Pillar 3 Disclosures

30 September 2018

Integrated Financial Arrangements Ltd

A firm authorised and regulated by the Financial Conduct Authority

Contents

Executive summary

This document contains information concerning the risk management practices and capital resources of Integrated Financial Arrangements Ltd ("IFAL" or "the Company") which must be publicly disclosed according to rules made by the Financial Conduct Authority ("FCA") and the European Union ("EU"). The information contained in this document reflects the position as at 30 September 2018.

The Board of Directors is required to make a declaration concerning the adequacy of the Company's risk management arrangements and to provide a concise risk statement describing the Company's overall risk profile derived from its business strategy. The Board of Directors of IFAL confirms that:

- IFAL has capital resources in excess of its capital requirements. IFAL has a capital requirement of £21.813m (2017: £13.074m) and capital resources of £28.775m (2017: £29.295m) giving a capital requirement coverage ratio of 132% (2017: 224%)[1].
- The Company has a proactive approach to risk management, which is aligned to the business plan objectives and priorities, and is embedded in the culture of the business. As a result, the Company is able to identify, assess, mitigate, monitor, and report risks arising from its business.
- The Board has reviewed the risk management arrangements of the Company, and considers that the Risk Management Policy and Framework, and the associated systems in place are adequate with regard to the Company's profile and strategy. The Board has adopted a formal policy to comply with the disclosure requirements in the Capital Requirements Regulation ("CRR").
- The Company and its subsidiaries ("IFAL Group") are exposed to a variety of risks that arise in the course of their business. For IFAL these risks include operational risk, credit risk, market risk, liquidity risk, and business risk. The Company seeks to limit exposure to any other risks. Surplus funds are managed to ensure that invested capital sums are protected, and that liquidity is maintained. The Company has put in place its Risk Management Policy and Framework which is designed to limit the adverse effects of these risks on the financial performance of the Company. Formal standing committees are maintained for the effective oversight of the management of these risks.
- The Board has defined risk appetites, which are reviewed at least annually and monitored quarterly. Any breach of these risk appetites is investigated and escalated to the Board, if necessary, with effective action taken to bring the Company back within its risk appetite.
- Risks are identified, managed and recorded by each area of the Company by their risk owner following the risk assessment process described in the Risk Management Policy and Framework. These risks are added to the Risk Register, which is reported to the IFAL Group Risk Committee and the Board, which assess the completeness of identified risks and the effectiveness of the mitigation of the reported risks.

[1] 2017 figures have been updated throughout this document in line with financial statements.

1. Introduction

1.1 Regulatory framework and requirements

Under the FCA's Prudential sourcebook for Investment Firms ("IFPRU"), IFAL is an IFPRU 125K limited licence firm. IFPRU requires that such firms as IFAL comply with the EU's rules, except where the FCA has expanded on the underlying rules or specifically exempted IFPRU firms from compliance.

This means that IFAL manages its capital and risk requirements using the Basel III framework of the Basel Committee on Banking Supervision ("Basel Committee") as applied by the EU to investment firms in amendments to the Capital Requirements Directive ("CRD"), and the CRR. The CRD framework governs capital adequacy for banking and investment firms in the EU and consists of three pillars:

- **Pillar 1:** sets the minimum capital requirement for the Company covering credit, market and operational risk.
- **Pillar 2:** requires the Company to assess its risks and whether it needs to hold additional capital for risks not sufficiently covered under Pillar 1 or not covered at all.
- **Pillar 3:** sets disclosure requirements which enable market participants to assess information on the Company's risks, capital and risk management procedures. Part Eight of the CRR sets out the Pillar 3 public disclosure requirements.

1.2 Integrated Financial Arrangements Ltd

IFAL's main activity is providing a wrap service that trades as "Transact". Transact facilitates the execution and implementation of retail clients' investment portfolios by their financial advisers and, to a limited extent, by the retail clients themselves. The wrap service operates on an execution-only basis and only accepts new clients if they are introduced and advised by financial advisers who are authorised and regulated by the FCA. IFAL does not deal in investments as principal. All client assets are held by a nominee company and IFAL makes no guarantees as to the performance of investments. Client money is held separately from corporate money. IFAL is authorised and regulated by the FCA.

1.3 Other Group entities

IntegraFin Holdings plc ("IHP") is the ultimate controlling party of IFAL, and the IntegraFin Holdings plc Group ("IntegraFin Group").

IFAL has two regulated subsidiaries, IntegraLife UK Limited ("ILUK") and IntegraLife International Limited ("ILInt"):

- ILUK's principal activity is the transaction of ordinary long-term insurance business within the United Kingdom through the Transact Personal Pension, Executive Pension, Section 32 Buy Out Pension Bond, Onshore Bond and Qualifying Savings Plan. ILUK is authorised and regulated by the Prudential Regulation Authority ("PRA"), and regulated by the FCA.
- ILInt's principal activity is the transaction of ordinary long-term insurance business through the Transact Offshore Bond. ILInt is incorporated in the Isle of Man, and is authorised and regulated by the Isle of Man Financial Services Authority ("IOMFSA").

IntegraFin Services Limited ("ISL"), a subsidiary of IHP, provides staff, administration services and access to systems support and maintenance services through a Third Party Administrator ("TPA") agreement.

