

# Governance

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Smartpay is committed to the best practices of governance and maintains the highest ethical standards. Our governance framework sets out our accountabilities to our stakeholders, how we expect to conduct our business, communicate, and manage risks. The framework and the individual policies are reviewed on a regular basis. The key documents can be found on our investor website: [smartpayinvestor.com](https://smartpayinvestor.com). A commentary on our Framework is contained in the pages that follow.

A key responsibility for our Audit and Finance Committee is the oversight and management of the Governance Framework as set out in its Terms of Reference.

We have reviewed our governance framework with reference to the NZX Corporate Governance Code dated 10 December 2020 and believe that in most respects our framework complies with the Code, exceptions are identified in the narrative that follows.

This Corporate Governance Statement was approved by the Board on 30 May 2022.

## Ethical behaviour

Our values of teamwork, focus on the customer, delivery and accountability are at the heart of what we do and how we do it. Our Board has established a formal Ethics and Code of Conduct policy and related policies which set the standards of behaviour required of all members of the Smartpay team when they represent us.

### The Policy covers the conduct expected and deals with:

- Responsibilities of all individuals,
- Standards and definition of acceptable behaviours,
- Equal employment opportunities,
- Discrimination, harassment and bullying,
- Unauthorised removal of property,
- Responsibilities to shareholders and the financial community, and
- Whistleblowing and reporting of incidents.

These key documents can be found on our website [smartpayinvestor.com](https://smartpayinvestor.com).

The Policy includes our approach to equal opportunities and diversity, protection of our assets, securities trading, diversity and inclusion, conflicts, interests and related parties and reporting of incidents. Many of these are covered in more detail in additional supporting policies such as our Securities Trading Policy, which can also be found on our website along with our Protected Disclosures Policy (reporting of incidents/whistleblower) and Diversity and Inclusion Policy.

Our Staff handbook, which is available to all members of the Smartpay team contains specifically those values and standards expected of our people including confidentiality, and equal opportunities.

Breaches are dealt with as appropriate through our disciplinary process.

## Board Composition and Performance

Our Board is committed to ensuring that it has the skills, knowledge and experience to effectively govern and direct the Smartpay group recognising that it has the overall responsibility for our strategy, culture, health and safety, governance, performance and the management of risk.

Our Performance Management Policy, available on our website [smartpayinvestor.com](https://smartpayinvestor.com), is reviewed annually and applies to all employees, senior executives, individual directors and the Board as a whole and its committees. The Board has undertaken an external evaluation of its performance this year conducted by the NZ Institute of Directors, the outcome of which confirms that the Board is working effectively and maintains high standards.

The Board is Chaired by Greg Barclay who is an independent director, the board comprises three independent directors (including the Chair), one non-executive director and the Managing Director. The Board meets the recommendation of the Corporate Governance Code and a majority of the directors are independent. An outline of each director's skills and experience can be found on our website and in our Annual Report. Details of their ownership of shares in our Company are set out in the Annual Report on page 101.

The Director Nomination Procedure was established in the previous reporting period, along with the Board's performance review and skills matrix has supported the Board's identification of training, succession planning requirements and potential new directors, supporting the successful recruitment and appointment of Geoff Carrick who joins the board with effect from 1 June 2022 as an independent Director.

The induction process established for new directors ensures that any new director appointed to the board receives the information he/she needs to be able to contribute to board proceedings when they join. The process includes the requirement for written agreements to be entered into which outline the expectations and terms of appointment.

To ensure directors' ongoing effectiveness our directors are encouraged to undertake training and we are corporate members of the Institute of Directors which provides our directors with access to training and development opportunities, information and reference material.

