

## Directors' Remuneration Statement

The approach to Directors' remuneration has been completed taking account of the market, regulatory environment, the need to deliver shareholder return and individual role responsibilities.

The Directors' Remuneration Statement deals with the remuneration for those Directors in place during 2017/18. No changes have been made to any of the Director roles (or within the supporting Executive Management structure).

### Remuneration & Corporate Social Responsibility Committee

The Board had appointed a Remuneration Committee ('the Committee') which is chaired by Joanne Lake (Independent NED), and comprises Peter Ward (NED) and Stephen Karle (Chairman). Dave Belmont (Company Secretary) also attends all meetings.

The Committee was established as a direct consequence of the Company's successful listing on the AIM Market in May 2016.

The terms of reference for the Committee are available from the Company's Support Centre in Birstall or online at [www.morsesclubplc.com](http://www.morsesclubplc.com)

The Committee has studied Section B of the Best Practice provisions annexed to the Listing Rules of the UK Listing Authority and has voluntarily disclosed the information given below.

This Committee's principal function is to determine the Company's policy on executive remuneration. No Director plays any part in formal decisions about their own remuneration. The HR and Communications Director and Chief Financial Officer provide relevant updates on financial and general Company remuneration matters as invited individuals only. The Committee meets periodically when it has proposals to consider – generally three times a year. In any event, the Committee would meet no less than twice a year.

The Committee's policy aims primarily to attract, retain and motivate high-calibre individuals via a competitive remuneration package designed to suit the market, taking account of regulatory requirements and the need to create an appropriate mix between fixed and variable rewards (both short- and long-term) for Directors. Executives' remuneration comprises basic salary, performance-related bonus, pension benefits, other benefits in kind and a deferred share bonus scheme granted pursuant to the Morses Club PLC Group.

The Remuneration Policy is due for approval at the AGM in 2018, and the Committee will conduct a full annual review of the policy. Remuneration proposals are supported by external benchmarking to determine external market trends and to ensure that Director remuneration is proportionate and in line with individual and business performance.

### Executive Remuneration Policy

As the organisation continues to grow and develop, we expect that the remuneration policy will be reviewed. However, the Executive team and the Committee continue to be committed to continued diligence in setting Executive remuneration to ensure market relevance, and the delivery of shareholder value as well as continuing to embed the Company's strategy.

Executive remuneration continues to be balanced against the remuneration of the rest of the organisation.

Our remuneration policy is underpinned by core principles as outlined below.

- Remuneration is determined within the Company's risk appetite, and is subject to oversight and approval by the Remuneration Committee.

## Directors' Remuneration Statement *continued*

- Key FCA principles, including the principles of Treating Customers Fairly apply throughout. Although all employees should contribute towards a commercial result, remuneration is designed to drive a 'balanced scorecard' approach, based on responsible lending principles and outstanding individual performance. Delivery of good customer outcomes is central to the Company's remuneration approach.
- Remuneration structures will be developed in line with the appropriate regulatory environment and the Company's values.
- A blend of short-term and long-term incentives will support the long-term security of the Company and its employees.
- For key roles, remuneration will take account of pay structures in the external market. Remuneration structures will reflect the size and the scope of any given role.
- Remuneration will be driven by Company as well as individual performance, with a foundation of fairness and ability to pay.
- We will communicate policies clearly and in a timely manner.

### Business Context and Committee Decisions on Remuneration

The Company successfully listed on AIM in May 2016. As detailed in the report, key elements of the Company's business strategy with regard to technology, acquisitions and targeted financial performance have been delivered. We have also made significant progress in developing new products and services for our customers.

### Directors' Remuneration 2017/18 (This section is subject to audit)

	Role	Base Salary	Allowance and Benefits	Pension Contribution	Bonus	Deferred Share Bonus Scheme	Expenses	Total
Paul Smith <sup>1</sup>	CEO	262,500	43,329	5,250	106,470	72,191	17,468	507,208
Andy Thomson	CFO	200,833	6,029	12,932	85,176	54,996	10,271	370,237

### Directors 2016/17

	Role	Base Salary	Allowance and Benefits	Pension Contribution	Bonus	Deferred Share Bonus Scheme	Expenses	Total
Paul Smith <sup>1</sup>	CEO	212,500	42,725	4,250	75,000	26,223	24,139	384,837
Andy Thomson	CFO	170,000	12,000	2,267	-	19,813	6,870	210,950

### Non-Executive Directors 2017/18 (This section is subject to audit)

Name	Role	Base Salary	Supplements	Expenses & Emoluments
Stephen Karle	Chairman	100,000	-	4,904
Sir Nigel Knowles	Senior Independent NED	45,000	7,500	
Joanne Lake	NED and Chair of Remuneration Committee	45,000	7,500	1,148
Patrick Storey	NED and Chair of Audit and Risk & Compliance Committees	45,000	15,000	1,981
Peter Ward	NED	45,000	-	1,423

### Non-Executive Directors – 2016/17

Name	Role	Base Salary	Supplements	Expenses & Emoluments
Stephen Karle	Chairman	91,667	-	7,222
Sir Nigel Knowles	Senior Independent NED	37,500	6,250	13,500
Joanne Lake	NED and Chair of Remuneration Committee	37,500	6,250	12,212
Patrick Storey	NED and Chair of Audit and Risk & Compliance Committees	37,500	12,500	1,718
Peter Ward	NED	37,500	-	-

Non-Executive Directors do not participate in any of the Company's share incentive plans, nor do they receive any benefits or pension contributions.