Integrated Application Development Pty Ltd, a subsidiary of IHP, provides software services to ISL.

Transact IP Limited (TIP), a subsidiary of IHP, provides access to Intellectual Property rights on behalf of the Transact platform.

2. Risk Management

2.1 Risk Management objectives and policies

One of IFAL's key corporate objectives is to maintain financial resources, including capital and liquidity, which are sufficient in amount and quality to ensure that there is no significant risk that its liabilities cannot be met as they fall due.

IFAL is committed to a proactive approach to risk management. Risk management activity is aligned to the business plan objectives and priorities. It encompasses all strategic and operational risks that may prevent IFAL from fulfilling its objectives.

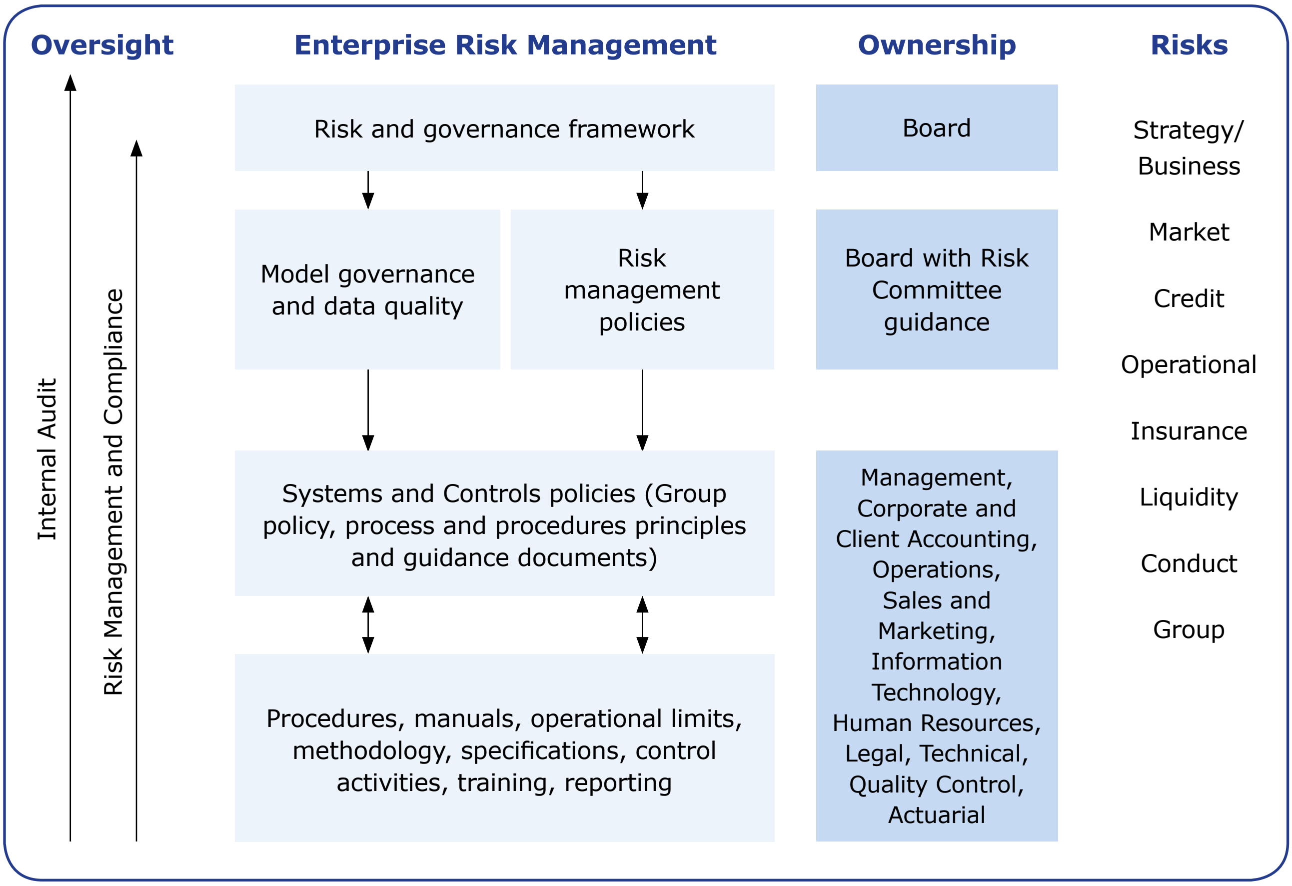
Risk management is integrated with the Company's management processes and lies at the heart of its decision making. Communication and learning are key to the process being effective. Risk management is a continual learning process of risk identification, assessment, mitigation, monitoring and reporting that is embedded in the culture of the business.

In order to align the risk management activities with the business objectives, the Company has put in place the Risk Management Policy and Framework and the Liquidity Risk Management Framework.

The IFAL Group Risk Committee Terms of Reference requires that on an annual basis the IFAL Group Risk Committee reviews that the corporate strategy is properly supported by the Risk Management Policy and Framework.