### Independence of Directors

Factors that we consider may impact a director's independence include:

1. Being currently, or within the last three years, employed in an executive role by Smartpay, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
2. Currently, or within the last twelve months, holding a senior role in a provider of material professional services to Smartpay;
3. Having a current, or within the last three years, material business relationship (e.g. as a supplier or customer) with Smartpay;
4. Being a substantial product holder of Smartpay, or a senior manager of, or person otherwise associated with, a substantial product holder of Smartpay;
5. Having a current, or within the last three years, material contractual relationship with Smartpay, other than as a director;
6. Having close family ties with anyone in the categories listed above; or
7. Having been a director of Smartpay for a length of time that may compromise independence.

In each case, the materiality of the interest, position, association or relationship is assessed to determine whether it might interfere, or might reasonably be seen to interfere, with the director's capacity to bring an independent judgment to bear on issues before the Board, to act in the best interests of Smartpay, and to represent the interests of our financial product holders generally.

The Board reviews the independence of each Director considering interests that each director is required to disclose in relation to the factors set out above. Based on these factors, Smartpay considers that, as at 31 March 2022, Greg Barclay, Matt Turnbull and Bill Pulver were independent directors.

The full board meets at least six times a year, the record of attendance at both Board and Committee meetings by directors for FY22 is detailed below:

	Status	Board	Audit & Finance Committee	Remuneration & Nominations Committee
<b>Meetings Held / Attended</b>		<b>8</b>	<b>5</b>	<b>2</b>
Gregor Barclay	Independent Chairman	8	5	0*
Martyn Pomeroy	Executive / Managing Director	8	N/A	N/A
Matthew Turnbull	Independent Director	8	5	2
Carlos Gil	Non-Executive Director	7	5	N/A
William Pulver	Independent Director	8	N/A	2**

\* Greg Barclay joined the Remuneration and Nominations Committee as Chair with effect from 1 October 2021, there were no meetings held in FY22 since his appointment.

\*\* Bill Pulver stepped down from the Remuneration and Nominations Committee with effect from 1 October 2021, he attended all meetings of the Committee held during his tenure.

The Board Papers provided by management before each meeting provide comprehensive information on the business and directors have unrestricted access to any other information or records. Reporting to the Board is structured to require reporting by Management against the Board's identified strategic goals. Where directors are unable to participate in a meeting they are encouraged to forward their views to another director in advance of the meeting. Key Management are available at the Board's request to address queries and to assist in developing the Board's understanding of issues facing us and the performance of our business.

## Committees

The Board uses committees to enhance its effectiveness in key areas while still retaining Board responsibility.

The Board has constituted two Committees which report to the Board:

- Audit and Finance Committee
- Remuneration and Nominations Committee

These Committees focus on specific responsibilities in greater detail and operate under written terms of reference which are available on our website.

Given the size of our business the Board has determined that the roles and functions of Remuneration and Nominations committees can be effectively dealt with by one committee.

The terms of reference for its Remuneration and Nominations Committee include the roles and functions for nomination and remuneration of directors, senior managers and policies for the company as a whole.

The Board Charter recognises that the ultimate responsibility for Board nomination and remuneration rests with the Board.

The Board appoints the committee members, membership during the FY22 reporting period was as follows:

Name	Audit & Finance Committee		Remuneration & Nominations Committee	
	Appointed	Position	Appointed	Position
Matthew Turnbull*	1 April 2013	Chair	5 June 2013	Member
Gregor Barclay*	24 May 2010	Member	1 April 2022**	Chair
Carlos Gil	11 December 2018	Member	N/A	N/A
William Pulver*	N/A	N/A	11 December 2018**	Chair

\*Independent director

\*\*With effect from 1 October 2021 William Pulver stepped down from the Remuneration and Nominations Committee and Gregor Barclay joined the committee as Chair.

The Board reviews its Board Charter at least annually and as part of the formal review considers the benefits of constituting additional committees. It has elected not to establish a takeover committee or protocols setting out the procedure to be followed in the event of a takeover offer. Given the small size of the Board it has determined that it can effectively, efficiently and independently manage any additional issues as a whole Board.

## Reporting and Disclosure

We are committed to the promotion of investor confidence by taking steps within our power to ensure that trade in our securities takes place in an effective and informed market. To this end we are committed to providing timely, orderly and credible information consistent with legal and regulatory requirements.

