

Remuneration Committee report

Aligning performance incentives and reward

The Remuneration Committee meets at least once a year and has been chaired since Admission by Nigel Greenaway; its membership as at 31 December 2018, in addition to the Chairman, comprises William McKee and Andrew Baddeley, both of whom are non-executive directors of the Group.

The committee, following consultation with the CEO, determines the specific remuneration packages for each of the executive directors and certain senior managers, including base salary, annual bonus, participation in an equity incentive share option scheme (Long-Term Incentive Plan 'LTIP'), benefits and terms of employment.

The committee is responsible for approving the scope of the annual base salary review for all staff across the Group. The committee also reviews the application of the performance conditions for the LTIP and may vary the performance condition or the level of vesting, if it considers appropriate, to reflect real performance. The committee ensures that the Group's remuneration policy complies with applicable regulations and any associated reporting obligations.

Where appropriate, the Company adheres to the principles and requirements of the QCA Corporate Governance Code (the 'Code') and the recommendations set out in the associated QCA Remuneration Committee Guide for Small and Mid-Size Quoted Companies. This report has been prepared in accordance with the expectations and recommendations of the Code and associated Guidance, although the Remuneration Committee recognises that, in some respects, this report does not fully meet those recommendations.

However, the Remuneration Committee considers that the contents of this report provide an appropriate level of disclosure to shareholders in light of the relatively short period of time since the Company listed on AIM and the continuing development of the Company's remuneration policy since that listing. The Remuneration Committee aims to meet more fully the expectations and recommendations of the Code and associated Guidance in future years.

Activities during the period

The committee met once during, and again shortly after the end of, the Period. At these meetings, the committee considered the planned salary reviews, the level of discretionary bonus awards and their partial deferral into shares, and the LTIP awards and performance metrics.

Remuneration principles and 2018 approach

The Group recognises the importance of recruiting and retaining suitable executives and staff to support the effectiveness and efficiency of the business. To achieve this, the committee is tasked with providing a competitive package of incentives and rewards, with the aim of aligning personal reward with increased shareholder value over both the short and longer term. To that end, we operate the following remuneration framework:

Element	Operation	Approach in 2018
Salary	<p>Annual salary is targeted to be competitive in the sector and allow the Company to attract and retain the best talent in the industry.</p> <p>Salaries are reviewed regularly to ensure that they remain competitive, with reference to sector peers and other companies of similar size and complexity.</p>	<p>During the Period, the Committee sought advice on remuneration levels for executive directors and other employees, and reviewed salary levels in the context of market competitors and the status of the business as an AIM-listed company.</p>
Discretionary Bonus Scheme ('DBS')	<p>The DBS is based on stretching financial and non-financial service and personal development orientated criteria. Under the DBS, executive directors and staff may receive a discretionary bonus, based on these criteria.</p> <p>Part of the bonus is paid following the year end, after the signing of the financial statements. The remaining deferred element is paid in alignment with income recognition.</p> <p>At the committee's discretion, the recipients of an award under the DBS may be required to receive part of the bonus in shares in the Group for which there is a minimum holding period or performance hurdle.</p>	<p>The committee assessed the performance of the executive directors during the year against their defined performance criteria and was satisfied that these targets have been met in part or in full. Details of the resulting bonus pay-outs, as determined by the committee, are provided on page 43. In each case, a portion of the bonus is deferred into shares, or deferred for periods that align with income recognition.</p>
Long-Term Incentive Plan ('LTIP')	<p>All employees are eligible to participate in order to align the entire team with the Group's investors in driving the business forward.</p> <p>Under the LTIP, employees are given the opportunity to acquire shares in an intermediate holding company and/or are granted options over Ordinary Shares in the Group. The shares in the intermediate holding company may be exchanged for Ordinary Shares in the Group and the options may be exercised when certain performance criteria are met over a three-year period.</p>	<p>Initial awards under the LTIP were granted on Admission, and may vest in three tranches after one, two and three years, subject to satisfaction of the performance conditions. Further details can be found on the following pages.</p>
Benefits	<p>The Company provides a competitive package of benefits including market comparable holiday, sick leave cover, and generous maternity provisions, based on length of service and incentives to return to work.</p> <p>Staff can opt in to a private health insurance scheme including cover for their dependants, and a car allowance is available based on seniority and length of service.</p>	<p>Executive directors receive benefits in line with those offered to the wider workforce, including a car allowance.</p>
Pension	<p>All employees are eligible for pension contributions under the Company-wide pension scheme, in line with government requirements.</p>	<p>Executive directors received pension contributions under the Company-wide plan.</p>
Non-Executive Director fees	<p>Fees payable to the non-executive directors are set with reference to market data for sector peers and other companies of similar size and complexity.</p> <p>The committee reviews fee levels regularly to ensure that they remain competitive.</p>	<p>Fees payable to the Company's non-executive directors were set on their appointment to the Company at Admission.</p>

