International Personal Finance plc

Directors' Remuneration Policy

Effective 3 May 2017

Directors' Remuneration Policy

This Remuneration Policy was approved by shareholders at the AGM in 2017 and took effect from 3 May 2017. The Committee believes that the Policy remains appropriate but has committed to review its structure and operation in 2019 ahead of a proposal for shareholder approval at the AGM in 2020. The Committee has committed to honour all appropriate pre-2017 Policy remuneration obligations.

In addition, where the terms of any remuneration payment (including any payments for loss of office) were agreed before the 2017 Policy came into effect, or at a time when the relevant individual was not a director of the Company, these remain eligible to be paid based on their original terms.

How pay is aligned to strategy

Our current executive director remuneration framework is intended to strike an appropriate balance between fixed and variable pay components, and to provide a clear link between pay and our key strategic priorities. Executive director and senior management remuneration is structured so that individuals are only rewarded for the successful delivery of the key strategic priorities of the Company over the short and long-term.

2017 Policy table – executive directors

How the element supports our strategic objectives	Operation of the element	Maximum potential value	Performance metrics, weighting and time period
Base salary			
To attract and retain talent capable of delivering the Group's strategy. Rewards executive directors for their performance in the role.	Base salary is paid in 12 equal monthly instalments during the year. Salaries are normally reviewed annually and any changes are generally effective from 1 April. Salary levels are set taking into account role, experience, responsibility and performance, both of the individual and the Company, and also taking into account market conditions and the salaries for comparable roles in similar companies.	Salary increases take into account salary reviews across the Group and are usually in line with increases awarded to UK employees. By exception, higher awards may be made at the Committee's discretion to reflect individual circumstances. For example: changes to role which increase scope and/or responsibility; development and performance in the role; and responding to competitive market pressures. There is no prescribed maximum increase as per the 2017 Policy.	None, although overall performance of the individual is considered by the Committee when setting and reviewing salaries annually.

Pension			
To provide retirement funding.	The Company operates a stakeholder scheme; at the discretion of the Committee, this may be paid as a cash allowance. The Company has closed its defined benefit scheme to new members and future accrual.	Company contribution is 15% of base salary.	None.
Benefits			
To provide market-competitive benefits that support the executive directors to undertake their role.	The Company pays the cost of providing the benefits on a monthly, annual or one-off basis. All benefits are non-pensionable.	The standard benefits package includes: life assurance of 4x salary; car allowance; long-term disability cover; private medical cover for executive director and immediate family; annual medical; and ability to participate in The IPF Save As You Earn Plan (SAYE) and any other all-employee share plans on the same terms as other employees. Additional benefits may also be provided in certain circumstances, which may include relocation expenses, housing allowance and school fees. Other benefits may be offered if considered appropriate and reasonable by the Committee.	None.
Annual bonus			
To motivate and reward sustainable Group profit	Measures and targets are set annually and pay-out levels	On-target opportunity: 65% of base salary.	Performance is measured over the financial year.

before tax and the achievement of specific personal objectives linked to the Company's strategy.	are determined by the Committee after the year end, based on performance against those targets. The Committee may, in exceptional circumstances, amend the bonus pay-out should this not, in the view of the Committee, reflect overall business performance or individual contribution. 50% of the total bonus amount is deferred for three years in Company shares through the Deferred Share Plan (DSP). The remaining 50% is paid in cash. Payments are made around three months after the end of the financial year to which they relate. There are provisions for clawback adjustments on the occurrence of certain events (see page [XX] for details).	Maximum opportunity: 100% of base salary.	Performance is assessed using the following criteria: typically 80% is based on achievement of financial and strategic measures; and typically 20% is based on achievement of personal objectives linked to achievement of Company strategy. Although each of the annual bonus metrics could pay out independently, the Committee will set a minimum threshold profit target before any other metrics are assessed.