2.2 Risk Management governance

The Group's Risk Management Framework is shown below:



Board of Directors

IFAL's Board of Directors normally meets at least quarterly and has overall responsibility for approving risk appetite and risk management objectives and policies. IFAL, together with its subsidiaries, manages risk on a consolidated basis as well as at an individual regulated entity basis.

IFAL Group Risk Committee

The IFAL Group Risk Committee provides oversight and advice to assist the Board in fulfilling its responsibilities in respect of risk management and control across the Company and its subsidiaries. The IFAL Group Risk Committee meets at least four times per year and more often when necessary. In the financial year ending 30 September 2018, the IFAL Group Risk Committee met six times.

The IFAL Group Risk Committee reviews the manner in which the Company and its subsidiaries implement and monitor the adequacy of the Risk Management Policy and Framework, assessing the adequacy of the internal risk management controls. It assists the Board in fostering a culture within the Company that encourages good stewardship of risk. It emphasises and demonstrates the benefits of a risk-based approach to internal control and management of the Company through a consistent approach to identification, assessment, mitigation, monitoring and reporting of risks. In addition, the IFAL Group Risk Committee oversees regulatory and compliance matters as part of risk oversight.

Management team

IFAL's management team, which normally meets at least twice each month, has collective responsibility for daily oversight and management of IFAL's activities in accordance with the Company's risk management objectives and policies.

Three Lines of Defence Model

The Company and its subsidiaries operate a "three lines of defence" model to assign risk management responsibilities. This model is based on the principle that, to be effective, risk management capability must be embedded within the business, with independent oversight and assurance.

- **First Line of Defence –** The Company's first line of defence is its business departments which have responsibility for managing and controlling their risks in accordance with agreed risk appetites through the implementation of a sound set of processes and controls.

  Responsibility for risk management resides at all levels within the Company's business lines, from the senior management team to department and team managers. All staff members are accountable for managing risks within the business areas for which they are responsible, ensuring compliance with prescribed Company plans, policies and prevailing regulatory and legislative requirements.

  The business lines are also responsible for complying with the policies and standards which comprise the Company's risk management framework. Current key risks and issues facing the Company are considered by the management team, with each key risk owned by the member of the management team who is responsible for the strategic management of that risk across the Company.

- **Second Line of Defence –** The Company's second line of defence comprises of two functions: the Risk Management function and the Compliance function.

  The Risk Management function is responsible for coordinating all the risk management activities within the business. This includes the development, maintenance and enhancement of the Risk Management Policy and Framework, as well as Risk Management reporting.

  The Compliance function is primarily responsible for ensuring the Company's activities are conducted in accordance with all applicable regulatory requirements.

  The Risk Management and Compliance functions provide regular reports to the IFAL Group Risk Committee, which is comprised solely of Non-Executive Directors ("NEDs").

- **Third Line of Defence –** The Company's third line of defence is the Internal Audit department, which provides independent assurance on the adequacy and effectiveness of the Company's risk management and major business process control arrangements. The Head of Internal Audit reports directly to the Chairman of the IFAL Group Audit Committee, which is comprised solely of NEDs.

  Internal Audit conducts regular audits on the implementation and effectiveness of the Risk Management Policy and Framework across the business. The results of these audits are reported to the IFAL Group Audit Committee and the Board. The Board is satisfied that Internal Audit provides sufficient assurance about the Risk Management Policy and Framework.

2.3 Risk Management practices

The Company is committed to maintaining a proactive approach to risk management. In establishing the Risk Management Policy and Framework for the Company, consideration has been given to the effective management of the business, the Company's regulatory requirements and the principles of risk management as defined by the Committee of Sponsoring Organisations of the Treadway Commission ("COSO").

The objective of the Company's Risk Management Policy and Framework is to ensure that the approach to risk management adopted throughout the Company:

- supports the Company's business strategy
- facilitates the Company's creation of value and mitigates risks that have the potential to destroy value through addressing uncertainty explicitly
- ensures that the process of risk management is developed and managed throughout the Company in a consistent manner
- ensures that risk management is embedded throughout the Company, promoting a culture of risk awareness and risk ownership
- ensures that the Company has sound systems of risk management in place and is able to demonstrate it operates effectively
- provides the Company with the tools required to enhance risk based decision making throughout the organisation
- meets all the risk management related regulatory requirements

A consistent approach to the identification, assessment, mitigation, monitoring, and reporting of risks is embedded throughout the Company. The key risks in each area of the business are identified and monitored on a regular basis. The risk experience emerging from each business area is used to improve all aspects of the risk management process within the Company.

A Risk Report is produced by the Risk Management function on a quarterly basis and is provided to the IFAL Group Risk Committee. Based on the Risk Register, this report contains analysis on the changes in the Risk Register and top risks, including tail risks. In addition, it provides details of the status of risk appetites, Key Risk Indicators, loss data, risk culture and other relevant updates and concerns. The Chairman of the IFAL Group Risk Committee subsequently informs the Board of any relevant and material issues for discussion and approval.

2.4 Principal risks

The principal risks that are managed by the Company include the following three risks where IFAL is required to hold capital under the CRR:

Operational risk: This is the risk of loss due to failings in the Company's people, processes, or systems; or due to the failure to anticipate and deal with external events, including regulatory change. The Company employs a wide range of control and reporting measures to manage and mitigate its operational risk exposure, including documentation and testing of all key processes, and thorough stress and scenario testing of events which could create significant operational risk.