The key policy documents within our Governance Framework are available on our website at [smartpayinvestor.com](https://www.smartpayinvestor.com) and include our:

- Board Charter
- Audit and Finance Committee Terms of Reference
- Remuneration and Nomination Committee Terms of Reference
- Disclosure and Communication Policy
- Audit Independence Policy
- Fraud Risk Management Policy
- Diversity and Inclusion Policy
- Performance Management Policy
- Health and Safety Policy
- Risk Management Policy
- Disclosure and Communication Policy
- Ethics and Code of Conduct
- Remuneration Policy
- Securities Trading Policy
- Stakeholder Communication Policy

While the ultimate responsibility to ensure the integrity of our financial reporting rests with our Board, we have in place a structure of review and authorisation designed to ensure truthful and factual presentation of our financial position. This includes an appropriately resourced Audit and Finance Committee operating under written terms of reference which require it to review and consider the accounts and preliminary releases of results to the market. We have an Audit Independence Policy which ensures that our external auditor remains independent and requires that the appointment of the auditor is reviewed regularly by the Audit and Finance Committee.

We also have a Fraud Risk Management Policy designed with three objectives:

- **Prevent:** Reduce the risk of fraud and misconduct occurring
- **Detect:** Discover fraud and misconduct when it occurs
- **Respond:** Take corrective action and remedy the harm caused by fraud or misconduct

The Board has required rigorous processes to ensure that it can reasonably rely on the information provided to it by our Management team. All financial reporting provided to the Board goes through a tiered review process.

The Board and Auditors review information contained in our Financial Statements to ensure its compliance with NZ GAAP and NZ IFRS.

Smartpay's Disclosures and Communication Policy which can be found at:

**smartpayinvestor.com/corporate-documents**, reinforces our commitment to the continuous disclosure obligations imposed by the NZX. It ensures timely and accurate information is provided equally to all shareholders and market participants and provides guidance on the process to ensure compliance. This policy, together with our procedures relating to disclosure, is designed to ensure accountability at a key management level and compliance with our disclosure obligations.

The Board has appointed our Chief Executive Officer as our Market Disclosure Officer who is responsible for monitoring our business to ensure we meet our disclosure obligations. He is supported by the Company Secretary and, when necessary, will consult professional legal advisers.

The Board received refresher training provided by the NZX on its disclosure obligations during the reporting period

In addition, a key role of the Audit and Finance Committee is to monitor legislative and regulatory compliance.

We report non-financial information about the business throughout our Annual Report.

## Remuneration

Our Remuneration Policy can be found on our website and applies to executive and non executive directors, key management and all employees of Smartpay.

## Directors Remuneration

They receive no retirement or other benefits and are not required to hold shares in Smartpay.

## Executive Directors and Officers

Martyn Pomeroy is paid as an employee of Smartpay and remuneration payable to him, officers and key management is made up of three components:

1. Fixed Remuneration
2. At risk/variable remuneration to reward performance in the form of a bonus scheme which is linked to key performance indicators set and reviewed by the Remuneration and Nominations Committee annually.
3. Unlisted Share Performance Rights (SPR), which are subject to vesting conditions and performance hurdles as described in the 2021 annual shareholder meeting notice.

The remuneration of the managing director and senior executives of the company is reviewed annually by the Remuneration and Nominations Committee. There is no predetermined weighting for the balance of each remuneration element to be awarded, this is contemplated annually in the context of our strategic plans and budget process to ensure that remuneration packages remain closely aligned with our values, vision and strategy.

The detail of individual shareholdings are detailed in the Statutory Information section of the Annual Report on page 101. The subsidiary companies' directorships are detailed in the Statutory Information section on page 99, the subsidiary company directors are also directors of Smartpay Holdings Limited, they receive no additional fees for being directors of subsidiary companies.

