



Smartpay Risk Management Policy

Dated 20 August 2020

NZX: SPY
ASX: SMP

Smartpay Governance Principle 6 : Recognise and Manage Risk

The Company has established a sound system of risk oversight and management and internal control.

Useful links/further information:

Smartpay Risk Register

NZX Corporate Governance Code:
Principle 6

ASX Corporate Governance
Principles and Recommendations :
Principle 7

FMA Corporate Governance in New
Zealand Principles and Guidelines :
Principle 6

<http://www.coso.org/-erm.htm>

Deloitte Report on Principle 7:
Recognise and Manage Risk

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

Policy Statement

Risk Management is a critical business discipline that reduces uncertainty and strengthens and complements other corporate governance initiatives. Smartpay will actively manage all material risks in order to conduct business as usual and to accept an appropriate level of commercial, financial, compliance and strategic risk consistent with desired profitability.

Policy Purpose

Risk management techniques and capability assist managers to focus on uncertainties and vulnerabilities associated with the future thereby improving the likelihood of meeting business objectives.

The objectives of the risk management policy and associated Risk Register are:

- To allow the Group to pursue opportunities that involve risk in an informed manner so as to meet the expectation of stakeholders
- To enable full and due consideration to be given to the balance of risk, growth and returns, to support the achievement of shareholder value objectives
- To apply risk management practices to enhance strategic and operational decision making

Definition

'Risk Management' is the process of identifying, evaluating, controlling and reviewing risks, to make sure that the organization is exposed to only those risks that it needs to take to achieve its primary objectives.

Health and Safety Risk Management is dealt with separately to this policy.

Responsibility

The management of risk is a core management responsibility, not one that can be delegated.

All Management and staff are ultimately accountable for employing a risk management process within their area of control to aid in the achievement of key objectives. A process to ensure risk has been adequately identified, considered and can be managed should be evident in all key decision-making processes.

The Executive Directors and Senior Management shall ensure that risks to the business are identified and evaluated and that effective responses are developed. A Risk Register shall be maintained as a central record of all risks identified, evaluated and managed.

The Board and its Audit and Finance Committee are responsible for setting policy which defines risk and the Group's appetite or tolerance for risk, assessing and monitoring strategic risks and ensuring management maintains an effective risk management framework.

Managing and Reporting Risks

Each department should establish and maintain risk documentation to monitor and report risks that threaten achievement of their key objectives; measures and targets should reflect their particular business and operating risks. Records and planning documentation should include information on risks associated with projects and initiatives.

Based on the information provided by management, the Chief Financial Officer maintains a Risk Register which identifies and evaluates the key risks facing Smartpay Holdings Limited and its subsidiary companies which could have a material impact on the prospects of the group as a whole. The document also identifies the key mitigating factors and controls that reduce the likelihood and/or impact associated with these risks and, where appropriate highlights areas where additional controls need to be created. A risk rating is applied to each risk pre and post mitigating factors.

The Risk Register considers and records risk in the key areas of:

- Operational Risk
- Financial Risk
- Compliance Risk
- Strategic Risk, including environmental, economic and social sustainability risks

Whilst risk management is an ongoing process which is incorporated into Smartpay's core operations the senior management team undertakes a formal review of the Risk Register quarterly where it reviews each risk, its mitigating factors and risk rating.

Board meeting agendas include a Risk agenda item as a standard item. The full Risk Register is available to the directors at all times via the Diligent Board Platform.

In any major transactions, mergers, acquisitions, large new contracts and projects the management of risk is a key factor and the Risk Register will be reviewed in light of any such corporate activities to ensure that the appropriate risk mitigation strategies are in place as the project develops.

Policy authorised

20 August 2020



Signed by Matt Turnbull
Chairman of the Audit and Finance Committee