Market risk: This is the risk that the value of, or net income arising from, the Company's assets and liabilities changes as a result of changes to market forces, specifically interest rates, exchange rates or equity prices. The Company does not undertake proprietary trading; it has no appetite for primary risk impact from market movements. The Company has indirect exposure to market risk due to earnings volatility caused by the fluctuation of the value of funds under direction, and consequent impact on the Company's fee income. When establishing its capital requirement, the Company undertakes stress and scenario testing to model and allow for significant market falls.

There is no structural interest rate risk in IFAL as the Company has no leverage (i.e. the Company does not take deposits to fund loans). The only exposure to interest rate risk that IFAL has is on corporate cash held in its current accounts, which receives interest at the overnight rate. This has been stress tested and there is no material interest rate risk for IFAL.

Credit and counterparty risk: This is the risk that a borrower or counterparty fails to pay the interest or to repay the principal on a loan or other financial instrument. There is also credit risk within the Group where IFAL is a creditor of other Group companies.

The Company has a limited appetite for significant loss arising from any counterparty's failure to meet their obligations under a contract. The Company maintains conservative third party counterparty risk limits which must be adhered to. There is an annual review of banks used for holding client and corporate cash to assess their strength and, if necessary, to mitigate any short term cash flow or liquidity risk. The Company also manages credit risk through the rigorous separation of client money and assets from corporate assets. Also, inter-company payments within the Group are settled monthly, reducing the credit risk exposure.

Credit rating agencies' assessments are used to categorise IFAL's risk-weighted exposure to institutions that hold corporate money. In this case, IFAL applies the rules in the CRR, and currently assigns the prescribed 20% risk-weighting to these institutions. The Company is not exposed to counterparty credit risk, as it does not enter into derivative transactions. In the normal course of business, the Company is not exposed to counterparty risk from its clients, as fees are charged to clients and paid from their cash held on the Transact platform. There are measures the Company can take to recover unpaid fees. Where clients owe the Company fees, and these are past due and there is no realistic expectation of the fees being recovered, then the Company makes a full provision for the amount owing. IFAL defines "past due" as any sum owing to the Company that is past its contractual settlement date. After three months, the sum is treated as "impaired", and provided for at 100% of the amount owing. The exception to this is where fees are owed by clients on limited liquidity assets, in this case fees are provided for at 100% when they fall due as these assets are not liquid enough to generate cash to pay fees. The cumulative provision as at 30 September 2018 is £0.690m (30 September 2017: £0.670m), and is not material to the Company's results.

The Company manages its exposure to other material risk categories, including:

Liquidity risk: This is the risk to the Company that cash is not accessible to enable it to meet obligations as they fall due. Liquidity risk is managed by maintaining sufficient resources in liquid investments, and the related credit risk is diversified by holding corporate cash in a number of UK-based banks.

Business risk: This is the risk associated with poor strategy design or implementation, as well as brand and reputational risk and business environment risk.

IFAL's business plan is set on an annual basis and presented by the management team to the Strategy Committee (for recommendation) and the Board (for approval). Management then monitor the plan on a regular basis to ensure that any deviations from the plan are addressed and appropriate actions taken. The Board has considered risks to the Company's business model that might result in its income falling or becoming more volatile. The management team monitor the Company's income and other financial and non-financial metrics on a monthly basis, and more frequently as required. The management team track any trends that they consider could affect the Company's performance, and address them where necessary.

The Board is aware of the business risks the Company faces, and focuses on their management with early warning controls and monitoring key metrics, including key performance indicators (KPIs). Additionally, the external environment is permanently monitored and reported to the Risk Committee via the Horizon Scanning register and ad-hoc risk assessment papers derived from it in order to provide additional information on the impact on IFAL. This includes scenario analysis and reverse stress testing to understand the Company's vulnerabilities and ensure that despite extreme but plausible scenarios IFAL meets its liquidity and minimum capital requirements.

The Board has also considered the broader risk of IFAL's business model proving inappropriate due to macro-economic, geopolitical, industry, regulatory or other factors.

In particular, following the UK's vote to leave the EU, the process of negotiation relating to the UK's exit from the EU following the service of notice under Article 50 of the EC Treaty in March 2017 has resulted in uncertainty in relation to the eventual outcome of those negotiations, which is giving rise to some delays or deferrals of investment decisions by businesses and individuals. This uncertainty is likely to continue until clarity is obtained in relation to the precise terms on which the UK will leave the EU, the likely form and shape of its trading relationships with the EU and other countries with whom it has, or wishes to have, significant trading relationships thereafter and the length of any transitional period prior to the UK's ultimate departure taking effect.

2.5 Internal Capital Adequacy Assessment Process

IFAL undertakes a formal, annual Internal Capital Adequacy Assessment Process ("ICAAP") to the accounting reference date of 30 September and an interim review during the year to assess if there are any material changes. Further ICAAP assessments are made throughout the year to reflect internal and external events. The Board considers and approves the outcome.