1 Paul Smith is the highest paid Director.

## Directors' Remuneration Policy

### Service Contracts

All Executive Directors were re-issued with a revised service contract as part of the arrangements for the IPO. Service contracts cover a continuous period (i.e. not a fixed-term) and a notice period of six months applies to both the Company and to individuals. There are no compensation payments for loss of office.

### Letters of Appointment

Non-Executive Directors do not have service contracts but are appointed under letters of appointment.

Appointments are intended to be for a three-year term. All new appointments would be made following recommendations by the Nominations Committee. No compensation is payable in the event of early termination except during the notice period.

### Salaries and Fees

The level of remuneration for both Executive and Non-Executive Directors in FY17 was reviewed as part of the process of the IPO. This process was completed in May 2016.

### Allowances and Benefits

Taxable benefits received in the period include company cars or car allowances, fuel allowances and private medical insurance. These apply to Directors only. The Chairman and Non-Executive Directors do not receive any allowances or benefits.

### Housing Allowance

As the CEO relocated to the area to undertake the role, an annualised housing allowance of £14k was made available until 30 April 2017. This allowance lapsed after that date. No other relocation compensation was payable.

### Life Assurance

In line with all employees, Executive Directors are entitled to life assurance equivalent to four years' salary.

### Holidays

Executive Directors are entitled to 30 days' paid holiday in addition to UK public bank holidays. The holiday year runs from January to December.

### Pension

Executive Directors are enrolled into the Company pension scheme. Personal contributions are matched by the Company up to a maximum of 7%.

### Annual Bonus

The annual bonus is the value of the bonus earned within the year and can be up to 100% of salary, based on the performance conditions outlined below. Any earned bonus is payable in August following the year end in February, conditional on independent audit and confirmation by the Committee.

The actual bonus paid in the year to 24 February 2018 is outlined in the table on page 52.

### Performance Bonus Conditions

The performance bonus is payable if the Executive Director has delivered key objectives, including targeted adjusted profit before tax<sup>1</sup>, promoting good-quality customer outcomes (i.e. Treating Customers Fairly), maintenance of headline customer satisfaction score and completing key strategic projects and acquisitions, all underpinned by regulatory compliance.

## Deferred Share Plan (This section is subject to audit)

Executive Directors may participate in a deferred share plan, a three-year plan (commencing 2016/17) awarded through an annual deed of grant, subject to the discretion of the Remuneration Committee. There have been no variations to the terms and conditions or performance criteria for share options during the financial year. Awards under the DSP may be in the form of:

- A conditional right to acquire Ordinary Shares at no cost to the participant, or an option to acquire Ordinary Shares at no cost to the participant or a right to receive a cash amount relating to the value of a certain number of notional Ordinary Shares.
- Share awards will be subject to performance conditions which are: delivery of targeted adjusted profit before tax<sup>1</sup>, total shareholder return (measured over a period of one year satisfactory audits, compliance training, and individual executive performance).
- Awards will be granted on an annual basis.
- The issue price of the shares in May 2017 was £1.26. The maximum earnings from the deferred share bonus scheme are outlined in the table below.

Name	Role	Percentage of Salary	Share Award
Paul Smith	CEO	100	213,400
Andy Thomson	CFO	100	163,600

The table below details the maximum earnings from the deferred share bonus scheme in 2016/17. The issue price of the shares was £1.08.

Name	Role	Percentage of Salary	Share Award
Paul Smith	CEO	100	208,333
Andy Thomson	CFO	100	157,407

Awards will vest on the third anniversary following the grant date (unless determined otherwise by the Remuneration Committee). Awards will lapse should an individual leave employment, and are not transferable. None of the above have been exercised.

<sup>1</sup> Definitions are set out in the Glossary of Alternative Performance Measures on pages 98 to 99

## Directors' Remuneration Statement *continued*

### Directors' Shareholdings

The table below details the shareholdings and other share interests of the directors as at 24 February 2018.

Name	Role	Ordinary Shares	Percentage Shareholding
Paul Smith	CEO	327,420	0.25
Andy Thomson	CFO	3,038,171	2.75
Stephen Karle	Chairman	227,991	0.18
Peter Ward	NED	400,000	0.31
Sir Nigel Knowles	Ind NED	35,148	0.03
Joanne Lake	Ind NED	23,148	0.02
Patrick Storey	Ind NED	23,148	0.02

### All Employee Remuneration

In setting the Remuneration Policy for Directors, the pay and conditions of other employees are considered along with any increases in salary. The Committee is provided with data on the remuneration structure for those management level tiers below the Executive Directors; it uses this information to ensure a consistent approach to remuneration throughout the Company.

There is no formal consultation with employees regarding the remuneration of Executive Directors.

All employees have the opportunity to participate in our key benefits such as life assurance, private health and the Company pension scheme.

### Relative Importance of Spend on Pay

The total pay, (including performance bonuses), for all Morses Club PLC employees for FY18 is £20,060,506 compared to £17,500,504 for FY17.

### Corporate Social Responsibility

The Company has not undertaken any significant CSR programmes during FY18. Based on our business model as a community lender, we are now planning our approach for FY19.