Director	Board Fees	Audit and Finance Committee	Remuneration and Nominations Committee	Other	Total Remuneration
Gregor Barclay	\$90,000	-	-	-	\$90,000
Matthew Turnbull	\$65,000	\$5,000	-	-	\$70,000
Carlos Gil*	\$68,955	-	-	-	\$68,955
William Pulver*	\$68,955	-	-	-	\$68,955
<b>Total</b>					<b>\$297,910</b>

The total remuneration pool for Directors is \$300,000.

\*Directors fees are \$A65,000, this has been converted into NZD

## Chief Executive Officer

The remuneration for the Managing Director (being the Chief Executive Officer (CEO)) Includes a fixed remuneration component, a variable remuneration component comprising short-term Incentives (STIs) and long-term Incentives (LTIs), and other benefits. LTI's are offered to selected employees (Including the CEO) In order to Incentivise them to enhance long-term shareholder value.

	Base Salary	Other benefits including superannuation contributions***	Subtotal	At Risk STI*	At Risk LTI**	Total Remuneration
Martyn Pomeroy FY21	NZ\$408,000	NZ\$42,908	NZ\$450,908	NZ\$350,000	-	NZ\$800,908
Martyn Pomeroy FY22	NZ\$515,971	NZ\$37,794	NZ\$553,765	-	-	NZ\$553,765

\*STI (Short Term Incentive) is based on payments made in the period.

\*\* LTI (Long Term Incentive) represents the cost of LTI to the company that vested to the CEO In the period.

\*\*\*Other benefits include a motor vehicle, KiwiSaver contributions and home office allowance.

### STI scheme

The CEO Is entitled to receive and STIs of up to 50 per cent of base salary per annum, to be paid in cash at the sole discretion of the Board. If a short term incentive is to be made with respect to a financial year it will be paid on or before the date falling 10 days after release of the audited accounts of Smartpay for the relevant financial year. The short term incentive is subject to the achievement of Key Performance Indicators which are to be agreed with the Board from time to time and set on an annual basis.

### LTI scheme

Set out below Is a summary of the grants made to the CEO under the LTI scheme relating to the financial year ended 31 March 2022.

During the year 2,239,380 Share Performance Rights were Issued at a cost of \$1,634,747 to Smartpay. No Share Performance Rights vested to the CEO In that period.

### Other remuneration entitlements

The CEO Is not contractually entitled to any other remuneration other than as noted.

### Review of CEO remuneration

The review and approval of the Chief Executive's remuneration is the responsibility of the Remuneration and Nominations Committee. External benchmarking and advice is sought by the Remuneration and Nominations Committee as required.

## Employees

Our Remuneration Policy applies to all employees. As part of our salary review process we benchmark our salaries against the appropriate regional market, this is an exercise we undertake for the business as a whole and when employees join the business or change roles.

During the year the number of employees, not being directors of the company received remuneration and other benefits that exceeded NZ\$100,000 (overseas amounts are converted into NZD for these purposes):

Remuneration Range	Number of Employees	Remuneration Range	Number of Employees
100,000 to 110,000	5	180,001 to 190,000	1
110,001 to 120,000	8	190,001 to 200,000	1
120,001 to 130,000	7	200,001 to 210,000	1
130,001 to 140,000	3	220,001 to 230,000	2
140,001 to 150,000	1	240,001 to 250,000	1
150,001 to 160,000	3	290,001 to 300,000	1
160,001 to 170,000	1	300,001 to 310,000	1
170,001 to 180,000	4	340,001 to 350,000	1

## Risk Management

As a high-growth company, we recognise that risk management is critical to the execution of our business strategy. We view our risk management framework as a discipline that reduces uncertainty and strengthens and complements other corporate governance initiatives.

There are three main policies which make up our Risk Management Framework:

- Risk Management Policy
- Health and Safety Policy
- Fraud Risk Management Policy

Each of these policies can be found on our website. Supporting each policy are detailed management frameworks which ensure the comprehensive management and reporting of risk in our business.

