bonus, and approving pay-outs.
- Reviewing and approving the 2023 Long-Term Incentive Plan proposal and grant.
- Reviewing and approving the 2023 annual bonus framework and measures, and award opportunities.
- Approving the 2022 Directors' Remuneration Report, including the Gender Pay Gap report and CEO pay ratio.
- Overseeing employee share plans, including the UK (ShareSave) and US (ESPP).
- Reviewing the Terms of Reference.

Introduction

On behalf of the Remuneration Committee, I am pleased to present our Remuneration Committee Report for 2023, which summarises our key activities during the year. This year, the Committee's focus was on reviewing the current Directors' Remuneration Policy in line with the Group's long-term business strategy. In this Report, I have set out information on the business context and the wider operating environment, details of executive remuneration outcomes in 2023, the intended implementation of the Policy for 2024 and the key focus areas for the Committee during 2023.

Our performance

During 2023, Alfa performed strongly both operationally and financially. During the year, the Board upgraded estimates to shareholders and with continuing strong cash generation, this enabled us to pay two special dividends along with a final dividend to shareholders.

Further detail on our overall performance during 2023 is set out in the CEO's review on pages 8 to 11 and the CFO's Financial review on pages 28 to 31.

Our people

During 2023, the Committee undertook a review of remuneration and related policies for the wider workforce and deemed that remuneration for Executive Directors is aligned to the wider workforce. This was achieved by applying consistent pay principles across the entire workforce, and application of the annual pay review process consistently across all employees.

The Committee receives updates from the Group's Chief People Officer on our People strategy and talent management, which provides valuable input into the Committee's decision making around Executive Director remuneration. We are pleased with the continued progress made during the year in these important areas and I look forward to further development in the future.

Remuneration Committee Report continued

Shaping our Directors' Remuneration Policy

In line with the normal three-year cycle, Alfa's Directors' Remuneration Policy (the 'Policy') will be presented to shareholders at the 2024 AGM. In advance of this, the Committee reviewed the current Policy and its implementation to ensure it remains fit for purpose and aligned to Alfa's strategic intentions. This review considered Alfa's strategy and the views and expectations of our employees, shareholders and other stakeholders. Following this review, a consultation process was undertaken with our largest shareholders and wider shareholder bodies, to discuss our current Policy and the changes we were considering to the revised Policy. It was evident that Shareholders were comfortable with the existing Policy, and were supportive of the enhancements proposed in the new Policy, the details of which, are outlined on page 106.

Our revised Policy is designed to deliver balanced outcomes for our stakeholders, driving long-term sustainable performance for the benefit of all of our stakeholders: employees, investors, customers, communities and society, regulators and government. In overseeing remuneration outcomes, the Committee ensures that performance is assessed in the round and over time through stakeholder lenses.

All variable remuneration will continue to be subject to appropriately stretching performance targets, which are set to reflect the risk appetite of the business with a focus on delivery of long-term sustainable performance.

Incorporating ESG into the incentive framework

The Committee is aware that many stakeholders now expect ESG to be formally reflected in executive remuneration, particularly in relation to climate change. The Company has used external expertise to assess its own environmental impact across Scopes 1 and 2 emissions, as well as its total footprint including Scope 3. The outcome of that work has been to clearly set out that the business has limited Scope 1 and 2 emissions, with Scope 3 emissions representing 99.5% of its total emissions, where the Group has more limited ability to influence them. The Group has committed to setting a target for its Scope 1 and 2 emissions, and also Scope 1, 2 and 3. The Committee supports Alfa's commitment to net-zero, as we continue to improve our data and disclosures to align with our sustainability goals. Further details can be found in the ESG, Planet section on pages 66 and 67. The Committee believes that ESG measures within remuneration should be clearly tied to strategy, and while climate issues are clearly an important part of our governance framework and an area of focus for the wider Company and other stakeholders, they are not currently a core driver for strategic success. There are other areas within our ESG framework which are directly linked with strategy: if the Group has an engaged and motivated workforce, and satisfied customers, that will underpin the achievement of its strategy. The Committee believes the inclusion of the employee engagement score and a number of diversity initiatives will ensure that we continue to attract and retain the best talent are much more important strategic metrics.

As we develop our ESG framework, we have set longer-term targets and will look to set interim shorter term targets in relation to our net-zero ambitions and incorporate these into our variable incentives.

2023 incentive outcomes

As a result of Alfa's continued strong performance, the Committee approved annual bonus payments for Duncan Magrath and Matthew White in respect of 2023. In reaching this decision, the Committee considered the formulaic outcome against the targets set at the start of the year, and the broader underlying performance of the Company. In accordance with the Remuneration Policy, 50% of the bonus earned by Duncan Magrath and Matthew White will be paid in cash, and the remaining 50%, after the deduction of tax, will be deferred in Alfa shares for three years.

With regard to the Group's longer-term Incentives, performance conditions attached to Long-Term Incentive Plan (LTIP) awards made on 30 April 2021 were tested to 31 December 2023. The award is based equally on growth in EPS and Total Shareholder Return (TSR). TSR over the three-year period was 69.6%, which ranked Alfa at the 70th percentile against its benchmark. Diluted EPS for 2023 of 7.9p exceeded the maximum target of 7.6p. Accordingly, 91.95% of the award will vest in April 2024, and will be subject to a mandatory two-year holding period. Further details, including the value of these awards, are included on pages 111 to 115. The Committee is satisfied that overall pay outcomes in respect of the year ended 31 December 2023 are appropriate and reflect Alfa's strong financial and operational performance, and the experience of all key stakeholder groups. The annual bonus outcome for the year reflects strong financial performance in 2023, while vesting of the awards granted under the 2021 LTIP reflects long-term, strong performance for shareholders during the period. The Committee has therefore not exercised any discretion in relation to its assessment of the outcome of the variable pay schemes, or to overall remuneration levels this year.

2024 annual bonus

The 2024 annual bonus will operate on a similar basis as last year, and will include revised ESG measures. Maximum opportunities are 125% of salary for the CFO and COO, with half of any amounts earned deferred in shares for three years.

As we move forward, the Committee will keep under review the options to broaden our ESG targets to include other measures which are aligned to our strategy. For the 2024 bonus, the ESG measure will consist of two elements. The first element will continue to assess overall employee engagement. The introduction of a new second measure will assess a number of diversity initiatives, and achievement will be evaluated based on the overall progress of these initiatives. We believe any metric used should be quantifiable, measurable and ideally externally comparable. As our benchmarking and measurement of these metrics matures, we will also consider whether environmental targets should be included in our annual bonus scheme, our Long-Term Incentive Plan, or both.

2024 – Looking ahead

We have undertaken our annual review of the Executive salaries and awarded a 1.8% salary increase to the CFO and COO (effective 1 January 2024). From 2023, the Company car scheme was disbanded for the wider workforce, to promote the use of low emission vehicles or other forms of transport. For employees who were eligible to receive a car cash allowance this was rolled into salary from 1 January 2023. In order to align the Executive Directors salary with the wider workforce, the Committee approved that the Company car cash allowance of £6,000 would be rolled into salary with effect as of 1 January 2024.

As stated in the 2021 Remuneration Report, the Chairman and CEO requested that the Committee approve their proposal to reduce their salaries to the legal minimum level, and waive their rights to an annual bonus or LTIP. Both the Chairman and CEO are significant shareholders in the Company and expressed a desire to align their future remuneration with those of the other shareholders. The proposal was accepted and the salaries for the Chairman and CEO continue to be aligned to the London Living Wage.

UK Corporate Governance Code

When making decisions relating to remuneration, the Committee continues to be mindful of the guidance in the UK Corporate Governance Code around clarity, simplicity, risk, predictability, proportionality and alignment to culture. As detailed in this report, the Committee takes various steps to ensure that the approach to remuneration is consistent with these principles, although we will always use discretion to deliver the right outcome for the business where we deem that appropriate. The Committee will continue to monitor market developments throughout 2024 and will consider how any emerging trends may affect Alfa. This will include working closely with the Board to understand if and how to evolve the role for ESG targets in our executive incentives to drive our priorities in this area. I will be happy to answer any questions you may have at the upcoming AGM.

Adrian Chamberlain
Chair of the Remuneration Committee

Remuneration Committee Report continued
Directors' Remuneration Policy

The Alfa Directors' Remuneration Policy (the 'Policy') is subject to a binding shareholder vote at the Alfa AGM to be held on 1 May 2024 and, if approved, will apply from this date. It is intended that the Policy will apply for a period of up to three years and will need to be re-approved at the 2027 AGM at the latest. The Policy was reviewed and approved by the Remuneration Committee. As part of the process, the views of our larger shareholders and other shareholder advisory bodies were sought. In addition, the thoughts of other Board members, management and external advisors were considered.

Changes from the current Policy

The key changes between this Policy and the policy which was approved by shareholders at the Alfa 2021 AGM are as follows:

- Salary – Any increase in Executive Directors' salaries will generally be no higher in percentage terms than for the broader employee population.
- Company Share Options Plan – There is no intention to incentivise Executive Directors with a CSOP award. Removed from the 2024 Policy.
- Post-employment shareholding requirements – Directors are required to continue to hold their shareholding requirement or, if their level of shareholding is below the requirement, their actual holdings, for a period of two years.

Any other changes in wording or presentation are considered to be immaterial to the operation of the Policy.