The ICAAP is an interactive process that involves Risk Management, Senior Management and Heads of Departments. It is an iterative process that follows the three lines of defence model and incorporates several layers of challenge before the final output reaches the Board. Internal Audit also conducts an audit of the ICAAP on a regular basis.

IFAL undertakes scenario analyses and bottom-up stress testing on the most significant risks identified. Capital adequacy principles are applied to produce the ICAAP report for consideration by the Board.

The stress design and amounts are challenged by senior management and the IFAL Risk Committee as part of the ICAAP process.

3. Own funds

The table below shows the own funds available to IFAL as at 30 September 2018 and 30 September 2017:

Capital (£m)	IFAL at 30 Sep 2018	IFAL at 30 Sep 2017
Called up equity share capital	0.057	0.057
Share premium account	5.722	5.722
Audited reserves	22.995	23.516
Common Equity Tier 1 Capital	28.775	29.295
Total Own Funds	**28.775**	**29.295**

IFAL's own funds comprise Common Equity Tier 1 Capital only. Common Equity Tier 1 Capital is the total of called up equity share capital, share premium account, and audited reserves.

The following is a description of the main features and the terms and conditions of the Common Equity Tier 1 Capital held by IFAL:

Called up equity share capital: The Company's share capital comprises allotted, called up and fully paid shares. Further details of the Company's share capital are set out in the notes to the IFAL financial statements for the year ended 30 September 2018.

Share premium account: The portion of shareholders' funds formed from the premium paid for new shares above their nominal value.

Audited reserves: Audited reserves comprise share-based payment reserve, capital redemption reserve and retained profit and loss.

IFAL has no additional Tier 1 capital and there are no restrictions or prudential filters on IFAL's capital. IFAL has no Tier 2 capital.

4. Capital requirement and related disclosures

4.1 Summary of own funds and capital requirement

The own funds and capital requirement for IFAL are set out in the table below as at 30 September 2018 and 30 September 2017:

(£m)	IFAL at 30 Sep 2018	IFAL at 30 Sep 2017
Total Own Funds	28.775	29.295
Pillar 1 Minimum Capital Requirement	6.378	5.916
Surplus/(deficit) Own Funds over Capital Requirement	**22.397**	**23.379**

4.2 Pillar 1 minimum capital requirement

The Pillar 1 minimum capital requirement for IFAL as at 30 September 2018 and 30 September 2017 are set out in the first table below. A breakdown of the credit risk as at 30 September 2018 is provided in the second table below:

Requirement (£m)	IFAL at 30 Sep 2018	IFAL at 30 Sep 2017
Credit Risk	1.488	1.497
Market Risk	0.000	0.000
Fixed Overhead Requirement	6.378	5.916
Pillar 1 Minimum Capital Requirement	**6.378**	**5.916**

Credit risk class (£m)	Risk-weighted assets	8% of risk-weighted assets
Institutions	5.505	0.440
Corporates	2.040	0.163
Equity	6.750	0.540
Other items	4.310	0.345
Total	**18.605**	**1.488**

As a limited licence firm, the Company's Pillar 1 requirement is the higher of (1) the Fixed Overhead Requirement and (2) the sum of the Credit Risk and Market Risk.

The Company holds internal capital well in excess of its minimum capital requirements.

See section 2.4 for a discussion of the material risk categories.

The Credit Quality Steps ("CQS") are the basis for the risk-weighted exposure calculation arising from the credit risk class 'institutions'. The CQS are based on the credit ratings provided by three credit rating agencies: Standard & Poor's, Moody's and Fitch.

4.3 Capital ratio

In accordance with Article 92 of the CRR, IFAL is required to meet the own funds requirement under Pillar 1:

(a) a Common Equity Tier 1 capital ratio of 4.5%

(b) a Tier 1 capital ratio of 6%

(c) a total capital ratio of 8%

Each ratio is calculated as that part of the capital of the institution expressed as a percentage of the total risk exposure amount. The ratio is the same in each case as all of IFAL's capital is Common Equity Tier 1.

IFAL's capital ratio as at 30 September 2018 and 30 September 2017 are set out below:

Requirement (%)	Capital ratio at 30 Sep 2018	Capital ratio at 30 Sep 2017
Common Equity Tier 1 capital ratio of 4.5%	36	40
Tier 1 capital ratio of 6%	36	40
Total capital ratio of 8%	**36**	**40**

The Company does not produce consolidated financial statements. The notes to IFAL's solo accounts give a list of its subsidiary undertakings. All subsidiaries are 100% owned by the Company and all are fully consolidated into the ultimate parent company (IHP) accounts.

Regarding intra-group transfer of capital, IFAL and two of its subsidiaries, ILUK and ILInt, are regulated entities and will thus have constraints imposed on them by their local regulators on the transfer of funds or regulatory capital within the group. Aside from such restrictions, there are no current or foreseen material, practical or legal impediments to the prompt transfer of capital resources or repayment of liabilities within the group.

Equity exposures not deducted from Common Equity Tier 1 pursuant to paragraph one of Article 48 of the EU CRR total £2.700m and are investments in subsidiary undertakings.

These are disclosed in the notes to the IFAL financial statements for the year ended 30 September 2018. For accounting purposes, these exposures are valued at cost, less any impairment provision. There were no realised or unrealised gains or losses in the period on the above equity exposures.

