

BOARD CHARTER

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SMARTPAY LIMITED
REGISTERED NUMBER 304625

The Board of SmartPay Limited has adopted the following board charter:

A General Principles

The following paragraphs set out the general principles under which the relationship between the Board and its Committees are to operate, in order that the Company's business can be conducted in the best interests of its shareholders, and with the proper sharing of responsibility between the Board and the Committees.

- 1) The Directors of SmartPay ("the Board") acting together have the ultimate responsibility to the shareholders of the Company and for the management of the business of the Company and its subsidiaries ("the Group"), whatever the operating structure of the Group may be. So far as the Board is concerned, it must set the framework within which the business operates and, to an appropriate degree, oversee and supervise its operations.
- 2) As well as having the ultimate responsibility to its shareholders, the Board has statutory responsibilities and, responsibilities under the listing rules and its constitution.
- 3) The Board cannot and must not try to manage the business itself, and must delegate this role to management. However, it must put in place procedures and structures, so that it can be satisfied that it is able to carry out its role of accepting ultimate responsibility.
- 4) The Board must be satisfied with the subsidiary companies boards' plans for carrying on and developing the business. The board must ensure that they will seek permission to undertake material changes to those agreed plans, place limits on the extent to which resources can be committed, assets disposed of or funds raised without specific approval. The board must ensure that it is kept well informed of progress and of events which might significantly affect the business, and monitor the performance of those Directors on whom it is relying for the proper management of the business and its key component parts.

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- 5) The formal delegation of management authority is to the Managing Director or as designated by the board and this person(s) will be the prime source of information to the Board. Directors have, of course, the right to seek information from and question the Managing Director or designates. However, as Directors have the right of access to all information they might seek throughout the Company, they need to be able to question and discuss relevant issues with others as well, in appropriate ways and at appropriate times. A major role of the Board is to be the body to which the subsidiary boards are answerable. Subject to keeping the Directors informed and listening to their counsel, it is for the Managing Director, acting within his delegated authority, to determine how the management of the Company is conducted, as the Managing Director must remain accountable.

B Matters requiring authority of the SmartPay Limited Board

Company law govern the board and the company combined with the NZX listing rules in conjunction with the company's constitution.

The following paragraphs set out the matters, which require prior approval by the Board.

- 1) Approval of strategic and operating budgets and plans
- 2) Acquisition or disposal of any business or strategic investment not contemplated in an approved business plan and budget.
- 3) New external borrowings in excess of Board approved lines of credit.
- 4) Guarantees of third parties.
- 5) Remuneration of executives

C Matters Requiring Board Action

The following paragraphs set out the matters, which require Board action and are not, therefore, within the authority delegated to the Managing Director. There are of course other matters, which clearly by law, the Listing rules or the Constitution need to be actioned by the Board of Directors.

- 1) Appointment and remuneration of, and delegation of authority to, Managing Director or designate and general approval of policies relating to sub-delegation.
- 2) All matters relating to the issue of securities of the Company and any subsidiary.
- 3) Proposed appointment and remuneration of Directors.
- 4) Adoption of annual business plans and budgets and approval of longer term strategic plans for the Group and its business.

The board of a public company is an inappropriate body for developing strategy. Moreover, management should “own” and be committed to a strategy, and this is unlikely if strategy is handed down from the board. The board brings an investor perspective to strategy, and should ask: “should we put our money behind this course of action?” The board’s focus should be on goals, performance, and on critiquing the credibility of strategy.

Plans and budgets are central to setting performance expectation; however, they are too narrow indicators of performance. The board should focus on return to shareholders and relate goals to desired overall returns.

- 5) Approve and foster corporate values and culture - responsibility for developing culture belongs to the management team, though the board needs to endorse the culture. However the board needs to determine and communicate to management the basis of the required culture in that it must include high standards of ethics, behaviour and integrity. Current published corporate values and Ethics Policy and Code at appendices A and B respectively.
- 6) Any item of capital expenditure in excess of \$50,000
- 7) Initiation of litigation where the costs would exceed \$50,000
- 8) Approval of all Accounts, Annual Report, Interim Report, Directors Reports and Financial Statements for release to shareholders and NZX.
- 9) Dividend policy.
- 10) Oversight of the audit and compliance functions; the approval of the framework of control and compliance and their operation.

Directors are responsible for financial reporting and auditors are responsible for expressing an independent opinion on the financial statements. The Board carries out this responsibility through an independent committee of the board. The board as a whole reviews the committee’s work; such a process both adds objectivity to the audit and allows meetings of the full board to concentrate on major performance issues.

- 11) Oversight and review of investment strategy and performance.
- 12) Oversight and review of remuneration policy within the Group.
- 13) Oversight and review of risk management
- 14) Approve major decisions and, where appropriate, make recommendations to shareholders.

This function follows from the position taken with respect to strategy, direction and policy, and recognises that the board is not a natural initiating body unless there is a performance failure, and in this case will deal with the Managing Director rather than take over decision making.

- 15) Require and monitor systems for keeping the market informed; approve announcements, prospectuses and reports to shareholders.

These responsibilities are largely specified by law. However, emphasizing the Board's role in ensuring that proper systems are in place, through approving specific key announcements remains an important task to which boards should bring a shareholder perspective.

D Nature And Extent Of Delegation

The following paragraphs set out the present delegation of authority and responsibility by the Board. They may be revoked or varied by the Board at any time.