Fixed elements of remuneration for Executive Directors

Salary

Purpose and link to strategy	To attract, retain and motivate Executive Directors of the calibre required to deliver the Company's strategy and drive business performance.
Operation	Base salaries will be reviewed at least annually, and assessed, taking into account the scope and requirements of the role, experience of the incumbent and the total remuneration package. Any increases will typically be effective from 1 January. Account will also be taken of the performance of the business, the salary increases awarded to the wider employee population, and remuneration arrangements in other listed companies of comparable scale and sector.
Maximum opportunity	There is no overall maximum for, or increase to, salary levels. Any increase in Executive Director salaries will generally be no higher in percentage terms than that for the broader employee population. In appropriate circumstances, the Committee may award increases outside this range. These may include: • A change in role and/or responsibilities; • Performance and/or development in the role of the Executive Director; and • A significant change in the Company's size, composition and/or complexity. In addition, where an Executive Director has been appointed to the Board at a starting salary which is lower than the typical market rate, larger increases may be awarded as their experience develops, if the Committee considers such increases to be appropriate.
Performance	Personal performance will be taken into consideration when determining any salary increases.

Benefits

Purpose and link to strategy	To provide market competitive benefits which help to recruit and retain high-calibre Executive Directors.
Operation	The Committee's policy is to provide Executive Directors with competitive levels of benefits, taking into consideration the benefits provided to Alfa's employees and those offered by its peers. Benefits are in line with those for the broader workforce and currently include (but are not limited to) private medical insurance for individual and family, (if applicable); and death-in service life assurance. The Company may award additional benefits where the Committee considers it appropriate (e.g. travel, accommodation and subsistence allowances). These may include national and international relocation benefits such as (but not limited to) accommodation, family relocation support and travel in line with our policy for other employees in similar situations.
Maximum opportunity	Given that the cost of benefits depends on the Executive Director's individual circumstances, there is no prescribed maximum monetary value. The cost of the benefits provision will be reviewed by the Committee on a periodic basis to ensure it remains appropriate. Other payments such as legal fees or outplacement costs may be paid if it is considered appropriate.
Performance	There are no performance conditions.

Pension

Purpose and link to strategy	To encourage and assist with responsible, secure retirement provisions, thereby facilitating the recruitment of high-calibre Executive Directors to deliver the Company's strategy.
Operation	May be provided by way of contribution into a Company pension scheme or a cash supplement in lieu of pension contributions into this scheme (or such other arrangement the Committee determines has the same economic effect).
Maximum opportunity	The maximum Company contribution for Executive Directors will not exceed the contribution (as a percentage of salary) available to the broader employee population (currently 6% of salary).
Performance	There are no performance conditions.

Variable elements of remuneration for Executive Directors

Annual bonus and Deferred Bonus Share Plan (DBSP)

Purpose and link to strategy	Incentivises and rewards the achievement of annual financial and non-financial objectives integral to the Company's strategy. The part deferral of earned bonus into shares provides alignment with shareholders' long-term interests.
Operation	The Committee will set the performance measures and their weighting, and targets annually to reflect the key financial and non-financial priorities for the business in the relevant year. Annual bonus outcomes will be determined by the Committee, and the Committee may use its discretion at the end of the performance period to adjust the final bonus outcome if it considers that the outcome does not reflect the underlying performance of the business during the year, or if it considers the payment is not appropriate in the context of unforeseen, unexpected or exceptional circumstances. Where exercised, the rationale for this discretion will be fully disclosed to shareholders in the relevant Annual Report. Not less than 50% of any bonus will normally be satisfied by way of an award of shares under the DBSP. Deferred shares will be subject to a three year holding period from the date of the award, but no further performance conditions will apply. Directors may sell sufficient shares to satisfy the respective tax liability but must retain the net number of shares until the end of this three year period. Malus and clawback provisions will apply (see explanatory notes).
Maximum opportunity	The maximum bonus opportunity may be up to 150% of salary for the Executive Directors for each financial year. On-target performance will typically pay out up to 50% of the maximum opportunity. Full details on the annual bonus for Executive Directors will be set out in the Annual Report on Remuneration in respect of the relevant year.
Performance	Performance measures will comprise a combination of financial and non-financial objectives, and the measures may vary from year to year. At least half of the annual bonus will be based on financial measures. The non-financial performance measures may include a combination of strategic and/or personal objectives. Further details on, and the rationale for, the measures used in the annual bonus will be disclosed in the relevant Annual Report (and the targets set will normally be disclosed retrospectively, subject to these being considered not to be commercially sensitive).

Long-Term Incentive Plan (LTIP)

Purpose and link to strategy	Incentivises and rewards the achievement of the Company's long-term strategic objectives for the business, through the use of share-based awards. Encourages long-term shareholdings to retain Executive Directors and provide alignment with shareholders' interests.
Operation	Awards granted under the LTIP vest subject to the achievement of applicable performance conditions measured over at least a three-year period. LTIPs may be made as conditional share awards or in other forms (e.g. nil cost options) if it is considered appropriate. The Committee may use its discretion at the end of the performance period to adjust the final vesting outcomes if it considers that the formulaic outcome does not reflect the underlying performance of the business during the performance period, or if it considers the payment is not appropriate in the context of unforeseen, unexpected or exceptional circumstances. Where exercised, the rationale for this discretion will be fully disclosed to shareholders in the relevant Annual Report. Awards that vest are subject to a further two-year holding period after the vesting date. Directors may sell sufficient shares to satisfy the respective tax liability but must retain the net number of shares until the end of this two-year period. The Committee retains the discretion to allow dividends to accrue over the vesting period in respect of any awards that vest (see explanatory notes).
Maximum opportunity	The maximum value of shares (at grant) which can be made under an award to an individual in respect of a financial year is 150% of salary.

Performance	Performance measures will be determined by the Committee at the time of making each award to ensure alignment with the long-term success of the business. The performance conditions may include, but are not limited to, market measures, financial measures, and strategic long-term objectives. For performance between threshold and maximum, awards vest on a straight-line basis. 100% of an award will vest for maximum performance and typically 25% will vest at threshold.

All-employee share plans

Purpose and link to strategy	All-employee share plans are designed to encourage share ownership across the wider workforce.
Operation	Executive Directors are eligible to participate in any all-employee share plan, on identical terms to other participants. In the case of UK tax qualifying plans, these will be operated in line with HMRC guidance.
Maximum opportunity	Participation in any approved all-employee share plans will be subject to the same limits as for other eligible employees and, in the case of any UK tax qualifying plan, will be subject to the maximum limits permitted by the relevant tax legislation.
Performance	The Committee may apply conditions to participation in all-employee share plans, which will apply to all employees.

Shareholding requirement

Purpose and link to strategy	To drive long-term, sustainable decision making for the benefit of the Company and our shareholders.
Operation	The Executive Directors are required to build up a shareholding equivalent to 200% of salary to align with the long-term interests of shareholders. Until the requirement is met, 50% of any share awards vesting (after any sales to cover tax liabilities) should be retained.
Maximum opportunity	Executive Directors are required to hold shares equivalent to 200% of their salary in value. Post-employment, Executive Directors will normally be expected to maintain a minimum shareholding of 200% of salary (or actual shareholding if lower) for two years. The Committee retains discretion to waive this guideline if it is not considered to be appropriate in the specific circumstance.
Performance	There are no performance conditions.

Non-Executive Director remuneration

Fees paid to the Non-Executive Directors

Purpose and link to strategy	Fees are set at a level to reflect the amount of time and level of involvement required in order to carry out duties as members of the Board and its Committees, and to attract and retain Non-Executive Directors of the highest calibre with relevant commercial and other experience.
Operation	Fees for Non-Executive Directors will be determined by the Chairman and the Executive Directors. Additional fees are payable for acting as Senior Independent Director, Committee Chairs, or for undertaking other duties. Fee levels will be reviewed (though not necessarily increased) annually and set with reference to the time commitment and responsibility of the position as well as taking into consideration market data for roles in other companies of a similar size and complexity. Benefits appropriate to the role may be provided. The Non-Executive Directors will have the benefit of a qualifying third party indemnity from the Company and appropriate Directors' and Officers' liability insurance. Travel and reasonable expenses incurred (including any tax gross-up) in the course of performing their duties may be paid by the Company or reimbursed.
Maximum opportunity	Details of the current fee levels for the Non-Executive Directors are set out in the Annual Report on Remuneration. There is no prescribed maximum annual increase. Total fees will not exceed the maximum amount provided in the Company's Articles of Association.
Performance	There are no performance conditions.

Prior arrangements

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed at a time when the relevant individual (or other person to whom this Policy applies) was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes, 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

Selection of performance conditions

For the annual bonus, the Committee believes that a mix of financial and non-financial targets is most appropriate for the Company. Strategic and personal objectives may be included where appropriate to ensure delivery of key business milestones. The Committee will determine the measures and weightings each year, based on the key financial and strategic priorities for the Company.

Performance under the LTIP will typically be based on a combination of market and non-market measures. This is so that the Committee can assess the Company's performance with reference to a mix of underlying financial and stock market performance, and encourages a focus on long-term financial growth as well as returns to shareholders. The Committee will keep the measures and weightings under review prior to the start of each cycle to ensure that these remain effective in driving the Executive Directors to deliver long-term success.

Explanatory notes

Awards under any of the Company's share plans referred to in this report may:

a. Be granted as conditional share awards or nil cost options or in such other form that the Committee determines has the same economic effect;

b. Have any performance conditions applicable to them amended or substituted by the Committee if an event occurs which causes the Committee to determine an amended or substituted performance condition would be more appropriate and not materially less difficult to satisfy;

c. Incorporate the right to receive an amount (in cash or additional shares) equal to the value of dividends which would have been paid on the shares under an award that vests up to the time of vesting (or where the award is subject to a holding period, time of release). This amount may be calculated assuming that the dividends have been reinvested in the Company's shares on a cumulative basis;

d. Be settled in cash at the Committee's discretion – although the Committee has no intention to cash settle any Executive Directors' awards and would do so only in exceptional circumstances (such as where there was a regulatory restriction on the delivery of shares) or to settle tax liabilities arising in connection with the acquisition of shares; and

e. Be adjusted in the event of any variation of the Company's share capital or any demerger, delisting, special dividend or other event that may affect the Company's share price.