4.4 Leverage ratio and exposure measure

The leverage ratios for IFAL are calculated as its Tier 1 Capital divided by its exposure measure.

IFAL is required to calculate and report the leverage ratio using (a) Tier 1 Capital and (b) Tier 1 Capital subject to the derogations laid down in the CRR & European Banking Authority ("EBA") Implementing Standards. Given the simplicity of IFAL's capital structure, there is no difference between the leverage ratio calculated using (a) or (b).

The following tables are required disclosures under the CRR. Note that where a row would have a nil balance in both 2018 and 2017, this has been excluded from the disclosures.

(1) Summary reconciliation of accounting assets and leverage ratio exposures

CRR leverage ratio – On-balance sheet exposures (£m)	IFAL at 30 Sep 2018	IFAL at 30 Sep 2017
Total assets as per published financial statements	36.574	38.919
Leverage ratio exposure	36.574	38.919

The figures in the table above are taken directly from the "Company Statement of Financial Position" section of the IFAL financial statements for the years ended 30 September 2018 and 30 September 2017.

(2) Leverage ratio common disclosure

CRR leverage ratio – On-balance sheet exposures (£m)	IFAL at 30 Sep 2018	IFAL at 30 Sep 2017
On-balance sheet exposures (excluding derivatives and SFTs*)		
On-balance sheet items (excluding derivatives and SFTs, but including collateral)	36.574	38.919
Total on-balance sheet (excluding derivatives and SFTs)	36.574	38.919
Capital and Total Exposures		
Tier 1 capital	28.775	29.295
Total exposures	36.574	38.919
Leverage Ratios		
Leverage ratio	79%	75%
Choice on transitional arrangements		
Choice on transitional arrangements for the definition of the capital measure	Fully phased-in	Fully phased-in

*Securities Financing Transactions

(3) Split of on-balance sheet exposures

CRR leverage ratio – On-balance sheet exposures (£m)	IFAL at 30 Sep 2018	IFAL at 30 Sep 2017
Total on-balance sheet exposures (excluding derivatives and SFTs), of which:	36.574	38.919
Banking book exposures, of which:	36.574	38.919
Institutions	27.524	30.320
Corporate	2.040	1.904
Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	7.010	6.695

(4) Disclosure of qualitative items

Qualitative disclosure requirement	IFAL disclosure
Description of the processes used to manage the risk of excessive leverage	IFAL maintains high leverage ratios (or low levels of leverage) as a result of the Company's conservative risk appetite. Excessive leverage is managed through the Risk Management strategy as described in section 2.
Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers	The factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers are as follows: a) Monthly profits generated by IFAL and dividends received from subsidiaries increased the leverage ratio. b) Dividend payments to shareholders decreased the leverage ratio.

4.5 Capital requirement and capital resources

(£m)	IFAL at 30 Sep 2018	IFAL at 30 Sep 2017
Capital requirement	21.813	13.074
Capital resources	28.775	29.295
Capital requirement coverage ratio	132%	224%

4.6 Asset encumbrance

IFAL is required to disclose information on its level of asset encumbrance. Asset encumbrance is where an asset exists and is held by a company, but another company has a claim against it. This claim might, for example, relate to where a company has borrowed money and pledged its property as collateral against the loan.

Section 3 ("Own Funds") discloses that IFAL's own funds comprise only share capital, share premium account, and retained earnings. IFAL has no borrowings, and does not engage in any activities with derivatives, securities lending, repurchase agreements, covered bonds issuance or securitisation. Therefore asset encumbrance has no impact on its funding model.

IFAL's core business of running the Transact wrap platform makes no use of asset encumbrance.

IFAL and other group companies (primarily ILUK, ILInt, ISL and TIP) engage in intercompany service provisions in the normal course of business. This does not give rise to any asset encumbrance.

5. Remuneration Code

5.1 Remuneration policy

The IntegraFin Group's Remuneration Committee ("RemCo") is established as a committee of the Board of Directors of IHP and its membership comprises two NEDs who are on the Boards of both IHP and IFAL. During the year the IFAL RemCo was dissolved following the establishment of the IHP RemCo and the mandate for ensuring compliance with the FCA Remuneration Code passed to the IHP RemCo. The mandate of the RemCo is to review the appropriateness and relevance of the remuneration policy for employees of IHP and its subsidiaries, as further specified in its Terms of Reference. RemCo's mandate is to ensure the Company's compliance with the Remuneration Code contained within Chapter 19A of the FCA's Senior Management Arrangements, Systems and Controls ("SYSC") sourcebook.

It does so with a view to aligning remuneration with the successful achievement of IFAL's long-term objectives, while taking into account market rates and value for money. It also reviews the appropriateness and effectiveness of the remuneration policy with particular regard to best practice, regulatory and risk management considerations. The RemCo ensures that its decisions take into account the long-term interests of the IntegraFin Group's shareholders, investors and other stakeholders.

In particular the Remco, with input from the IFAL Board, approves the total remuneration for IFAL's Chief Executive, Chief Financial Officer, Chief Development Officer, Chief Operating Officer and Group Counsel. The RemCo also ensures that the structure of the remuneration for certain other members of staff whose actions have a material impact on the risk profile of the Company is unlikely to lead to conflicts of interest that might encourage inappropriate risk-taking.

