

## 1pm plc Statement of Compliance with the QCA Corporate Governance Code

### Chairman's Introduction

1pm plc (1pm), originally established in 2000 and listed on AIM in 2006, is an independent provider of finance facilities to SMEs. 1pm operates multiple brands and consistent goals, values and ethos are promoted across the Group. Our reputation is a key element of our success and we pride ourselves that our brand values of being Flexible, Fair, Trusted and Personal, provide high quality products and service to our all customers. We believe that this will support our business in continuing to grow in a sustainable way that creates value for our shareholders.

Board management is focused on the long-term benefit for all shareholders. Robust corporate governance arrangements at Board-level and throughout the group support effective decision making and ensure that both risks and opportunities are effectively managed to add value to the business.

John Newman  
Chairman

### Changes to corporate governance regime

The Board has adopted the Quoted Companies Alliance (QCA) Corporate Governance Code in line with the requirement of the London Stock Exchange for all AIM-listed companies to adopt and comply with a recognised corporate governance code. This report sets out, in broad terms, how we comply at the date of this statement. We intend to provide annual updates on our compliance with the code.

### Principle 1: Establish a strategy and business model which promote long-term value for shareholders

1pm aims to be the 'go to' provider of SME finance to UK businesses, both by the end client and the broker networks. Our goal is not necessarily to be the biggest, but to be the best. Our brand values of Flexible, Fair, Trusted and Personal are at the heart of everything we do, and we pride ourselves on ensuring that whatever size of business we are dealing with and whatever type of finance is required, we can source the right solutions. This is achieved through being a multi-product provider of business finance (asset, vehicle, loan and invoice) and arranging consumer finance through operating a model of being both a lender and a broker to other lenders.

Our group culture, which will help us achieve our strategic vision is based on the key values of the Board, namely:

- *The client is the centre of everything we do:* We are focussed on providing the best solution we can to our customers
- *We believe that integrity is everything:* We bring sincerity and transparency to the sector and tell it like it is
- *We know that time is money, so we get things done:* We are responsive and flexible to our customers
- *We choose the personal touch:* We work with our customers on a one-to-one level

## **Principle 2: Seek to understand and meet shareholder needs and expectations**

1pm is committed to listening to and communicating openly with shareholders to ensure that our strategy, business model and performance are clearly understood. Appreciating what analysts and investors think about us, and in turn, helping these audiences understand our business, is key to driving our business forward and we actively seek dialogue with the market. We do so via one-to-one meetings with investment fund managers at least twice annually, through making presentations to groups and private investors and through paid-for research (independently written) which is widely circulated to shareholders and prospective investors.

The AGM is an important forum for dialogue with shareholders and the Board. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. The chair of the Board, together with the other Non-Executive and Executive Directors attend the AGM and are available to answer questions raised by the shareholders. For each vote, the number of proxy votes received for, against and withheld is announced at the meeting. The results of the AGM are published on the 1pm website.

The Directors actively seek to build relationships with shareholders. Shareholder relations are primarily managed by the Chief Executive Officer, supported by the Chief Financial Officer, as appropriate. The Chief Executive Officer and Chief Financial Officer make presentations to shareholders and analysts each year immediately following the release of the full-year and half-year results.

The Board is kept informed of the views of shareholders by briefings from the Chief Executive Officer. The Non-Executive Chairman and other Directors are available to meet with institutional shareholders if required.

## **Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success**

Proactively engaging with our full range of stakeholders gives us important information from which to make informed and considered strategic and operational decisions. The Board receives regular updates on stakeholder feedback from our shareholders, borrowers, funders and employees and we act on that feedback where appropriate. Examples of how we have pro-actively developed our business practices to consider our wider stakeholder group and social responsibilities as they relate to our employees, customers and communities are outlined below.

### *Employees*

Over the past year we have:

- Launched a cross-selling programme, open to all staff, which allows them to earn an incentive payment for successfully referring business to other companies within the group
- Completed gender pay gap analysis to ensure that we continue to maintain pay equality for all our employees.
- Enhanced our employee pension provision to support staff to plan adequately and responsibly for retirement
- Continued to grow our employee benefits package to ensure that staff can access a wide range of life-style benefits
- Continued to invest in training for all employees

### *Customers (borrowers) and communities*

Over the past year we have:

- Developed a robust culture statement to ensure that our employees understand the behaviours that we expect of them in their dealings with our customers and with each other
- Updated our business and plc websites to better support the customer experience
- Invested in our marketing strategy with an enhanced marketing team and the appointment of PR agencies to support better communication with potential customers
- Continued to conduct customer satisfaction surveys in subsidiary companies
- Engaged in charitable giving and other community focused events organised in communities where our offices are located

Employees feedback is sought through a combination of presentations, briefings and annual reviews designed to keep everyone aware of the progress of the Group and upcoming events and projects. The CEO publishes at least 2 'Team Talk' information newsletters per year and HR publish at least 4 newsletters per year to support employee engagement.