Remuneration Committee report continued

Summary of emoluments by individual director (audited)

The emoluments of the directors who served during the Period are set out in the table below. Note that these figures relate only to the Period from Admission to the year end.

	Base salary	Pension benefits	Other benefits	Discretionary bonus – cash	Long-term incentives ⁽¹⁾	Total remuneration 2018
Executive Directors						
Randeesh Sandhu, Chief Executive Officer	274,193	470	12,700	192,500	16,204	486,067
Rabinder Takhar, Chief Risk Officer	96,774	470	0	16,500	8,102	121,846
Trevor DaCosta, Finance Director	80,645	470	2,500	40,000	4,861	128,476
Non-Executive Directors						
William McKee	38,709	–	–	–	–	38,709
Andrew Baddeley	36,878	–	–	–	–	36,878
Nigel Greenaway	36,878	470	–	–	–	37,348
Total	564,077	1,880	15,200	249,000	29,167	849,324

1. IPO LTIP awards vest on the publication of the Company's audited financial accounts. As the share price on this date is not yet known, this value is based on the three-month average share price up to 31 December 2018 of 92.36p. This value will be restated in next year's remuneration report once the final value is known.

An element of the DBS is subject to the achievement of a share price performance condition by 31 December 2021, and will be included in directors' emoluments when this performance condition is met.

During the year, the Group provided loans to employees for the payment of taxes relating to the grant of options under the LTIP. For the three executive directors these totalled c.£6,000. The Group has not provided any guarantees for the benefit of any director or the directors collectively, nor does it intend to do so.

Discretionary Bonus Scheme

Bonuses are awarded from a Company-wide bonus pool, the size of which is determined by the committee, based on performance with respect to key transactional KPIs for each year. For 2018, the DBS bonus pool was funded by the following three metrics:

1. Fund raising – funds raised during the year;
2. Loan commitment – loans committed during the year; and
3. Projected aggregate income from incremental loans committed during the year.

In order to encourage the staff and directors to build long-term value for the Group, the deferred element of the bonus may be used to purchase shares that will vest on satisfaction of certain conditions including continued employment up to the vesting date. Furthermore, elements of the bonus payments will be deferred to align to actual Group projected aggregate income.

2018 performance and bonus pool generation

Fund raising

During 2018, the Group completed its IPO, transitioning from being a privately-held business to achieving a listing on AIM. This involved a significant amount of work for a small management team working with the Company's advisers. The committee determined that the DBS pool should include an amount of £750,000 to reward those key members of staff (the 'IPO Bonus').

Loan commitments

The Group was extremely successful in meeting demand for its product in its first trading period. Accordingly, the committee set aside a percentage of committed loans for the bonus pool.

Projected aggregate income

As described in the Chief Executive's Review, the Group was able to commit loans with high quality earnings that will develop as the funds are drawn down and the relevant development moves through its construction, marketing and sale process. The committee determined that a percentage of future earnings should be set aside for the bonus pool; however, reflecting the longer timeframe over which these earnings are expected to materialise, this element of the bonus pool will be payable based on recognition of income, and is subject to review should there be any negative adjustment to future income.