Smartpay's Risk Register was established based on The Committee of Sponsoring Organisations (COSO) Enterprise Risk Management (ERM) framework. Enterprise risks are regularly reviewed by management and evaluated in terms of potential impact and likelihood of occurrence. Smartpay maintains a dynamic and active approach to ensuring relevant mitigating factors are implemented by our management team.

A comprehensive risk register is maintained which identifies the risks facing the business, potential consequences of those risks and the mitigating factors management have identified to minimise or remove any impact of such risks to our business. Risks are categorised as operational, financial, compliance and strategic risks and enable the Board to easily identify risks that may require additional investment and/or processes in order to mitigate further. Management review the risk register in response to new business initiatives. In addition, our management team reviews the risk register regularly and provides the board with reporting as to risks, mitigating factors that may have changed and a summary report of the changes.

Our internal control systems support our risk management and include processes which enable the identification, quantification and monitoring of significant risks, the development of risk mitigation strategies, the monitoring of compliance and the review of systems and records.

We do not have sufficient scale to have a dedicated internal audit function however, we recognise the value an internal audit process adds. We place emphasis on the systems and policies in place, including the Delegation of Authorities Manual. These ensure the separation of duties in relation to the authorisation

of, and commitment to, expenses and obligations and that such decisions are made at the appropriate level. Key to enhancing our internal controls, risk management and in response to the risk identified in our current systems, has been the implementation of a new ERP system. This has been a key project for the management team over the past financial year and has now been implemented with effect from 4 April 2022. This implementation streamlines internal controls and provides efficiencies across the business.

## Auditors

The ultimate responsibility to ensure the quality and independence of the external audit process rests with our Board.

The framework in place to enable our Board to discharge this responsibility include:

- An appropriately resourced Audit and Finance Committee operating under written terms of reference
- Audit Independence Policy defining the services that may or may not normally be performed by Smartpay's external auditors

Both these documents can be found on our website.

Following a review process KPMG became auditors to the company for the FY13 year end. In accordance with our Audit Independence policy the lead audit partner has changed since then and since the FY20 audit John Kensington has been the lead partner.

Our Auditors are invited to Audit and Finance committee meetings leading up to and during the audit and work closely with the Chair of the Audit and Finance Committee during this time. We promote good dialogue and encourage a supportive relationship, and the Audit team has unfettered access to our key management team and finance team members.

The auditors are invited to all meetings of shareholders.

Smartpay engages other external advisors to assist with such matters as taxation to support the business in its tax dealings to ensure a true separation of duties.

KPMG have confirmed their independence in relation to the audit and that there have been no contraventions of any applicable code of professional conduct in relation to the audit.

The fee paid to the auditors is detailed on page 66.

## Shareholder Rights and Relations

The Board respects the rights of shareholders and strives to build and maintain constructive relationships and encourage investor engagement.

We maintain websites specific for our customers and investors. When a shareholder first invests in our company they are sent a welcome letter which provides information on where to find our website and an invitation to elect to receive communications from us electronically. The impact of COVID-19 on postal services highlights the benefits of receiving communications electronically.

Our Stakeholder Communications policy sets out our expectations of how we will communicate with our shareholders, whenever we hold shareholder meetings a minimum of 20 working days notice has been given.

In 2021, due to the COVID-19 restrictions on travel and gatherings, we held our Annual Meeting of Shareholders virtually. With the lifting of travel restrictions we are planning to hold this year's Annual Meeting as a hybrid meeting, with shareholders able to attend in person or virtually, formal details including date, time and location to follow in due course.

There have been no special meetings of shareholders during the reporting period and no issue of shares.

At the Annual meeting of shareholders held on 29 September 2021, shareholders approve the issue of 2,239,380 unlisted share performance rights to Martyn Pomeroy as Chief Executive Officer and Managing Director. The Board subsequently authorized the issue of a further 1,708,368 unlisted share performance rights to key management (see also Statutory information on page 101 and Security Holder information on page 104).