### *Responsible Lending*

1pm recognises its role in ensuring that our regulated retail customers receive appropriate and affordable products from us, and we apply the same principles across our unregulated customer base. Our credit and underwriting policies ensure a robust assessment of customers' affordability and staff training supports employees to identify vulnerable customers both before and after the point of sale. We pursue bad debts but extend appropriate forbearance when customers find themselves in unexpected and unforeseen financial difficulties.

### **Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation**

1pm recognises effective risk management as critical to the sustained success of the Group. We do this by monitoring economic and market conditions for threats and opportunities and regularly reviewing our systems and controls to mitigate any potential threats to our business.

### *Financial Controls*

1pm has a robust framework of internal financial controls, the effectiveness of which is regularly reviewed by the executive management, the Audit Committee and the Board.

- The Board is responsible for reviewing and approving overall Group strategy, approving revenue and capital budgets and plans, and for determining the financial structure of the Group including treasury, tax and dividend policy. Monthly results and variances from plans and forecasts are reported to the Board.
- The Audit Committee assists the Board in discharging its duties regarding the financial statements, accounting policies and the maintenance of proper internal business, and operational and financial controls.
- There are comprehensive procedures for budgeting and planning, for monitoring and reporting to the Board business performance against those budgets and plans, and for forecasting expected performance over the remainder of the financial period. Monthly results are reported against budget and compared with the prior year, and forecasts for the current financial year are regularly revised against actual performance.

### *Non-financial controls*

The Board recognises that maintaining robust controls is key to managing risk to the strategic and operating business plan. In addition to the financial controls, principal elements of the 1pm internal controls system include:

- Close management of the day-to-day activities of the Group by the Executive Directors
- A clear organisational structure with defined levels of responsibility, which promotes entrepreneurial decision-making within a structure of accountability and decision-making limits
- Detailed monthly reporting to the Executive and Board from the businesses within the Group
- Routine assessment of risk through the Risk Register with risk mitigation plans to address risk falling outside tolerance
- A clearly communicated staff handbook (supported by our culture statement) that provides our employees with guidance on the standards of behaviour that we expect of them
- Close relationships with reputable corporate and commercial lawyers to provide expert support in the management of any legal and regulatory matters

1pm regularly reviews the adequacy of its internal control arrangements as proportionate to the size of the Group and the resources available. As the business has continued to grow there has been significant investment in non-financial controls in the past year. These include:

- Aligning our group IT systems and ensuring the ability to produce detailed and robust management information through our “Platform 1” project
- Enhancing our IT resilience to better support business continuity in the event of business disruption
- The appointment of a Head of Governance and Compliance to oversee a significantly enhanced compliance team that is responsible for all aspects of FCA and ICO compliance as well as corporate governance arrangements

### **Principle 5: Maintaining the Board as a well-functioning, balanced team led by the Chair**

The Board currently comprises the Non-Executive Chairman, three Executive Directors and two Non-Executive Directors (including a Senior Independent Non-Executive Director).

During the financial year to 31 May 2018 Ed Rimmer was appointed as an Executive Director and in June 2018 confirmed in the role of Chief Operating Officer (COO). In July 2018 Mike Nolan stepped down from his role as Executive Director due to planned retirement, for which succession planning was in place. Ron Russell, Non-Executive Director, is classified as non-independent due to his current shareholding.

The Board is satisfied that it has a suitable balance between independence on the one hand, and knowledge of the Group and industry sector on the other, to enable it to discharge its duties and responsibilities effectively. All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational.

During the year 13 scheduled Board meetings took place. Directors had a 100% attendance record with the exception of Mike Nolan (resigned) who missed 2 meetings, Ed Rimmer who missed 2 meetings, Ron Russell who missed 3 meetings and Julian Telling who missed 2 meetings. All absences were due to personal commitments.

Key Board activities this year included:

- Consideration of the strategic plan and realignment of strategic priorities
- Consideration of financial and non-financial policies
- Discussion of the Group’s capital structure and financial strategy, including capital investments, shareholder returns and the dividend policy
- Review of feedback from shareholders post full and half year results
- Review of new potential product offerings
- Discussion and setting of Group culture
- Discussion of internal governance processes

*Directors’ conflict of interest*

The Group has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

The Board has set out, in the contract for non-executive directors, the time commitment required and asked for confirmation that the director can devote sufficient time to meet the expectations of the Board.