RemCo meets at least twice annually. In the financial year ending 30 September 2018, the IFAL RemCo met twice and the IHP RemCo met five times.

5.2 Link between pay and performance

In addition to paying a fixed annual salary, the IntegraFin Group operates an annual discretionary cash bonus scheme. The purpose of the scheme is to recognise past performance and to encourage loyalty. Individuals' performance is assessed against objectives agreed at the beginning of the financial year and assessed as part of the performance development review framework, including adherence to Staff Handbook rules and effective risk management practice and compliance with FCA rules, as relevant to individual roles.

5.3 Total remuneration

The number of staff (including executive directors) employed by the IFAL Group at the end of the year amounted to seven. Staff employed directly in the IFAL Group as at 30 September 2018 are those employed by ILInt.

All other staff are employed by ISL, its subsidiary ObjectMastery (UK) Limited and its sister company Integrated Application Development Pty Ltd. All of the staff provide their services to IFAL Group companies under the terms of the Group's "intercompany service agreements". ISL employed 417 staff at the end of the year.

The total remuneration, including bonuses (but excluding overtime), for staff employed in the IntegraFin Group who provided services to IFAL in the financial year ending 30 September 2018 was £18.835m.

A total of 11 individuals were IFPRU Remuneration Code Staff ("Code Staff") at 30 September 2018 (30 September 2017: 11). Code Staff are directors of IFAL and employees of the IntegraFin Group whose professional activities could have a material impact on IFAL's risk profile.

The total remuneration, including bonuses, of the Code Staff was £1.666m, split between £1.318m fixed (79%) and £0.348m variable (21%) remuneration. No individual is remunerated in excess of €1.000m. The variable element of remuneration is intended to reward performance and encourage loyalty and is therefore adjusted for individual employees in accordance with performance. The criteria for performance are documented annually. No payments are made in advance.

5.4 Information about the management body

The Company's management body is the Board of Directors of IFAL. One executive director had stepped down from the Board on the 1 October 2017. As at 30 September 2018, there are eight directors, comprising of the Chairman, who is a non-executive director, four executive directors and an additional three NEDs. Post the reporting date one non-executive has stepped down from the role.

The number of directorships held by members of the management body is 68, mostly of IntegraFin Group companies:

	Company name	Exec/Non-Exec	IHP Group	Number of individual directorships 30/09/2018	Additional approval	Resigned since 30/09/2018
Stuart Bazley	Integrated Financial Arrangements Ltd	Non-Executive	Yes	1	N/A	Yes (11/01/2019)
	Stuart Bazley Limited	Executive	No			No
Jeremy Brettell	Guarantee Protection Insurance Limited	Non-Executive	No	5	Yes	No
	Warranty Services Limited	Non-Executive	No			No
	Anderson Strathern Asset Management Limited	Non-Executive	No			No
	Wesleyan Bank Limited	Non-Executive	No			No
	Albaco Limited	Non-Executive	No			No
	Kinnell Holdings Limited	Non-Executive	No			No
	Certass Limited	Non-Executive	No			No
	Integrated Financial Arrangements Ltd	Non-Executive	Yes			No
Judith Davidson	Integrated Application Development Pty Ltd	Executive	Yes	1	N/A	No
	Integrated Financial Arrangements Ltd	Executive	Yes			No

	Company name	Exec/Non-Exec	IntegraFin Group?	Number of individual directorships 30/09/2018	Additional approval	Resigned since 30/09/2018
Neil Holden	IntegraLife UK Limited	Non-Executive	Yes	4	N/A	No
	Saffron Building Society	Non-Executive	No			No
	Crocus Home Loans Limited	Non-Executive	No			No
	Stanbic International Insurance Limited	Non-Executive	No			No
	IntegraFin Holdings plc	Non-Executive	Yes			No
	Sberbank CIB (UK) Limited	Non-Executive	No			No
	Albaco Limited	Non-Executive	No			No
	Integrated Financial Arrangements Ltd	Non-Executive	Yes			No
Alexander Scott	ObjectMastery (UK) Limited	Executive	Yes	1	N/A	No
	IntegraFin Services Limited	Executive	Yes			No
	IntegraFin Holdings plc	Executive	Yes			No
	Transact Trustees Ltd	Executive	Yes			No
	IntegraLife UK Ltd	Executive	Yes			No
	Objective Wealth Management Ltd	Executive	Yes			No
	Objective Funds Ltd	Executive	Yes			No
	Objective Asset Management Limited	Executive	Yes			No
	IntegraLife International Limited	Executive	Yes			No
	Transact IP Ltd	Executive	Yes			No
	Integrafin Limited	Executive	Yes			No
	Transact Nominees Ltd	Executive	Yes			No
	Integrated Financial Arrangements Ltd	Executive	Yes			No