Discretion, malus and clawback

Our incentive plans provide the Committee with discretion in respect of vesting outcomes that affect the actual level of reward payable to individuals. Such discretion would only be used in exceptional circumstances and, if exercised, the rationale for this discretion will be fully disclosed to shareholders in the relevant Annual Report.

Variable pay awards may be made subject to adjustment events. At the discretion of the Committee, an award may be adjusted before delivery (malus) or reclaimed after delivery (clawback) if an adjustment event occurs.

Malus will apply to awards under the DBSP and LTIP. Clawback will apply to all vested awards under the DBSP and LTIP and the part of the annual bonus which is paid in cash. These provisions may be invoked at the Committee's discretion at any time within three years of the payment of cash bonuses and six years of the grant of DBSP and LTIP awards.

Directors' Remuneration Policy continued

The Committee has the discretion to invoke these provisions in the following circumstances:

- Where there is a material misstatement of any Company financial results;
- Where an error in assessing performance conditions is discovered;
- Where there is misconduct on the part of the individual; and
- Where a material failure of risk management by the Company is identified, or in the event of serious reputational damage to the Company.

Shareholding requirement

The Executive Directors are required to build up a shareholding equal to at least 200% of salary, to align with the long-term interests of shareholders. Until the requirement is met, 50% of any share awards vesting (after any sales to cover tax liabilities) should be retained. In order to generate alignment with shareholders beyond departure and to drive risk-conscious stewardship, a post-cessation shareholding requirement will be placed on Executive Directors. The post-cessation requirement relates to those awards awarded through incentive schemes by the Company. Executive Directors will typically be required to maintain a shareholding equal to the lower of their in-post guideline and their actual holding, for two years.

Approach to recruitment remuneration

The Committee will seek to align a new Executive Director's remuneration package with the Policy as set out in the Policy table. When determining a remuneration package for a new appointment, the Committee will take into consideration the size and scope of the role, the skills and expertise of the candidate, the external market rate for a candidate of that experience, as well as the importance of securing the preferred candidate. Benefits will be limited to those outlined in the Policy, with relocation assistance provided where appropriate. Awards under the LTIP that may be awarded to a new Executive Director will not exceed 200% of salary and the bonus opportunity will not exceed 150% of salary. Special consideration may be given in the event that incentives accrued at a previous employer are due to be forfeited on the candidate's leaving that company, in which case the Committee retains the discretion to grant awards with vesting on a comparable basis to the likely vesting of the previous employer's award; any such award is excluded from the maximum value of incentives referred to above. For internal candidates, long-term incentive awards granted in respect of the prior role would be allowed to vest according to their original terms. For the appointment of a new Chairman or Non-Executive Director, the fee would be set in accordance with the approved Policy in force at that time. The length of service and notice periods would be set at the discretion of the Board, taking into account market practice, corporate governance considerations and the skills and experience of the particular candidate at that time.

Service contracts and appointment letters

The service contracts of the Chairman and the Executive Directors do not have a specific duration but can be terminated by not less than six months' notice in the case of the Chairman and the COO and by not less than 12 months' notice for the CEO and CFO by either party. Under the service contracts, the Executive Directors are entitled to a salary (reviewed annually), pension contribution and benefits, in addition to reimbursement of reasonable expenses incurred by them in the performance of their duties.

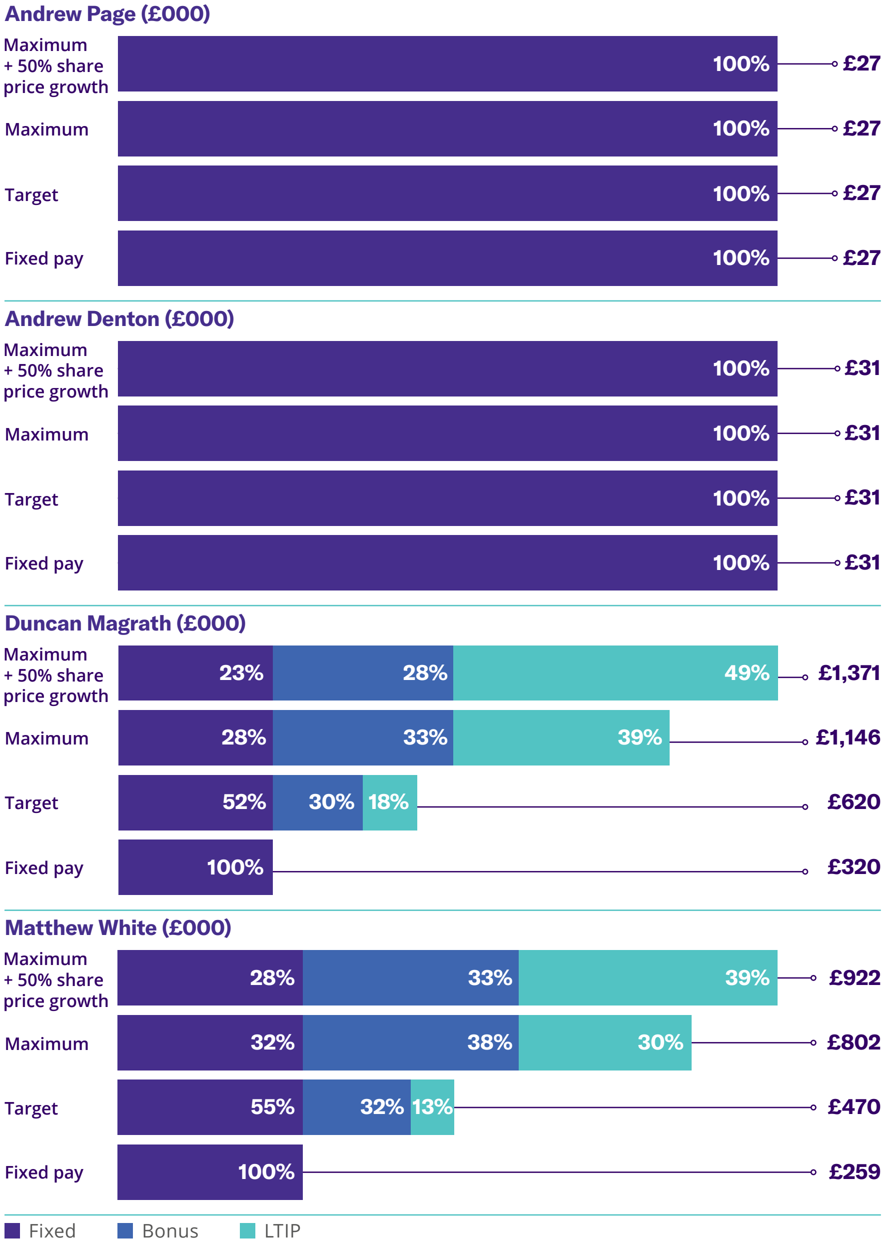
The service contracts for Executive Directors make no provision for termination payments, other than for payment in lieu of salary. The Non-Executive Directors' appointments are for a fixed term of three years and are subject to annual re-election by shareholders. Under their letters of appointment, their appointment is terminable by either party on three months' written notice except where the Non-Executive Director is not reappointed by shareholders, in which case termination is with immediate effect. The Non-Executive Directors are entitled to the reimbursement of reasonable business expenses.

Illustrations of potential remuneration outcomes 2024

The following charts illustrate the remuneration that could be received by each of the Executive Directors for varying levels of performance in 2024. The charts are based on the following assumptions:

Pay scenario	Purpose and link to strategy
Maximum +50% share price growth	Assumes 100% pay-out under the annual bonus Assumes 100% pay-out under the LTIP plus 50% share price growth
Maximum	Assumes 100% pay-out under the annual bonus Assumes 100% pay-out under the LTIP
On-target	Assumes 50% pay-out under the annual bonus Assumes 25% pay-out under the LTIP (aligned with threshold performance)
Minimum	Fixed elements of remuneration only – base salary, benefits and pension

2024 single figure outcomes



Termination of office

If the employment of an Executive Director is terminated, any compensation payable will be determined by reference to the terms of the service contract in force at the time. As variable pay awards are not contractual, treatment of these awards are determined by the relevant rules. The Committee may structure any compensation payments beyond the contractual notice provisions in the contract in such a way as it deems appropriate.

The Company may at its discretion make termination payments in lieu of notice and contractual benefits. The service agreements for the CEO, CFO and COO allow for garden leave during their notice period. The appointment letters for the Non-Executive Directors provide that no compensation is payable on termination. The Committee has a policy framework for payments for loss of office by an Executive Director, in relation to the service contract and incentive pay through the annual bonus and LTIP, which is summarised on page 112.