The Board currently anticipate a minimum time commitment of one day per month and further days if required for the satisfactory fulfilment of duties. This includes attendance at 10 board meetings per annum including attendance at 8 in person, the AGM and any general meeting. The Board also requires each director to disclose any other significant time commitments and to obtain the agreement of the Chairman, or in the event that the Chairman has a conflict of interest in relation to such matter, obtain the agreement of one of the Company's independent non-executive directors, before accepting additional commitments that might affect the time to devote to the role as a non-executive director of the Company

**Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities**

The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience. All Directors receive regular and timely information on the Group’s operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. The businesses within the Group report monthly to the Board on headline performance against agreed budget.

*Skills & Experience*

Name	Position	Skills & Experience
John Newman	Chair	John is a qualified accountant and has worked in audit with Coopers & Lybrand and as a management consultant with Price Waterhouse. His extensive corporate experience includes executive directorships of four quoted companies. In the last ten years of his executive career John was CEO of LSE-listed UK Safety plc. Since then he has been a non-executive director of three AIM-listed companies and of a NHS Trust.

Julian Telling	Senior Non-Executive Director (Independent)	Julian established his own retail financial service group in the mid 80's, it was listed in 2005 and sold in 2008. Since then he has been involved in a number of AIM listed financial service businesses and has extensive experience in acquisitions, rights issues and trade sales.
Ron Russell	Non-Executive Director	Ron has an extensive background in both investing and advising smaller businesses. He is currently a director of UK Private Healthcare Limited, Scot-Leasing Limited, Polish Private Healthcare Limited, and a partner of Delron LLP. Ron is also a qualified accountant
Ian Smith	Chief Executive Officer	Ian has 30 years' experience in business as a board level Finance Director and Chief Executive following qualification as an accountant. Previously, Ian was a member of the management team which successfully sold Q Chip Ltd to Midatech plc in 2014 and also sold UDEX Limited on behalf of 3i plc in 2006 and, as Finance Director of Surface Technology Systems plc, he was instrumental in its flotation on AIM in December 2000, subsequently leading the business as Chief Executive through the technology sector downturn from 2001 to 2003. Prior to that Ian was Group Finance Director to LSE-listed UK Safety Plc.
James Roberts	Chief Financial Officer	James has worked in the financial services sector since 2000 initially qualifying as a Chartered Accountant with PwC in the City. For the past decade James has held senior management and Director level roles for AIM listed, global organisations and rapid growth early stage companies including Finance and Operations Director of AIM listed Jelf Financial Planning. James has extensive experience of mergers and acquisitions and fast moving and rapidly growing businesses.
Ed Rimmer	Chief Operating Officer	Ed has extensive experience in business having spent 22 years with The Bibby Line Group Ltd. During his time with Bibby he progressed from a graduate trainee through a career in sales before moving into management and promotion to UK CEO in 2007. After 5 years as UK CEO, he was offered another challenge within the Bibby Group to lead the Ship Management business, where a growth strategy as a niche operator in the oil and gas market was successfully delivered resulting in the company being sold in 2016 to the market leading player.

#### *Independent advice*

All Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Group's expense. In addition, the Directors have direct access to the advice and services of the Company Secretary and Chief Financial Officer.

In the past year the Board has sought independent advice concerning acquisitions, wholesale debt facilities, long term incentive arrangements for executive directors and senior management, the implementation of IFRS 9 and an alignment of tax policies in group companies engaged in leasing activities. It has also appointed external advisors concerning strategic options.

#### *Ongoing personal development*

The Company Secretary is responsible for ensuring that the Directors regularly receive high quality information including financial and operational results.

The Board considers and reviews the requirement for continued professional development. The Board undertakes to ensure that their awareness of developments in corporate governance and the regulatory framework is current, as well as remaining knowledgeable of any industry specific updates. The Company Secretary, Nomad and specialised external advisors all serve to strengthen this development by providing guidance and updates as required.

### **Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement**

The Chairman assesses the individual contributions of each board member on an annual basis to ensure that: their contribution is relevant and effective; that they are committed; and where relevant, they have maintained their independence.

Annual appraisals of the performance of the executive directors are conducted and an assessment of the performance of the non-executive directors is undertaken by the Chairman and informed by the executives.