2018 awards under the DBS

The Group's remuneration policy provides the committee with flexibility to select appropriate performance ranges in relation to the target awards to ensure the application of the remuneration policy is fair for both individuals and shareholders.

In the months following the IPO, the Group encountered various difficulties that resulted in a significant fall in the share price. Accordingly, the committee determined that payment of the IPO-related element of the bonus should be 100% deferred and should be awarded in shares. The Company will establish an employee benefit trust that will acquire the requisite shares using the funds from the DBS bonus pool. Each employee and director due to receive an allocation of that pool will have an award of shares that will vest when the share price reaches £1.10 (i.e. a 10% premium to the IPO price), provided that occurs before 31 December 2021 and that the recipients remain employed and not under notice to leave the Company on or before that vesting date. If the performance conditions are not satisfied, the award will lapse.

In addition to the IPO Bonus which is subject to deferral conditions as described above, a portion of awards made under the DBS have been deferred into shares, 50% for the CEO and CRO, and for the wider employee group, 20% will be deferred into shares.

Executive director performance objectives

The committee considered the roles performed by, and the achievements of, each of the three executive directors, reflecting also on the activities at the Group during the Period. Whilst all three executive directors were heavily involved in the IPO, the CEO took a clear lead in this work and then was the driver of the creation of the loan book, the achievement of the joint venture with KKR, developing the strategy and responding to the challenges encountered by the Group post-IPO.

	Personal objectives	Performance outcome	Committee decision
Chief Executive Officer	<ul style="list-style-type: none"> • Delivery of the IPO • Originating and completing a high volume of loan commitments • Securing a number of strong and substantial asset management relationships • Developing the Group's profile within the investor community • Building and developing the executive team 	Exceeded	<p>The CEO received an IPO Bonus of £185,000 which is deferred into shares, the vesting of which is subject to a share price condition as described above.</p> <p>The committee determined that the CEO should receive a bonus of £192,500 and a further amount would be deferred into shares.</p>
Chief Risk Officer	<ul style="list-style-type: none"> • Delivery of the IPO • Developing a risk management framework for the Group • Securing additional funding sources 	Exceeded	<p>The CRO received an IPO Bonus of £75,000 which is deferred into shares, the vesting of which is subject to a share price condition as described above.</p> <p>The committee determined that the CRO should receive a bonus of £16,500, and a further amount would be deferred into shares.</p>
Finance Director	<ul style="list-style-type: none"> • Supporting the CEO and CRO through the IPO • Delivering the transition to listed company reporting • Delivery of the Interim reporting 	Met	<p>The FD received an IPO Bonus of £20,000 which is deferred into shares, the vesting of which is subject to a share price condition as described above.</p> <p>The committee determined that the FD should receive a bonus of £40,000, and a further amount would be deferred into shares.</p>

Remuneration Committee report continued

Long-Term Incentive Plan

The LTIP is designed to incentivise employees to build long-term value for the Company and allow them to share in the value created. Shares awards under the LTIP were granted on Admission with one third vesting after the publication of the Company's accounts each year over a three-year period. Awards vest subject to the satisfaction of three equally-weighted performance targets, as set out below.

Performance is measured in three tranches: the first tranche is measured from Admission to 31 December 2018, with tranches two and three measured over the following two financial years.

- Annualised Total Shareholder Return ('TSR') (target range of 6.25–12.5%);
- Annualised Return on Equity ('ROE') (target range of 7.5–15%); and
- Committed loan volumes (target range of £125–250m).

Performance is measured on a straight-line basis between target levels.

The committee assessed performance for the first tranche of these awards in early 2019. The Group achieved one of the three performance criteria, falling short of achieving the targets for TSR and ROE. The Group comfortably exceeded its target of between £125m and £250m for committed loan volumes. Accordingly, one ninth of the total award (one third of the first tranche) will vest on the publication of the Company's audited financial accounts following the end of the performance period.

Summary of outstanding share-based awards

Details of all the executive directors' outstanding share-based awards are described in the table below.