	Company name	Exec/Non-Exec	IntegraFin Group?	Number of individual directorships 30/09/2018	Additional approval	Resigned since 30/09/2018
Ian Taylor	ObjectMastery (UK) Limited	Executive	Yes	1	N/A	No
	Transact Trustees Limited	Executive	Yes			No
	IntegraFin Holdings plc	Executive	Yes			No
	Objective Wealth Management Limited	Executive	Yes			No
	Objective Funds Ltd	Executive	Yes			No
	Transact IP Ltd	Executive	Yes			No
	Objective Asset Management Limited	Executive	Yes			No
	IntegraLife UK Limited	Executive	Yes			No
	Integrated Financial Arrangements Ltd	Executive	Yes			No
	Transact Nominees Limited	Executive	Yes			No
	IntegraFin Limited	Executive	Yes			No
	IntegraLife International Limited	Executive	Yes			No

	Company name	Exec/Non-Exec	IntegraFin Group?	Number of individual directorships 30/09/2018	Additional approval	Resigned since 30/09/2018
Michael Howard	Integrated Application Development Pty Ltd	Executive	Yes	1 UK 14 Overseas	N/A	No
	IntegraFin Holdings plc	Executive	Yes			No
	Seyfert Pty Ltd	Executive	No			No
	Ganymede Investments Pty Ltd	Executive	No			No
	IntegraFin Australia Pty Ltd	Executive	Yes			No
	ObjectMastery Pty Ltd	Executive	No			No
	ObjectMastery Services Pty Ltd	Executive	No			No
	Integrated Nominees Pty Ltd	Executive	No			No
	RaceMastery Pty Ltd	Executive	No			No
	Schrodinger Pty Ltd	Executive	No			No
	Jancourt East Pty Ltd	Executive	No			No
	Ganymede Retirement Nominees Pty Ltd	Executive	No			No
	Beaufort East Pty Ltd	Executive	No			No
	Eastern Creek Road Property Pty Ltd	Executive	No			No
	Eastern Creek Road Pty Ltd	Executive	No			No
	HR Retirement Pty Ltd	Executive	No			No
	GH Retirement Pty Ltd	Executive	No			No
Christopher Munro	IntegraFin Holdings plc	Non-Executive	Yes	3	N/A	No
	Integrated Financial Arrangements Ltd	Non-Executive	Yes			No
	Pembroke Square Freeholders Association Limited	Non-Executive	No			No
	Pacific Capital Partners Limited	Non-Executive	No			No
	Chris Munro Trading Limited	Executive	No			No
Jonathan Gunby	Integrated Financial Arrangements Ltd	Executive	Yes	1	N/A	No

The members of the Board of Directors of IFAL are able to maintain a high level of awareness of:

- The balance of knowledge, skills, diversity and experience of the management body.
- The needs of the business when deciding on suitable candidates for a new appointment (including understanding the details of the roles and capabilities required for the appointment, and consideration of the importance of complementary skills within the Board).
- The appropriateness of the structure, size, composition and performance of the management body, and the need for any changes/additions to the body, on an ongoing basis.
- The role of NEDs in ensuring that decision making is based upon appropriate input from the whole membership of the management body, and decision making is not made in a way which is detrimental to the Company.

The Board possesses a broad set of qualities and competences which enable a balanced view of the role requirements to be formed for a new appointment, and the knowledge, skills and experience of individual members are subject to annual review as part of the Board's terms of reference.

6. Additional disclosure statements

Audit: Some of the Company's Pillar 3 disclosures have been taken from the Company's audited financial statements (and have been noted as such in the document). However, these Pillar 3 disclosures have not been audited.

Materiality: The Company is required under regulatory guidance to disclose material matters. The Board regards information as material if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making an economic decision. If the Board considers certain information to be immaterial, it may be omitted from this disclosure document.

Proprietary and confidential information: The Company is permitted under regulatory guidance to omit information in these disclosures if it is regarded as proprietary or confidential. The Company has not taken advantage of this exemption.

Frequency of publication and location: The Company will publish the Pillar 3 disclosures document annually on its website at **https://www.transact-online.co.uk/important-information/** at the same time as the Company's annual consolidated financial statements are made available to shareholders and other stakeholders. The Company will assess on at least a quarterly basis the need to publish some or all of the above disclosures on a more frequent basis. Any material changes in IFAL's risk profile will trigger an ICAAP review. The Pillar 3 disclosures will be updated where there are changes in the ICAAP capital figures.

7. Capital instruments main features template

The following table provides disclosure of the main features of IFAL's own funds instruments.

1	**Issuer**	**Integrated Financial Arrangements Ltd**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	English Law
	Regulatory Treatment	
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	GBP 0.057m
9	Nominal amount of instrument	GBP 0.05
9a	Issue price	The original authorised share capital at 5 March 1999 was £50,000 divided into 50,000 shares of £1 each. On 5 March 1999 49,998 ordinary shares of £1 each were issued and paid up in full. Since then there have been a number of capital restructurings and shares have been issued at different prices over time, with all shares paid up in full.
9b	Redemption price	N/A
10	Accounting classification	Shareholders' Equity
11	Original date of issuance	5 March 1999
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A

Coupons & dividends

17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

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“Transact” is operated by Integrated Financial Arrangements Ltd, 29 Clement’s Lane, London EC4N 7AE.

Tel: (020) 7608 4900 Fax: (020) 7608 5300 email: info@transact-online.co.uk web: www.transact-online.co.uk

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