Directors' Remuneration Policy continued

	Category A Voluntary resignation and termination for cause	**Category B** Agreed terms	**Category C** Death or cessation by reason of ill-health, disability, injury or redundancy
Tax advantaged Schemes	Unvested options will lapse and savings will be returned on cessation of employment. Vested options not exercised will also lapse if the Executive Director's employment is terminated for cause.	Treatment will normally fall between A and C, subject to the discretion of the Committee, the terms of any termination agreement and the reasons for the Executive Director's departure.	Options can be exercised immediately, or up to six months of savings can be made before exercising options. The Committee may determine that the options should be exercised at the time the individual ceases employment and be released at that time or should be released at some other time after cessation and before the original release date. If the participant dies, options will normally vest at the time of their death on the same basis as for other good leavers. Vested options may be exercised at any time within the six months after the date of cessation, after which they will lapse.
Fixed pay	Paid only until employment ceases.	Paid for the notice period.	Paid only until employment ceases or for notice period depending on the reason for cessation.
Annual bonus	There is no contractual entitlement to payments under the annual bonus. Bonuses delivered in shares represent the bonus the Executive Director has already earned and carry no further performance conditions. Awards will normally be released in accordance to the usual schedule, unless the Committee determines that awards should be released at the time the individual ceases employment. Awards will normally be released in full unless the Committee determines otherwise.	Treatment will normally fall between A and C, subject to the discretion of the Committee, the terms of any termination agreement and the reasons for the Executive Director's departure.	Cessation during the financial year or after the financial year end, but before payment date, may result in bonus being payable (pro-rated for the proportion of the financial year worked unless the Committee determines otherwise). Such bonuses may be settled wholly in cash. Bonuses delivered in shares represent the bonus the Executive Director has already earned and carry no further performance conditions. Awards will normally be released in accordance to the usual schedule, unless the Committee determines that awards should be released at the time the individual ceases employment. Awards will normally be released in full unless the Committee determines otherwise. If the participant dies, awards will normally be released at the time of their death on the same basis as for other good leavers.
LTIP awards	Unvested awards will lapse on cessation of employment. Vested awards subject to a holding period will also lapse if the Executive Director's employment is terminated for cause.	Treatment will normally fall between A and C, subject to the discretion of the Committee, the terms of any termination agreement and the reasons for the Executive Director's departure.	Awards will normally vest and be released at the usual time. However, the Committee may determine that awards should vest at the time the individual ceases employment and be released at that time or should be released at some other time after cessation and before the ordinary release date – such as following the end of the performance period in the case of an award to which a holding period would otherwise apply. The extent of vesting will take into account the extent to which the relevant performance conditions have been met. Awards are usually scaled back pro-rata to take account of the proportion of the original performance period that has elapsed when the individual leaves (but with the Committee having discretion not to scale back or to reduce the scaleback). If the participant dies, awards will normally vest at the time of their death on the same basis as for other good leavers. Vested awards subject to a holding period will be released from that holding period at the usual time, unless the Committee determines the holding period should end when the individual leaves employment.
Other payment	None.	Possible disbursements such as legal costs and outplacement services.	Possible disbursements such as legal costs and outplacement services.

Change of control policy

In the event of a change of control of the Company, the LTIP awards will vest to the extent determined by the Committee taking into account the extent that the Committee determines that the performance conditions have been satisfied and, unless the Committee determines otherwise, the proportion of the performance period that has elapsed. DBSP awards will normally be released in full, unless the Committee determines otherwise. Alternatively, the Committee may permit an Executive Director to exchange their awards for equivalent awards over shares in a different company. If the change of control is an internal reorganisation of the Company, Executive Directors will ordinarily be required to exchange their awards (rather than awards vesting), and the Committee may also require the exchange of awards in other circumstances, as it considers appropriate. If other corporate events occur such as a winding-up of the Company, demerger, delisting, special dividend or other event which, in the opinion of the Committee, may materially affect the current or future value of the Company's shares, the Committee may determine that awards will vest on the same basis as set out above for a change of control.

Consideration of shareholder views

The Committee consulted with the Company's largest shareholders prior to finalising this Policy. The Committee will continue to monitor shareholder views when setting future executive remuneration strategy and will consult with shareholders prior to any significant changes to the Policy. The Committee takes full account of the guidelines of investor bodies and shareholder views in determining the remuneration arrangements in operation within the Company.

Consideration of employment conditions elsewhere in the Company

The Committee takes into account the pay and employment conditions of the wider employee population across the Company when setting Executive Director remuneration, and considered this as context when reviewing the Policy. While the Committee has not consulted employees directly on the Remuneration Policy for Executive Directors, the Committee is made aware of information such as workforce demographics, diversity initiatives, training programmes, engagement levels and cultural initiatives, as well as the remuneration principles and policies that apply to the wider workforce. It is expected that future salary increases for Executive Directors will be ordinarily no greater in percentage terms than those awarded to the general employee population, except in exceptional circumstances.

Members of the Company Leadership Team are invited to participate in the LTIP, in order for there to be alignment between the objectives of the Executive Directors and senior management. We also continue to encourage employees to become investors in the Company by retaining legacy share awards and through its all-employee share schemes.

External appointments

Executive Directors may hold external directorships if the Board determines that such appointments do not cause any conflict of interest. Where such appointments are approved and held, it is a matter for the Board to agree whether fees paid in respect of the appointment are retained by the individual or paid to the Company.

Alignment of Remuneration Policy

Alignment of Remuneration Policy with the 2018 UK Corporate Governance Code

Governance in practice

The Remuneration Committee is committed to good corporate governance and as such takes into account a broad range of factors when determining its Directors' Remuneration Policy. The Committee considered both legal and regulatory requirements, associated guidance, and the views of shareholders and their representative bodies. Below is an outline of how the Committee works to ensure the principles of Provision 40 of the 2018 UK Corporate Governance Code are met.

Clarity	
Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	Alfa is committed to clear and transparent reporting and communication with its stakeholders. The Committee actively engages with our shareholders on key decisions and Policy matters, when required. The Alfa Remuneration Policy is aligned with longer-term shareholder interests and structured to promote the Group's financial and strategic priorities.
Simplicity	
Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	Alfa's approach to its remuneration framework focuses on simplicity. The framework comprises three core elements to remuneration: **Fixed pay.** This element comprises base pay, taxable benefits and pension. **Short-term incentives.** This element relates to an annual performance-related bonus which incentivises delivery against both financial and non-financial measures. In total, 50% of any bonus earned is paid in cash with 50% deferred into shares. **Long-term incentives.** This element relates to longer-term value creation through the LTIP.
Risk	
Remuneration arrangements should ensure that reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentives plans are identified and mitigated.	The remuneration arrangements are split between short-term and long-term rewards coupled with holding periods, deferred elements, and malus and clawback provisions to drive the right behaviours to incentivise the Executive Directors to deliver long-term sustainability of the business and shareholder returns. As a wider control, malus and clawback provisions apply to all participants of our long-term incentive plans. The Remuneration Committee retains discretion to override formulaic outcomes where these are not considered reflective of underlying performance.
Predictability	
The range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the Policy.	The Remuneration Policy sets out scenario charts illustrating base pay, short-term incentives and longer-term incentive outcomes under threshold, target and maximum performance scenarios.
Proportionality	
The link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance.	The Committee assesses performance against a range of financial and non-financial measures linked to our business strategy. The Committee has the ability to override formulaic calculations and apply discretion. The Committee regularly reviews pay policies for the wider workforce and is mindful of this when setting remuneration for Executive Directors.
Alignment to culture	
Incentive schemes should drive behaviours consistent with Company purpose, values and strategy.	These should include consideration of performance metrics, governance requirements and engagement with stakeholders.

Annual Report on Remuneration 2023

This section of the Directors' Remuneration Report sets out the remuneration earned in 2023 and the proposed remuneration for 2024, and will be subject to an advisory vote at the 2024 AGM. The following sections on pages 115 to 125 have been audited: Single figure remuneration, Long-Term Incentive Plan – awards vesting in the year, Pension entitlements, Payments for loss of Office, Payments to past Directors and Statement of Directors' Shareholdings and Scheme interests.

Single total figure of remuneration

The audited table below sets out the aggregate emoluments earned by the Directors of the Company during 1 January 2023 to 31 December 2023 and for comparison, the amounts earned during the period 1 January 2022 to 31 December 2022.

£'000s		Salary and fees	Benefits[2]	Pension[3]	Total fixed remuneration	Annual bonus[4]	Long-term incentives[5]	Total variable pay	Total figure remuneration
Executive Directors									
Andrew Page[1]	2023	25	1	–	26	–	–	–	26
	2022	23	5	–	28	–	–	–	28
Andrew Denton[1]	2023	25	3	–	28	–	–	–	28
	2022	23	4	–	27	–	–	–	27
Duncan Magrath	2023	289	13	17	319	147	420	567	886
	2022	275	13	16	304	265	1,201	1,412	1,770
Matthew White	2023	231	14	14	259	121	224	345	604
	2022	220	14	13	247	171	480	630	898
Non-Executive Directors									
Chris Sullivan	2023	65	–	–	65	–	–	–	65
	2022	65	–	–	65	–	–	–	65
Steve Breach	2023	65	–	–	65	–	–	–	65
	2022	65	–	–	65	–	–	–	65
Adrian Chamberlain	2023	65	–	–	65	–	–	–	65
	2022	65	–	–	65	–	–	–	65
Charlotte de Metz	2023	55	–	–	55	–	–	–	55
	2022	55	–	–	55	–	–	–	55

1. From 2022 Andrew Page and Andrew Denton received reduced salaries, which were set at the London living wage.
2. Benefits for Executive Directors corresponds to the taxable value of benefits receivable during the relevant financial year and principally include Company car allowance (or cash equivalent), life assurance, travel insurance and private medical insurance.
3. Pension – Andrew Page and Andrew Denton have opted out of the pension scheme. Duncan Magrath and Matthew White receive a cash payment in lieu of a pension contribution.
4. Annual bonus – corresponds to the amount earned in respect of the relevant financial year. For the CFO and COO, the values disclosed in the table above include the gross value of the amount of bonus deferred into shares.
5. The 2022 LTIP figure: the value of the award has been restated using the share price at the date of vesting. The 2023 figure: relates to 91.95% of the 2021 LTIP awards which will vest on 29 April 2024 following the achievement of the TSR and EPS targets for the three-year period ended 31 December 2023. The value of these awards has been calculated using the three-month average share price to 31 December 2023 of 1.55p.

All-employee workforce remuneration at Alfa

The Committee takes into consideration the reward, incentives and conditions available to colleagues when considering the remuneration of Executive Directors and senior management. Our remuneration principles are consistent for all our employees. The key difference in our executive remuneration, compared to the approach to remuneration across our workforce, is that remuneration for our Executive Directors is more heavily weighted towards variable pay and linked to the delivering of strategic objectives.