	Award type	Granted in period	Exercised	Lapsed	Outstanding at 31.12.18	Grant date	Vesting date
Randeesh Sandhu	LTIP (IPO tranche 1)	52,632	–	35,088	17,544	09.05.18	2019 ⁽¹⁾
	LTIP (IPO tranche 2)	52,632	–	–	52,632	09.05.18	2020 ⁽¹⁾
	LTIP (IPO tranche 3)	52,631	–	–	52,631	09.05.18	2021 ⁽¹⁾
		157,895		35,088	122,807		
Rabinder Takhar	LTIP (IPO tranche 1)	26,316	–	17,544	8,772	09.05.18	2019 ⁽¹⁾
	LTIP (IPO tranche 2)	26,316	–	–	26,316	09.05.18	2020 ⁽¹⁾
	LTIP (IPO tranche 3)	26,315	–	–	26,315	09.05.18	2021 ⁽¹⁾
		78,947		17,544	61,403		
Trevor DaCosta	LTIP (IPO tranche 1)	15,790	–	10,527	5,263	09.05.18	2019 ⁽¹⁾
	LTIP (IPO tranche 2)	15,789	–	–	15,789	09.05.18	2020 ⁽¹⁾
	LTIP (IPO tranche 3)	15,789	–	–	15,789	09.05.18	2021 ⁽¹⁾
	MSO	50,000	–	–	50,000	09.05.18	09.05.21 ⁽²⁾
		97,368		10,527	86,841		

- Awards vest, subject to satisfaction of the performance conditions above, on the publication of the Company's audited financial accounts following the end of the performance period.
- Management Share Options 'MSO' – Awards vest subject to the recipient remaining employed and not under notice to leave the Company on or before the vesting date.

The committee intends to make further awards under the LTIP in 2019, the details of which will be disclosed in next year's annual report, along with the DBS deferred share and IPO Bonus awards, which will be made shortly after the Company's AGM.

Service contracts and directors' interests in the Company

Details of the commencement dates, notice periods, and shareholdings in respect of the executive and non-executive directors are as follows:

	Date of appointment	Length of service contract	Shareholdings – Ordinary shares			Unvested share awards	
			Held at Admission	Acquired during the year	Held at 31.12.2018	Subject to performance	Subject to service only
Randeesh Sandhu	9.4.2018	12 months	3,307,783	–	3,307,783	122,807	–
Rabinder Takhar	30.4.2018	3 months	2,295,000	–	2,295,000	61,403	–
Trevor DaCosta	9.4.2018	12 months	–	–	–	36,841	50,000
William McKie	30.4.2018	3 months	20,000	19,500	39,500	–	–
Andrew Baddeley	30.4.2018	3 months	25,000	25,000	50,000	–	–
Nigel Greenaway	30.4.2018	3 months	25,000	–	25,000	–	–

2019 remuneration policy

For 2019 the committee intends to operate broadly the same remuneration framework as 2018.

The committee carried out a review of the salaries of senior employees in early 2019. The executive directors' salaries will remain the same for 2019. Considering the increased level of responsibility for leadership of an AIM-listed company, a number of senior employees in the wider group had adjustments made to their base salaries, effective 1 January 2019.

The DBS will operate in a similar manner to 2018, based on stretching financial and non-financial criteria. A portion will be payable after the Company has signed off its financial accounts, with the remainder deferred until the first and second anniversaries of grant. The projected aggregate income target will continue to operate under the same principles of being deferred over a period to reflect when the income is recognised and subject to review should there be any negative adjustment to future income.

The Company will make further LTIP awards to the employee population in 2019. The Committee, with support from its independent advisors, has carried out a review of the performance conditions applying to LTIP awards. From 2019 onwards, awards will vest in a single tranche after three years. This represents a move towards typical market practice and helps align reward more appropriately with the Company's long-term financial goals.

The performance criteria will be:

- Average annual TSR of 6.25% to 12.5%;
- Average annual ROE of 7.5% to 15%; and
- Average annual committed loan volumes of £750m to £1 billion p.a.

Each of these metrics will operate on a straight-line scale in computing the percentage of the LTIP that vests.



Nigel Greenaway

Chairman, Remuneration Committee

2 April 2019