How the element supports our strategic objectives	Operation of the element	Maximum potential value	Performance metrics, weighting and time period
Deferred Share Plan (DSP)			
To strengthen the link between short- and longer-term incentives and the creation of sustainable long-term value.	50% of the total bonus amount is subject to compulsory deferral for three years in Company shares without any matching. Following the vesting of awards, executive directors receive an amount (in cash or shares) in respect of the dividends paid or payable between the date of grant and the vesting of the award on the number of shares that	50% of the total bonus amount received during the year.	None.

	have vested. The DSP has provision for malus and clawback adjustments on the occurrence of certain events (see page [XX] for details). Awards may also be adjusted in the event of a variation of capital, in accordance with the plan rules.		
Performance Share Plan (PSP)			
To motivate and reward longer-term performance, and support shareholder alignment through incentivising absolute shareholder value creation.	Annual grant of awards, generally made as nil-cost options over a specific number of shares subject to meeting specified performance targets. The Committee has discretion to decide whether and to what extent targets have been met, and if an event occurs that causes the Committee to consider that the targets are no longer appropriate, the Committee may adjust them so long as the adjustment does not make them materially less difficult to satisfy. Awards may also be adjusted in the event of a variation of capital, in accordance with the plan rules. Executive directors will be required to hold any shares acquired on vesting (net of any shares that may need to be sold to cover taxes) for a two-year period starting on the date of vesting. The PSP has provisions for	In normal circumstances, annual award levels for executive directors shall be equivalent to 190% of base salary at the time of grant. The rules of the PSP plan permit annual grants up to an individual limit of 250%. Although the Committee shall retain discretion to make awards up to this level, it would expect to consult with significant shareholders if awards were routinely made above normal levels and would, in all cases, make a comprehensive retrospective disclosure outlining the Committee's rationale in the Annual Remuneration Report. Vesting of PSP awards is dependent on service and performance conditions. 25% of the award vests at threshold performance in respect of the performance conditions, with straight-line vesting to maximum.	Service and performance conditions must be met over three-year periods. Performance is assessed against three independently measured metrics that are weighted as follows: 1/2 absolute TSR performance; 1/4 cumulative EPS growth; and 1/4 growth in revenue less impairment. The Committee will compare the Company's absolute TSR performance with comparator groups considered appropriate at the point of vesting. The targets are set by the Committee, and targets will be set out in the Annual Remuneration Report of the relevant year. A six-month averaging period is used for calculating TSR.

	malus and clawback adjustments on the occurrence of certain events (see page [XX] for details).		

How the element supports our strategic objectives	Operation of the element	Maximum potential value	Performance metrics, weighting and time period
Shareholding requirement			
To support alignment with shareholder interests.	Executive directors are expected to acquire a beneficial shareholding over time. Shares which have vested unconditionally under the Company's share plans will be taken into account with effect from the date of vesting (but not before). 50% of all share awards vesting under any of the Company's share incentive plans (net of exercise costs, income tax and social security contributions) must be retained until the shareholding requirement is met. (See page [XX] for details of shareholdings and share interests).	The current shareholding requirement for executive directors is 200% of base salary.	None.

Non-executive directors

The Board reviews non-executive directors' fees periodically in the light of fees payable in comparable companies and the importance attached to the retention and attraction of high-calibre individuals as non-executive directors. Non-executive directors receive no other benefits and take no part in any discussion or decision concerning their own fees. The Committee reviews the Chairman's fees. Fees were increased last on 1 October 2013 for the Chairman and 1 January 2014 for the non-executive directors.

2017 Policy table – non-executive directors

Element	Purpose	Operation
Fees	To attract and retain a high-calibre Chairman and non-executive directors by offering market-competitive fees.	Fees are paid on a per annum basis and are not varied for the number of days worked. The level of the Chairman's fee is reviewed periodically by the Committee (in the absence of the Chairman) and the executive directors. The Chairman and executive directors review non-executive directors' fees periodically in the light of fees payable in comparable companies or to reflect changes in scope of role and/or responsibility. As approved at the 2014 AGM, the maximum annual aggregate fee level for all non-executive directors allowed by the Company's Articles of Association is £650,000. The senior independent non-executive director and Chairs of the Board Committees are paid an additional fee to reflect their extra responsibilities. Any non-executive director who performs services which, in the opinion of the Board, go beyond the ordinary duties of a director may be paid such additional remuneration as the Board may authorise. Fees are paid on a quarterly basis.
Shareholding requirement	To support shareholder alignment by encouraging our non-executive directors to align with shareholder interests.	Non-executive directors are expected to acquire a beneficial shareholding equivalent to 100% of their director's fee within three years of appointment.