Remuneration Committee Report continued

Approach to remuneration across Alfa

Salary	Set considering market rates, roles, skills, experience, and individual performance. Alfa continues to review salaries Company-wide to ensure that we remain a competitive employer within the local market.
Allowances and benefits	Alfa provides a number of financial benefits and allowances, including travel insurance, life assurance, smart working allowance and Company loan scheme.
Pension	Alfa offers employees access to a Self Invested Personal Pension, in which Alfa will match employee contributions up to 6%.
Annual incentives	Alfa operates a discretionary profit share bonus scheme which reflects the Alfa ethos that we are all striving towards the same goal and share in the profits of the Company.
Long-term incentives	Senior grades participate in a long-term incentive arrangement, with both performance shares and restricted shares, recognising the markets in which we compete for talent. At other levels, awards are typically made in restricted shares only.

During the year, the Committee received reports from the Chief People Officer on pay and conditions across Alfa, and on the recruitment and retention experience. We took these into account when determining executive remuneration. We have established channels in place to inform our colleagues and help them understand how executive remuneration and wider pay policies are aligned, although we continue to develop how best to engage with employees. Further detail on Alfa's approach to employee engagement is provided on page 52.

Rewarding our people and wider workforce engagement

Alfa's approach to all-employee reward is focused on providing a competitive package to attract, retain and incentivise our employees to deliver for our customers, business and shareholders. Salaries for Executive Directors, senior managers and the rest of the workforce are all determined with reference to the same factors such as technical expertise, experience and performance, and increases across these populations are reviewed to ensure they are broadly aligned. The Committee also took an active role in determining rewards for the Company Leadership Team. Further information on key initiatives for our people and what makes Alfa unique can be found in the People section on pages 52 to 66. In addition to a competitive salary, all employees receive the opportunity to earn a performance-related bonus, private medical care, matched contribution pension and death-in-service life assurance. The Company Leadership Team and certain employees are eligible to participate in long-term incentive schemes. During the review of the Directors' Remuneration Policy, the Committee sought input from the Executive Directors, ensuring that any conflict of interest was suitably mitigated. It was concluded that the existing model of base salary; annual bonus; and a three-year LTIP with a two-year holding period was well understood by the business, supported Alfa's culture and continued to be appropriate to drive business performance going forward.

Context to remuneration decisions

The Committee's decision-making this year has taken into account a range of internal and external factors including the Committee's responsibility for reviewing remuneration and related policies for employees throughout the Group. This ensures we take the reward, incentives and conditions available to colleagues into account when considering the remuneration of Executive Directors and senior management. The business acted in line with the section 172 governance guidelines while continuing to deliver exceptional results for shareholders. In particular, the Committee was mindful that: (i) During the year the Board upgraded estimates to shareholders and the continuing strong cash generation enabled the payment of two special dividends along with the regular dividend to shareholders; and (ii) The business has continued to take appropriate actions to support our colleagues and neutralise the impact on business performance of the effects of the macroeconomic climate and continued uncertainty surrounding the impact of, in particular, the rise of interest rates, inflation and increasing energy costs.

Base salary

The Committee determined that the salary increase for the CFO, Duncan Magrath, and COO, Matthew White, for the period from 1 January 2023 would be 5%. The Chairman, Andrew Page, and CEO, Andrew Denton, continued to receive the legal minimum salary requirement, which reflected the London Living Wage.

2023 annual bonus

The 2023 annual bonus performance measures were selected to reflect the Company's annual and long-term objectives and its financial and strategic priorities, as appropriate. Performance targets are set to be stretching, taking into account a range of reference points, including the Company's budget and third party analyst forecasts, as well as the Group's strategic priorities. Duncan Magrath and Matthew White both participated in the 2023 annual bonus (which combines a cash award and conditional deferred shares award). The Executive Chairman and CEO have waived their entitlement to a bonus for the 2023 performance year.

In respect of the annual bonus, the targets were weighted towards financial metrics, with 75% of the award measured on the revenue and operating profit of the Company. The outcome of this element of the bonus can be decreased by a modifier based on the operating free cash flow conversion, being cash flow generated from operations after deducting capital expenditure as a percentage of operating profit EBIT. A new ESG measure was introduced for the 2023 annual bonus. The ESG measure consists of two individual elements, one assessing overall employee retention and the other overall employee engagement, which have a combined weighting of 5% of total bonus opportunity. The remaining 20% is subject to achievement of individual personal objectives. Further details on performance outcomes for the non-financial measures are shown in the second table.

The following table sets out the targets, actual performance against these targets and accordingly, the applicable pay-out for the 2023 annual bonus:

2023 annual bonus outcome

								Actual annual bonus value achieved (% of salary)	
Performance measure	Weighting (based on 100% max)	Threshold performance	50% Target performance required	Maximum performance required	Actual performance	Annual Bonus value for threshold and maximum performance (% of max)	Percentage of maximum performance achieved	Duncan Magrath	Matthew White
Maximum opportunity (% salary)								125%	125%
Revenue	37.5%	£101.8m	£105.5m	£109.2m	£102.0m	0% – 100%	2.2%	1.0%	1.0%
Operating profit	37.5%	£26.5m	£30m	£31.9m	£30.1m	0% – 100%	54.6%	25.6%	25.6%
Cash flow conversion	Modifier	90%		100%	115%	0.9 – 1.0	1.0	1.0	1.0
TOTAL financial							**21.3%**	**26.6%**	**26.6%**
ESG measures									
Employee retention	2.5%		90%		97%		100%	3.1%	3.1%
Employee engagement	2.5%		80%		80.5%		100%	3.1%	3.1%
Personal performance	20%					0% – 100%		18.2%	19.3%
TOTAL	**100%**							**51.0%**	**52.1%**
Total payable (£)								£147,473	£120,519

Performance against non-financial measures

We introduced our first annual bonus ESG performance measures in 2023, which assessed two individual elements, one overall employee retention and the other overall employee engagement. Both achieved measures which have a combined weighting of 5% of total bonus opportunity.

Employee engagement, based on the average quarterly results from the 2023 Pulse survey, achieved 80.5%. This assessment of employee engagement underpins our commitment to addressing any concerns proactively, thereby prioritising employee well-being. Such prioritisation is essential for achieving high employee retention and cultivating a loyal and motivated workforce. In 2023, our retention rate stood at 97%, exceeding the threshold of 90%. This accomplishment reflects our ongoing efforts to create a positive and fulfilling work environment, which serves as a fundamental metric for our company's sustained success and stability. Together, these metrics highlight our commitment to maintaining a consistent and engaged workforce.

The Committee considered a performance assessment report for the CFO and COO showing the extent of their achievement against the individual personal strategic and operational measures agreed by the Committee. As with the financial elements of the Annual Bonus, the Committee was satisfied that the scale of Executive Directors' achievements this year. The personal measures described above are assessed with reference to the following objectives:

	Objective	Commentary on performance achieved	
Duncan Magrath	Finance structure	• Built greater resilience into the Finance team through improved documentation of processes, enhancement of core skills, and cross regional support. • Improved speed of delivery of information and improved forecasts and analysis to support business decisions.	
	Strategic	• Developed a comprehensive strategic model from key insights and learning to effectively inform strategic thinking during the Board Strategy Day.	
	Investor relations	• Increased investor relations activities, engaging with multiple new shareholders, leading to the addition of a number of new entrants on the share register.	
	Risk and Insurance	• Reviewed risk and insurance arrangements. Transitioned to a new insurance broker, resulting in improved cover and savings on renewal premiums.	
		Achievement	**72.7%**
Matthew White	People	• The target to build a comprehensive client facing team of over 370 employees was met. • A comprehensive review of the talent management process was undertaken to clarify the approach and simplify the process. This was re-launched to the organisation and well received.	
	Software	• Consistently delivered software enhancements meeting expected timelines, maintaining high quality standards, and adhering to estimated costs. • Defined and implemented our Alfa Development Model, improving flow and value to our customers. Significant changes were implemented to the structure of the Product Engineering team, and processes were streamlined to facilitate easier collaboration and enhance clarity in roles.	
	Delivery	• Successful execution of implementation projects, demonstrating excellent progress in delivery throughout the year. • Confirmed plans for the move to partner-led delivery. Started the implementation of those plans, including the assignment of one partner team member to an Alfa Start implementation.	
	Strategy	• Confirmed market definition and sizing for tier 2 and 3 US auto finance, refined Alfa Start strategy for this market. • Reviewed further strategic opportunities, updated Alfa's documented strategy, and defined further projects for 2024.	
		Achievement	**77.1%**

Performance against annual bonus targets

Based on the achievements listed above, the Committee agreed that the final vesting under the 2023 bonus would be 51.0% of the maximum for Duncan Magrath and 52.1% of the maximum for Matthew White. In confirming this outcome, the Committee took into consideration the broader financial and operational performance of Alfa during the year, and the strong and effective leadership demonstrated by the Executive Directors. It was determined that no adjustments were required to the formulaic outcome. In accordance with the Remuneration Policy, 50% of these bonus amounts will be paid in cash, with the remaining 50%, after deduction of tax, to be deferred into an award of Alfa shares with a minimum holding period of three years.

Executive	Base salary	Maximum opportunity (% salary)	Performance outcome (% of maximum)	Bonus outcome £
Duncan Magrath	£288,750	125%	51.0%	147,473
Matthew White	£231,000	125%	52.1%	120,519

Long-Term Incentive Plan – awards vesting in the year

Awards granted to Executive Directors in April 2021 were subject to EPS growth and relative TSR performance over a three-year period ended 31 December 2023.

The EPS targets (applying to 50% of each award) required EPS for the year ending 31 December 2023 of 5.4p for 25% of that element to vest, rising to full vesting if EPS for the year ending 31 December 2023 was 7.6p or higher. The Group's 2023 EPS outturn of 7.9p warrants 100% vesting of this element of the award.

