



NZX: SPY
ASX: SMP

Smartpay Governance Principle 7 : Auditors

The Board will ensure the quality and independence of the external audit process

Useful links/further information:

NZX Corporate Governance Code:
Principle 7

ASX Corporate Governance
Principles and Recommendations.
Principle 4

FMA Corporate Governance in New
Zealand Principles and Guidelines :
Principle 7

Smartpay reserves the right to amend, update or withdraw its corporate policies without prior notice.

Smartpay Audit Independence Policy

Policy Statement

8 December 2020

Smartpay recognises that auditor independence is crucial for investors, who rely on this external assurance. The Board is committed to maintaining Auditor Independence consistent with regulatory and stock exchange requirements and current best practice. It recognises that, in certain situations it may be appropriate for its auditors to undertake non audit functions and it undertakes to ensure that any such non audit work performed does not impinge on the independence of the Auditor.

Policy Purpose

This policy defines the services that may or may not normally be performed by Smartpay's external auditors and complements the Audit Committee Terms of Reference which specifies the Audit Committee responsibilities as including:

- Recommend to the Board the appointment, removal and remuneration of the external auditors;
- Liaise with the external auditors; and
- Review the external auditors annual audit plan, and reports and the assessment of performance against plans.

Application

This policy applies to the external audit firm providing Audit services to Smartpay Holdings Limited.

Responsibilities:

1. External auditor

The External Auditors shall annually confirm their compliance with professional standards and ethical guidelines of the Institute of Chartered Accountants Australia and New Zealand, to evidence their competence.

The external auditors are required to ensure their staff do not work on any reporting engagement for Smartpay during, and in the two years after, working in a temporary or contract position with Smartpay.

The external auditor shall rotate the senior audit partner for Smartpay at least every five years with suitable succession planning to ensure consistency.

2. Smartpay

To ensure audit quality at Smartpay and to allow for an effective audit service by suitably qualified professionals, Smartpay commits to facilitating a high quality audit for which payment of fair commercial rates will be made.

Reports will be provided to the Audit Committee of Smartpay on a regular basis detailing the level of fees paid to the external auditor differentiating between audit and non-audit services.

If in the view of the Audit Committee of Smartpay, the level of fees for non-audit services being paid to the external auditor is of a magnitude that could impair, or be perceived to impair auditor independence, the Audit Committee of Smartpay may from time to time impose a restriction on non-audit work being awarded to the external auditor.

The Audit Committee of Smartpay will require the external auditor to confirm annually that it has complied with all professional regulations relating to auditor competency and independence. Specifically, the external auditor will be required to confirm its commitment to strict procedures to ensure that:

- The external auditor, its partners and staff do not have any financial interest in Smartpay;
- There are no business relationships between Smartpay and the External Auditor, beyond the provision of external audit services or approved services provided pursuant to this policy; and

Services which can be performed

Examples of non-audit work which can be performed by the external auditors include:

- Financial audits, both of financial statements and existing company systems and processes;
- Audits of regulatory requirements;
- Reporting engagements to third parties provided prior Board approval is obtained e.g., prospectus opinions;
- Advice on appropriate accounting standards and the interpretation and application thereof;
- Secondments of junior staff;
- Internal audit assistance under the overall direction of the Chairman of the Audit Committee;
- Taxation services of an assurance nature e.g., review of tax computations and returns prior to filing;
- Advice on the interpretation and application of Inland Revenue Department taxation policies.

Services which cannot be performed

No work will be approved in the following areas:

- Design and implementation of key financial information systems and processes;
- Valuation of assets and liabilities other than as required to complete regulatory audit requirements;
- Liquidations and receiverships;
- Taking responsibility for the preparation of financial statements;
- Taking responsibility for internal audit;
- Tax computations;
- Tax planning and strategy development.

Services which may be performed subject to the prior approval of the Chairman of the Audit Committee

- Strategic business planning;
- Secondments to management positions;
- Advice on the structuring or pricing of any deal, asset or company acquisition;
- Due diligence activities;
- Advice that has a significant impact on the value of a material asset or liability.

Where not specifically addressed above, or where a variation to this policy is sought, the Chairman of the Audit Committee is to be consulted.

Provision of services other than audit or assurance type services shall be subject to the overriding limitation that in any financial year, the fees for such services should not exceed the fees for the annual audit of the financial statements.

Hiring of staff from the audit firm

Hiring any former audit partner or any other member or former member of the external audit team by the Company must first be approved by the Chairman of the Audit and Finance Committee. There are no other restrictions regarding hiring other staff from the Company's external audit firm.

Policy authorised by the Board

8 December 2020



Matt Turnbull
On behalf of the Board