Notes to the 2017 Policy table

Performance measures and targets

The Committee selects annual bonus performance conditions that are central to the achievement of the Company's key strategic priorities for the year and reflect both financial and non-financial objectives. To balance this, the performance conditions for the PSP are linked to long-term value creation:

- TSR aligns with our focus on shareholder value creation;
- EPS provides a measure of profitability and supports our long-term strategy; and
- Revenue less impairment supports our focus on sustainable growth.

The performance targets are determined annually by the Committee and are set typically at a level that is stretching and achievable, taking into account our strategic priorities and the economic environment in which we operate. Targets are normally set with reference to a range of data points, including the budget, sell-side analyst forecasts, historical performance, environment, social and governance (ESG) risks and incentive performance ranges at the Company's comparators, where disclosed.

The Board is of the opinion that the performance measures and targets for the annual bonus are commercially sensitive and that it would be detrimental to the interests of the Company to disclose them during the financial year. This is particularly so because the majority of our competitors are unlisted. However, the Committee commits to making a comprehensive retrospective disclosure in respect of performance against the targets set where the disclosure of that information is no longer deemed commercially sensitive.

Malus and clawback

The circumstances when malus and clawback may apply include, but are not limited to, where:

- the financial statements of the Company or of any member of the Group are required to be restated due to discovery of a misstatement in the relevant financial statements resulting in shares vesting to a greater degree than would have been the case if that misstatement had not been made; or
- the discovery that an assessment of performance connected to the award (including relating to the original bonus amount for the DSP) was based on misleading or inaccurate information; or
- there has been fraud or gross misconduct, or circumstances which, in the opinion of the Committee, would entitle the Company or any other member of the Group to summarily dismiss the individual; or
- the Committee decides circumstances exist which justify the operation of malus or clawback.

The clawback period for the PSP normally runs for two years from the date of vesting and from the date of payment in the case of the cash portion of annual bonus awards. For deferred awards under the DSP, malus will apply for the duration of the deferral period.

Discretions

The Committee will operate the annual bonus plan, PSP and DSP according to their respective rules and in accordance with the Listing Rules where relevant. The Committee retains discretion, consistent with market practice, in a number of regards relating to the operation and administration of these plans. These include, but are not limited to, the following in relation to the PSP and DSP:

- the participants;
- the timing of grant of an award;
- the size of an award;
- the determination of vesting;
- discretion required when dealing with a change of control or restructuring of the Group;
- determination of the treatment of leavers based on the rules of the plan and the appropriate treatment chosen;
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events and dividend equivalents); and
- the annual review of performance measures and weighting, and targets for the PSP from year to year.

In relation to the annual bonus plan, the Committee retains discretion over:

- the participants;
- the timing of grant of an award/payment;
- the determination of the bonus payment;
- dealing with a change of control or restructuring of the Group;
- determination of the treatment of leavers based on the rules of the plan and the appropriate treatment chosen; and
- the annual review of performance measures and weighting, and targets for the annual bonus plan from year to year.

In relation to both the Company's PSP and annual bonus plan, the Committee retains the ability to adjust the performance targets if events occur which cause it to determine that the targets are no longer appropriate (e.g. material acquisition and/or divestment of a Group business), so long as the amendment will not make the target materially less difficult to satisfy. Any use of this discretion would be explained in the Directors' Remuneration Report and may be the subject of consultation with the Company's major shareholders.

The use of discretion in relation to the Company's SAYE will be in line with the governing UK Legislation, HMRC rules and the Listing Rules.