The TSR element (applying to 50% of each award) required the Group's three-year TSR performance to rank at median against the constituents of the FTSE Small Cap index (excluding investment trusts and the Company) for 25% of that element to vest, rising to full vesting if Alfa's TSR ranked at or above the upper quartile against the comparator group. Alfa's TSR over the period was 69.6%, which was at the 70th percentile versus the comparator group. This outcome warrants 83.9% vesting of this element of the award.

The Committee determined, after careful consideration of business performance and the interests of Alfa's stakeholders such as shareholders, customers, and employees, that the formulaic outcome was appropriate. Consequently, 91.95% of the total award will vest.

Awards are scheduled to vest on 29 April 2024, and both Executive Directors' awards will be subject to a two-year holding period, with a release date of 29 April 2026. Details of the awards to Executive Directors are set out in the table below:

	No. of shares granted	Proportion of award vesting (% maximum)	No. of shares vesting	Value attributable to share price growth[1]	Face value of shares vesting[2]
Duncan Magrath	300,218	91.95%	276,050	£40,855	£420,148
Matthew White	160,116	91.95%	147,227	£21,789	£224,078

1. The value of the award which is attributable to share price growth. Based on the share price at grant of £1.374.
2. The amounts shown are indicative vesting values based on the average share price for the three-month period to 31 December 2023 of £1.522.

Long-Term Incentive Plan – awards granted in the year

Share awards were made to the Executive Directors under the LTIP on 6 April 2023 equivalent to 150% of salary for the CFO and 100% of salary for the COO. The Executive Chairman and CEO have waived their entitlement to participate in the 2023 LTIP.

Executive	Date of award	Face value (% of salary)	Number of shares granted	Average share price at grant (£)	Award value	Threshold of vesting (% of face value)	Performance period
Duncan Magrath	6 April 2023	150%	320,833	1.35	£433,125	25%	1 January 2023 to 31 December 2025
Matthew White	6 April 2023	100%	171,111	1.35	£231,000	25%	1 January 2023 to 31 December 2025

1. The share price used to calculate the number of performance shares was £1.35, the average five-day share price preceding the date of the award (6 April 2023). This represents the face value of the share awards.

The LTIP awards are subject to two equally weighted performance metrics:

Measure	Description	Weighting	Threshold/target	Maximum target
2023				
Total shareholder return (TSR)	Measured with reference to the FTSE Small Cap index excluding investment trusts and the Company	50%	Median	Upper quartile
Earnings per share (EPS)	Measured with reference to EPS performance in the year ending 31 December 2025	50%	9.36p	11.4p

Straight-line vesting occurs between threshold and maximum for both TSR and EPS elements of the award.

The three-year period over which performance will be measured begins on 1 January of the year the awards are granted and ends on 31 December of the third year. Any awards vesting for performance will be subject to an additional two-year holding period, during which malus and clawback provisions will continue to apply.

Pension entitlement

The only element of remuneration that is pensionable is basic annual salary. A cash payment in lieu of pension contributions are payable to the CFO and COO, at a rate of 6% of salary as aligned with the broader workforce.

External appointments

Executive Directors are allowed to accept one appointment outside the Company, with the prior approval of the Board. Any fees may be retained by the Director, although this is at the discretion of the Board. During 2023 and up to the date of this report, none of the Executive Directors who held office during the year under review held external appointments for which they received a fee.

Payments for loss of office

There were no payments for loss of office during the year or prior year.

Payments to past Directors

There were no payments to past Directors for loss of office during the year or prior year.

Fees for the Non-Executive Directors

The fees were agreed on appointment. The Board reviewed the rates of pay for Non-Executive Directors over the year to ensure they remain aligned with market levels. No changes are proposed to NED fees for 2024. A summary of current fees is shown below:

£'000s	Basic fee	Audit and Risk Chair	Remuneration Chair	Senior Independent Director
Steve Breach	55	10	–	–
Adrian Chamberlain	55	–	10	–
Charlotte de Metz	55	–	–	–
Chris Sullivan	–	–	–	65

There is no additional fee payable to the Chair of the Nomination Committee.

Percentage change in Executive and Non-Executive Director remuneration

The table below shows the percentage increase/decrease in each Director's salary/fees, taxable benefits and annual bonus between 2020 and 2023 compared with the average percentage increase in each of those components of pay for the UK-based employees of the Group as a whole.

Disclosure for all Directors in addition to the CEO has been added in 2020 in line with the requirements under the EU Shareholder Rights Directive II and, over time, a five-year comparison will be built up. Alfa Financial Software Holdings PLC employs only the Directors and therefore a subset of the Group's employees has been used.

	Andrew Page (Chairman)	Andrew Denton (CEO)	Duncan Magrath (CFO)	Matthew White (COO)	Steve Breach (NED)	Adrian Chamberlain (NED)	Charlotte de Metz (NED)	Chris Sullivan (NED)	Employees
% change for the end of the comparative period to the end of the reporting period									
2023									
% change in salary/fees	**8%**	**8%**	**5%**	**5%**	**0%**	**0%**	**0%**	**0%**	**7.8%**
2023									
% change in benefits	**(71)%**	**(30)%**	**0%**	**0%**	**n/a**	**n/a**	**n/a**	**n/a**	**1.5%**
2023									
% change in annual bonus	**n/a**	**n/a**	**(44)%**	**(30)%**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
2022									
% change in salary/fees	(93)%	(92)%	0%	0%	0%	0%	0%	0%	9%
2022									
% change in benefits	(58)%	(69)%	0%	0%	n/a	n/a	n/a	n/a	8%
2022									
% change in annual bonus	n/a	n/a	(16)%	(17)%	n/a	n/a	n/a	n/a	n/a
2021									
% change in salary/fees	(8)%	(8)%	0%	0%	0%	0%	0%	0%	5%
2021									
% change in benefits	(8)%	(12)%	43%	40%	n/a	n/a	n/a	n/a	7%
2021									
% change in annual bonus	n/a	n/a	12%	16%	n/a	n/a	n/a	n/a	n/a
2020									
% change in salary/fees	0%	0%	n/a	0%	0%	n/a	n/a	0%	9%
2020									
% change in benefits	(7)%	(6)%	n/a	n/a	n/a	n/a	n/a	n/a	13%
2020									
% change in annual bonus	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(1)%

1. Duncan Magrath joined the Board in March 2020, the first year he received a bonus was in April 2021, in relation to the 2020 financial year.
2. Matthew White joined the Board in October 2019, the first year he received a bonus was in April 2021, in relation to the 2020 financial year.
3. Duncan Magrath, Adrian Chamberlain and Charlotte de Metz joined Alfa partway through 2020. In calculating the increase in salaries, the figures for 2020 have been adjusted as though they started on the 1 January of that year.

Remuneration Committee Report continued

Director contracts

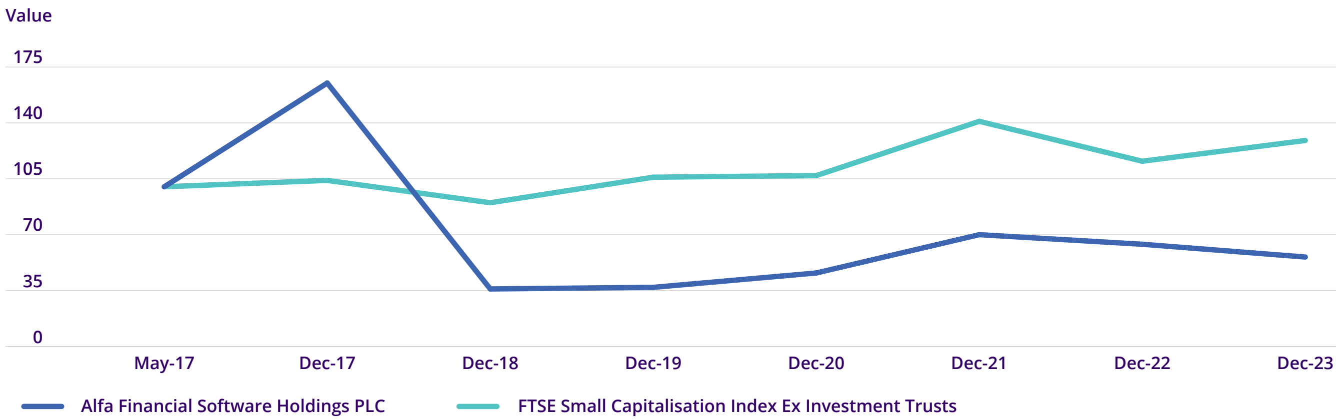
Details of the Executive Directors' service contracts and the Non-Executive Directors' letters of appointment are set out below. All Directors' service contracts and letters of appointment are available for inspection at the Company's registered office and at the AGM up until the start of the meeting.