The Company takes proactive steps to ensure succession planning through a periodic review of the skills, performance and aspirations of the directors and senior management team, together with a review of accountability and reporting lines to ensure, wherever possible, succession can be implemented from within the Group.

### **Principle 8: Promote a culture that is based on ethical values and behaviours**

The Board sets the principles that underpin the 1pm culture and aims to lead by example to do what is in the best interests of the Group. We believe that an ethical culture will drive value for all our stakeholders, and our culture trusts in "the circle of good". We place importance on hiring talented people who display integrity and therefore behave ethically and responsibly and we motivate them to provide our customers with the best solution, which will in turn delight our customers and drive shareholder value.

Good governance is key to ensuring that the 1pm culture is embedded and actioned across all businesses in the Group. In the forthcoming year we will continue to build on work already underway to communicate our culture and expected behaviours to our staff through a series of engagement measures. We are also in the process of reviewing and amending our remuneration and incentives policy, with a particular emphasis on sales staff, to ensure that we appropriately reward those staff in line with our expected culture and behaviours.

**Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board**

*Board programme*

The Board meets at least ten times each year in accordance with its scheduled meeting calendar. The Board sets direction for the Group through a formal schedule of matters reserved for its decision. The meeting calendar may be supplemented by additional meetings as and when required. During the year to 31 May 2018, the Board met for its scheduled meetings.

The Board and its Committees receive appropriate and timely information prior to each meeting; a formal agenda is produced for each meeting, and Board and Committee papers are distributed several days before meetings take place. Any Director may challenge proposals, and decisions are taken democratically after discussion. Any Director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting, which are then circulated to all Directors. Any specific actions arising from such meetings are agreed by the Board or relevant Committee and then followed up by management.

*Roles of the Board, Chairman and Chief Executive Officer.*

The Board is responsible for the long-term success of 1pm. There is a formal schedule of matters reserved to the Board. It is responsible for overall Group strategy; approval of major investments; approval of the annual and interim results; annual budgets; dividend policy; and Board structure. It monitors the exposure to key business risks and reviews the strategic direction of all business within the Group, their annual budgets and their performance in relation to those budgets.

There is a clear division of responsibility at the head of the Company. The Chairman is responsible for running the business of the Board and for ensuring appropriate strategic focus and direction. The Chief Executive Officer is responsible for proposing the strategic focus to the Board, implementing it once it has been approved and overseeing the management of the Company through the Executive Team. All Directors receive regular and timely information on the Group's operational and financial performance.

Relevant information is circulated to the Directors in advance of meetings. The business reports monthly on its headline performance against its agreed budget, and the Board reviews the monthly update on performance and any significant variances are reviewed at each meeting. Senior executives below Board level attend Board meetings routinely, and at least once per year, to present business updates.

*Executive Team*

The Executive Team receives input from the senior management of the companies within the Group and heads of Group functions. They are responsible for formulation of the proposed strategic focus for submission to the Board, the day-to-day management of the Group's businesses and its overall trading, operational and financial performance in fulfilment of that strategy, as well as plans and budgets approved by the Board of Directors. The Executive also manage and oversee key risks, management development and corporate responsibility programmes. The Chief Executive Officer reports to the plc Board on issues, progress and recommendations for change.

*Board Committees*

The Board is supported by the Audit, Remuneration, Nomination and Risk committees. Each committee has access to such resources, information and advice as it deems necessary, at the cost of the Company, to enable the committee to discharge its duties. The terms of reference for these committees can be found on the 1pm website, [www.1pm.co.uk](http://www.1pm.co.uk).

**Principle 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders**

1pm communicates with shareholders through the Annual Report and Accounts, full-year and half-year announcements and other trading updates, the Annual General Meeting (AGM) and one-to-one meetings with existing or potential new shareholders. A range of corporate information (including all Company announcements and presentations) is also available to shareholders, investors and the public on our corporate website, [www.1pm.co.uk](http://www.1pm.co.uk).

The Board receives regular updates on the views of shareholders through briefings and reports from the Chief Executive Officer, Chief Financial Officer and the Company's brokers. In addition, analysts' notes and brokers' briefings are reviewed to achieve a wide understanding of investors' views.

1pm completes regular employee engagement to maintain an open dialogue with employees and routinely conducts exit interviews. In some subsidiary businesses customer satisfaction surveys are conducted.

Where a significant proportion of votes (e.g. 25% of independent votes) have been cast against a resolution at any general meeting, the Company will on a timely basis, include an explanation of what actions it intends to take to understand the reasons behind that vote result, and, where appropriate any different action it has taken, or will take as a result of that vote.

**28 September 2018**