	Date of appointment
Steve Breach	9 August 2019
Adrian Chamberlain	24 April 2020
Charlotte de Metz	24 April 2020
Andrew Denton	6 April 2017
Duncan Magrath	24 April 2020
Andrew Page	4 May 2017
Chris Sullivan	18 July 2019
Matthew White	9 October 2019

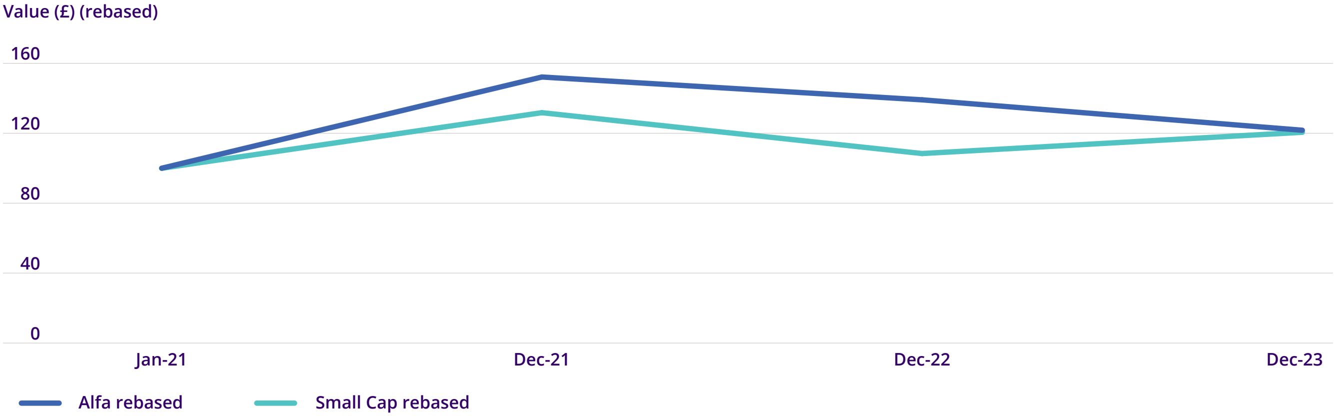
Executive Directors' contracts operate on a six or 12-month rolling notice basis. Non-Executive Directors' contracts are for fixed periods of three years, which may be renewed for up to a maximum of nine years in total.

Total shareholder return (for the period from 25 May 2017 to 31 December 2023)

The graph below shows Alfa's TSR performance from Admission in May 2017 to 31 December 2023 against the TSR performance of the FTSE small cap index (excluding investment trusts). The graph on page 123 shows the rebased TSR performance from 1 January 2021 to 31 December 2023. The graphs show the total shareholder return generated by both the movement in share value and the reinvestment over the same period of dividend income. As Alfa is a constituent member of the FTSE Small Cap index, the Committee considers that it is the appropriate index for comparative purposes. These graphs have been calculated in accordance with the Directors' Remuneration Reporting Regulations.



TSR for the period 1 January 2021 to 31 December 2023



Total CEO single figure of remuneration and variable pay outcome

The table below shows the CEO single figure of total remuneration during financial years from 2017 to 2023.

	CEO single figure of remuneration	Annual bonus pay-out (as a % of maximum opportunity)	LTIP vesting (as a % of maximum opportunity)
2023	£27,814	n/a	n/a
2022	£26,998	n/a	n/a
2021	£310,236	n/a	n/a
2020	£337,174	n/a	n/a
2019	£338,129	n/a	n/a
2018	£337,944	n/a	n/a
2017	£349,478	n/a	n/a

1. The CEO waived any eligibility for a bonus from 2017 to 2023.
2. The CEO waived any eligibility to participate in the long-term incentive awards in respect of the 2017 to 2023 performance years.
3. The CEO agreed to a reduction in salary effective 1 December 2021.

CEO pay ratio

The table below sets out the pay ratios for the CEO in relation to the equivalent pay for the lower quartile, median and upper quartile employees (calculated on a full-time equivalent basis). The ratios have been calculated in accordance with the Companies (Miscellaneous Reporting) Requirements 2018. The CEO pay ratio data will be built upon annually until a rolling 10-year dataset is produced. The methodology adopted for calculating the ratio was 'Option A' which entailed calculating the total full-time equivalent (FTE) pay and benefits for all UK employees on the 2023 payroll. Employees were then ranked based on their FTE remuneration from low to high in order to identify those whose remuneration placed them at the 25th, 50th (median) and 75th percentile points. The CEO's single total figure of remuneration (STFR) was then measured against these percentiles, to produce the three pay ratios. Option A was chosen because it was deemed to be the most statistically accurate method for this reporting purpose. Having reviewed the analysis, the Company believes the median pay ratio to be consistent with the Company's general employee pay, reward and progression policies. The Company carries out annual salary reviews and annual reviews of benefits packages. Salary awards are made with reference to the outputs of annual industry benchmarking exercises. As per guidance, data relating to employees who left part way through the year and/or employees on secondment were excluded from the data set and analysis. Information calculated as at 31 December 2023.

Pay ratio table

Year	Method	25th percentile (lower quartile)	50th percentile (median)	75th percentile (upper quartile)
2023	**A**	**0.5:1**	**0.3:1**	**0.2:1**
2022	A	0.6:1	0.4:1	0.3:1
2021	A	6.1:1	4.0:1	3.2:1
2020	A	5.7:1	4.3:1	3.2:1
2019	A	5.7:1	4.4:1	3.2:1

Year	£'000s	25th percentile	50th percentile	75th percentile
2023	**Total remuneration**	**58.8**	**88.2**	**118.2**
	Salary only	**52.0**	**80.3**	**100.7**
2022	Total remuneration	51.4	78.2	108.4
	Salary only	47.2	70.0	91.5
2021	Total remuneration	50.9	77.1	96.7
	Salary only	46.8	72.2	86.2
2020	Total remuneration	59.5	78.5	106.7
	Salary only	55.1	73.2	98.1
2019	Total remuneration	59.0	76.2	106.3
	Salary	57.1	71.2	95.7

This is the fifth financial year in which the Company has reported information on ratios between CEO and average staff pay under the amendments to the Companies (Miscellaneous Reporting) Regulations in 2018. There has been a significant decrease in the pay ratio, due to the fact that the CEO agreed to reduce salary to the minimum level in December 2021. As a result, the CEO's STFR is lower in 2022 and 2023 than in previous years.

Notes:

1. The CEO advised the Committee that due to his holding in CHP Software and Consulting Holdings Limited, the main significant shareholder in the Company, he elected to reduce his salary to the minimum statutory level of remuneration with effect from 1 December 2021. This resulted in the CEO's SFTR being lower in 2022 and 2023 than in previous years.
2. The CEO has waived his right to any bonuses or LTIPs, the value of any employee equivalents have been excluded from the employee remuneration figures used.
3. Total remuneration includes benefits receivable during the relevant financial year and principally include life assurance, travel insurance and private medical insurance.

Statement of Directors' shareholdings and scheme interests

Executive Directors are expected to build and hold Alfa shares of at least 200% of their annual salary to align with the long-term interests of shareholders, with a requirement to retain 50% of any share awards vesting until the 200% requirement is met. Under the Policy, a post-employment shareholding requirement will apply whereby 100% of the shareholding requirement must be held for the first year following departure from Alfa and 50% for the second year. There are no share ownership requirements for the Non-Executive Directors. Shareholding requirements and the number of shares held by Directors during the year and as at 31 December 2023 are set out in the table below:

	Shares owned outright at 31 December 2022	ShareSave without conditions[2]	Interests in share incentive schemes which are performance-tested but unvested[3]	Interests in share incentive schemes with performance conditions	Shares owned outright at 31 December 2023	Shareholding requirement (% of requirement achieved)[1]
Andrew Page	177,272,843	–	–	–	166,635,559	achieved
Andrew Denton	14,643,305	–	–	–	9,280,589	achieved
Matthew White	892,729	11,718	147,227	304,525	1,083,261	achieved
Duncan Magrath	230,668	11,718	276,050	570,984	674,992	achieved
Chris Sullivan	159,649	–	–	–	317,649	n/a
Steve Breach	43,983	–	–	–	43,983	n/a
Adrian Chamberlain	14,380	–	–	–	14,380	n/a
Charlotte de Metz	–	–	–	–	–	n/a

1. Calculated using the share price of £1.40 (as at 29 December 2023).
2. Duncan Magrath and Matthew White elected to join the Company ShareSave share scheme for which an option to acquire 11,718 ordinary shares at an option exercise price of £1.536 per ordinary share was granted on 30 November 2021. Subject to certain conditions being satisfied, the entitlement to exercise the ShareSave option arises during the period 1 January 2025 to 30 June 2025.
3. The 2021 LTIP awards (which vest based on performance to 31 December 2023) will vest on the third anniversary of grant on 29 April 2024.

There have been no changes to shareholdings of the Directors between the year end and the date of this report.

Dilution

Awards under Alfa incentive plans may be satisfied by treasury shares, shares held by the employee benefit trust, the issue of new shares or the purchase of shares in the market. Under Investment Association guidelines, the issue of new shares or reissue of treasury shares under a plan, when aggregated with awards under all of a company's other schemes, must not exceed 10% of the issued ordinary share capital (adjusted for share issuance and cancellation) in any rolling 10-year period. As at 31 December 2023, no new shares or reissue of treasury shares had been used to satisfy awards, and so this limit had not been exceeded.

All-employee share plans

The Company proposes to issue a new ShareSave Scheme each year and all Executive Directors will be entitled to participate on the same basis as all other employees.

Relative importance of spend on pay

The table below illustrates Alfa's returns to shareholders by way of dividends and share buy-backs in relation to spend on pay for all employees for the period and last financial year.

	2023	2022	Change
Total personnel costs (£m) (note 7 to the consolidated financial statements)	**53.1**	47.1	12%
Average number of employees (note 7 to the consolidated financial statements)	**463**	420	9.7%
Returns to shareholders (£m) (see note 31 for total dividends and value of shares purchased during the year taken from the consolidated statement of changes in equity on page 146)	**24.5**	28.1	13.7%

Implementation of the Remuneration Policy 2024

2024 Executive Directors' base salary

The Executive Directors' salaries were reviewed in December 2023. The Chairman, Andrew Page, and CEO, Andrew Denton, indicated that they would continue to receive the legal minimum salary requirement, as they are significant shareholders in the Company and want to align their future remuneration with those of the other shareholders. The base salary of the Chairman and CEO will increase by 10% as at 1 January 2024 to remain in line with the London Living Wage.

In 2022, the Company undertook a review of the Company car scheme and decided that the Company car scheme would be disbanded to promote the use of low emission vehicles or other forms of transport. For employees who were eligible to receive a car cash allowance, this was rolled into salary with effect from 1 January 2023. To align the Executive Directors with eligible employees, the car allowance benefit of £6,000 will be rolled into salary with effect as of 1 January 2024.

The Committee carried out a review of the CFO's and COO's remuneration packages in December 2023 and determined that there would be a base salary increase of 1.8%.

The table below shows the salaries for the Executive Directors as at 1 January 2024, which includes an adjustment for car allowance, which will be rolled into salary as of 1 January 2024, and the salary increase in comparison to base salary at 1 January 2023:

	1 January 2023	1 January 2024	Car allowance effective 1 January 2024	Underlying % salary increase	1 January 2024 (including car allowance)	Salary % increase (including car allowance)
Andrew Page	£24,860	£27,360	n/a	10%	£27,360	10%
Andrew Denton	£24,860	£27,360	n/a	10%	£27,360	10%
Duncan Magrath	£288,750	£294,000	£6,000	1.8%	£300,100	3.9%
Matthew White	£231,000	£235,250	£6,000	1.8%	£241,300	4.4%

2024 annual bonus

The Chairman and CEO have elected to waive their bonus opportunity. The CFO and COO will be entitled to a maximum annual bonus of 125% of salary for 2024. The following measures have been selected for the 2024 annual bonus performance year:

Measure	Weighting
Operating profit	37.5%
Revenue	37.5%
Operating free cash flow conversion	Modifier
Personal performance	20%
ESG	5%

The Committee determined that the existing Bonus measures of revenue, operating profit and personal objectives continue to be appropriate for the business.

Each bonus measure has a target. Failure to meet a minimum percentage of the revenue and operating profit target will result in no bonus being awarded for that element. Achieving a stretch of operating profit and revenue target will result in the maximum bonus being awarded under the formula (subject to the minimum operating profit target being achieved). The operating profit and revenue bonus elements can be decreased by the operating free cash flow conversion modifier, if cash performance falls below target based on a 24-month period. The ESG measure would consist of two individual elements, one will assess the overall employee retention and the second will assess a number of diversity initiatives, the achievement of which, will be evaluated on the overall progress at the end of the year. The ESG measure will have a combined weighting of 5% of total bonus opportunity.

As described earlier, the final determination is made by the Committee taking all available factors into account. The detailed bonus targets for the coming year are considered to be commercially sensitive. However, the Committee will provide an appropriate explanation of the bonus outcomes in the 2024 Directors' Remuneration Report. In accordance with the Policy, 50% of any bonus earned will be deferred into shares for a three-year holding period.

2024 Long-Term Incentive Plan

The award opportunity will remain at 150% of salary for the CFO and 100% of salary for the COO. Following vesting, awards will be subject to a subsequent holding period of two years, with the entirety of any award vesting released after two years. For 2024, the Executive Chairman and CEO have elected to waive their LTIP opportunity. The maximum LTIP opportunity under the Policy is 150% of salary.

The Committee has agreed TSR and EPS measures for the LTIP, with an equal weighting applied to each measure. EPS targets have been calculated based on growth targets from previous year's actual EPS. The EPS targets set for the 2023 LTIP grant ignored the unfavourable impact from the changes in the UK Corporation Tax rate. Despite pre-tax profits in 2023 being higher than 2022, the impact of changes in tax rates means that EPS in 2023 was lower than 2022. Consequently, applying the same growth targets to the 2023 EPS figure has resulted in lower EPS targets for the 2024 LTIP grant compared with the 2023 LTIP grant.

The comparator group for the TSR is the constituents of the FTSE Small Cap index, excluding investment trusts. Median performance over the three-year performance period will result in 25% vesting, with 100% vesting if upper quartile performance is achieved. In each case, threshold vesting will be 25% of the maximum. Straight-line vesting occurs between threshold and maximum for both TSR and EPS elements of the award.

Measure	Description	Weighting	Threshold/target	Maximum target
2024				
Total shareholder return (TSR)	Measured with reference to the FTSE Small Cap index excluding investment trusts and the Company	50%	Median	Upper quartile
Earnings per share (EPS)	Measured with reference to EPS performance in the year ending 31 December 2026	50%	9.2p	11.1p

Pension and benefits

For 2024, the CFO and COO, in lieu of a pension contribution, will receive a cash allowance of 6% of salary in line with the pension contribution available to the wider workforce. As outlined on page 126, from 1 January 2024, the Company car allowance for the CFO and COO would be rolled into base salary. There are no further changes proposed to the benefits provided.

2024 Non-Executive Director remuneration

Non-Executive Directors do not participate in any of the Company's share incentive arrangements, nor do they receive any benefits. Fees for Non-Executive Directors are reviewed annually, and are set by the Chairman and the Executive Directors. Following the annual review of Non-Executive Director fees, no changes are proposed for the 2024 fees. It was determined that the fees will remain at the following level:

Base fee	£55,000
Additional fee for chairing Audit and Risk Committee or Remuneration Committee (subject to maximum fees of £65,000)	£10,000
Fee for the Senior Independent Director (including chairing Committees)	£65,000

Remuneration Committee membership

All current members of the Committee are deemed to be independent. Accordingly, the Committee continues to comply with the independence requirements set out in the Code. During 2023, there were four formal meetings of the Remuneration Committee, all of which achieved full attendance by the Committee members.

The responsibilities of the Committee are set out in the corporate governance section of the Annual Report on pages 74 to 134. The Executive Directors and the CPO may be invited to attend meetings to assist the Committee in its deliberations, as appropriate. No person is present during any discussion relating to their own remuneration or is involved in deciding their own remuneration.

Remuneration consultants

During the year, the Remuneration Committee and the Company retained independent external advisor to assist on various aspects of the Company's remuneration and share schemes. The Company has continued to retain the services of Ellason LLP as external advisors to the Committee for executive remuneration advice and updates on market practice. Ellason's fees for 2023 were £19,845 (2022: £23,790). Ellason do not provide any other services to the Group or any of the Directors, and the Committee is satisfied that they remain independent. Ellason is a member and signatory to the Remuneration Consultants Group's Code of Conduct, which requires that its advice be objective and impartial and does not have any other connection with the Company or its Executive Directors.

Statement of shareholding voting

The 2022 Directors' Remuneration Report was approved by shareholders at the 2023 AGM. The Director's Remuneration Policy was approved by shareholders at the 2021 AGM. The votes cast were as follows:

	For	Against	Votes withheld
Directors' Remuneration Report (FY2022)	100%	0.00%	0
Directors' Remuneration Policy	98.50%	1.50%	0

As ever, the Committee welcomes any enquiries or feedback shareholders may have on the Policy or any aspect of the work of the Committee.

Adrian Chamberlain
Chair, Remuneration Committee
13 March 2024

Directors' report

The Directors of Alfa present their report and the audited financial statements for the year ended 31 December 2023. This report includes information required by the Companies Act 2006 and the Listing Rules 9.8.4R of the UK Financial Conduct Authority's Listing Rules and forms part of the management report as required by the Disclosure and Transparency (DTR) Rule 4. Additional information which is incorporated by reference into this Directors' report can be located by reference in the tables below. As permitted by the Companies Act 2006, the Directors' report includes the disclosures in the Strategic report on:

	Location in Annual Report (page)
Performance and future development in the business	1 to 73
Important events affecting the Group since the financial year	182
Climate change emission reporting	64 to 67
Long-term Viability statement	45 to 47
Stakeholder engagement	48 to 53
Employee engagement	52 to 53
Directors who held office during the year	123

The Group is required to disclose certain information under Listing Rule 9.8.4R in the Directors' report or advise where such relevant information is contained. This information can be found in the following sections of the Annual Report and Accounts:

Listing rule requirement	Location in Annual Report (page)
Details of any long-term incentive schemes	127
Details of waiver of Director emoluments and future emoluments	117 and 120
Shareholder waiver of dividends and future dividends	131
Details of any contract of significance	See section below headed 'Relationship Agreement with Controlling Shareholder'
Board statement in respect of Relationship Agreement with the controlling shareholder	

Corporate governance statement

The Company's statement on corporate governance can be found on page 77 of the corporate governance report. The report forms part of this Directors' report and is incorporated by cross reference.

2024 Annual General Meeting

The Company's Annual General Meeting will be held at 3pm on Wednesday, 1 May 2024 at Alfa's head office at Moor Place, 1 Fore Street Avenue, London, EC2Y 9DT. The Notice of Meeting setting out the resolutions to be proposed at the 2024 AGM, together with explanatory notes, will be sent to shareholders as a separate document and made available on the Company's website www.alfasystems.com/en-eu/investors/shareholder-information.

Amendment of the Articles

The Articles may only be amended by a special resolution of the Company's shareholders in a general meeting.

Principal activities

The principal activity of the Alfa Group is the provision of software and software-related services to the auto and equipment finance industry. Alfa is a public company limited by shares and is incorporated and domiciled in England. Its shares are listed on the London Stock Exchange. The registered office is Moor Place, 1 Fore Street Avenue, London, EC2Y 9DT, United Kingdom. Alfa's registration number is 10713517. The principal activity of the Company is that of a holding company. The Company's registrar is Equiniti Limited situated at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA.

Directors' interests

The Directors' interests in and options over ordinary shares in the Company are shown in the Directors' Remuneration Report on page 103. There has been no change in Directors' interests from the end of the financial year and to the date of this report.

In line with the requirements of the Companies Act, each Director has notified the Company of any situation in which they have, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company (a situational conflict). These were considered and approved by the Board in accordance with the Articles and each Director was informed of the authorisation and any terms on which it was given. All Directors are aware of the need to consult with the Company Secretary should any possible situational conflict arise, so that prior consideration can be given by the Board as to whether or not such conflict will be approved.