- 1) The Board has delegated to the Managing Director the responsibility, and with that has granted him the freedom, to manage the business of the Group, save to the extent that Board action is needed as set out in Section C. This power includes power to sub-delegate, and thus to manage the business with such people and organisational structures as he shall determine, after discussion so far as policy is concerned, with the Board.
- 2) Once the Board has approved the plans and budgets for a future period, the Managing Director need only seek further approval from the Board if he wishes to vary the plans, or take a step which is a matter requiring Board action as set out in Section B and C.
- 3) The board delegates financial authority to the principal decision-makers in the group, its financial and other delegations are reviewed and approved from time to time and those currently in effect are set out in Appendix C below.
- 4) The Managing Director will be accountable to the Board and will provide reports, proposals and such assurances as the board requires to confirm that any management limitations are being observed

E Operating In Practice

The following paragraphs set out, in general terms, the way in which it is intended that the Board will relate to subsidiary Boards in practice, and how in practical terms, it will carry out its role. It will operate as a board, and will also delegate certain powers to Committees or sub-committees. At present the committees will be:

Audit and Finance Committee
Risk and Compliance Committee
Appointments and Remuneration Committee

These committees will undertake, on behalf of the Board, the actions described in the Terms of Reference set out in this section. The various terms of reference may be altered from time to time by the Board, and further or other committees may be formed if required. The Board may withdraw a matter from a committee at any time. Committees have no decision-making powers and may only make recommendations to the Board unless otherwise instructed by the Board

The Board Itself

1. Membership

The Board will comprise at least four directors of which will consist of a minimum of three non-executive directors (including the Chair Person).

Independent directors are important in ensuring an optimal balance between board members who are able to bring a wide range of business experience and skills and those with direct company knowledge and operational responsibility. The board's membership will include two independent directors. Guidance for identifying independence of directors is at Appendix D.

2. The quorum, as required by the constitution of the Company is 3.
3. The Board will meet generally six to eight times a year (or more often as required) to review its operations and performance. The Managing Director or board designate will be responsible for the overall management of the business to be presented at board meetings. The Managing Director will liaise with the Chair Person who is responsible for running the meeting and to ensure that the business is properly dealt with, and that the Directors have every opportunity to carry out their own responsibilities at the meeting.
4. The Managing Director will at each meeting inform the Board of all matters, and raise for discussion all issues, of which, in carrying out their roles, the Directors should be aware, and on which they should be entitled to express a view. He will speak about key strategic questions, which are being considered, so that the Directors can give early thought to matters of importance. As well, the Directors should be made aware of any matters which are likely to come into the public arena, and of any matters of material concern which may be likely to adversely or favourably affect the business or the Group. There should be no surprises, to the extent that it is possible to avoid them.
5. The business of the Board over the year should include:
 - a) Consideration and approval of plans and budgets, and forward strategic plans and estimates.
 - b) Consideration and approval of proposed variations of a material nature to approved plans and budgets.
 - c) Consideration, on a monthly basis, of a report from the Managing Director. This report will concentrate on material variations from plan and budget, including as precise explanations as possible. It will also deal with progress on matters identified as key areas of risk and importance: trends in key areas will be important.
 - d) Consideration, on a monthly basis, of a finance report which, while providing all the information which a Director particularly interested in the detail might want, concentrates on trends against approved budgets, including explanations for these trends.
 - e) Consideration of all matters which arise and which require action of the Board, including accounts and reports, financing matters, dividend decisions and reports of, and decisions arising from deliberations of all committees.

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6. All Directors have an obligation to inform the Board, through the Chair Person, of any matter which has come to their attention, and of which the Directors should, but may not otherwise become aware.

7. Directors' Indemnity

Directors are indemnified under the Deed of Indemnity entered into by the Company which indemnifies directors to the maximum extent permitted by the Companies Act 1993.

In addition the Company takes up Directors and Officers insurance on behalf of the Board.

8. Section 35 of the company's constitution "Proceedings of the Board" sets out the company's rules with respect to board meetings.

Directors Obligations

GENERAL RESPONSIBILITIES

1. Conflicts of Interest

Directors should avoid conflicts of interest so far as possible. Where a conflict or potential conflict arises, at a minimum they must disclose it and adhere scrupulously to the procedures provided by law and by the constitution of the company for recording and dealing with conflicts and ensuring the company obtains fair value. Directors who are conflicted regarding a particular issue should absent themselves from discussion and decision-making relating to that issue. A director who has a continuing conflict of interest of a material nature, that cannot be satisfactorily resolved after consultation with the Chair Person and audit committee, should consider resignation as a director in particular where the material continuing conflict of interest prejudices his or her ability to contribute to the affairs of the board to the same extent as the other directors.

2. Buying and Selling of Securities

The company has in place an approved procedure for the buying and selling of securities in the company by directors or their relatives or associates. Directors should not engage in short term trading in the company's securities. Directors should notify the board in advance of any intended transaction by them or to the best of their knowledge their relatives or associates involving shares or securities in the company and comply with the approved procedure.

3. Confidentiality

Directors must observe the confidentiality of non public information disclosed to them as directors and not disclose it to any other person without the authority of the board. A director who is nominated by, or has a special allegiance to, a particular shareholder or group of shareholders or other stakeholders, may only disclose confidential information to the nominating shareholder or other stakeholder with the authority of the board and in compliance with any procedures prescribed by law or the constitution of the company.

4. Directors must act in good faith and generally in the best interests of the company

Company directors have a fiduciary duty to act in good faith and generally in what they believe to be the best interests of the company. Directors have a duty of care, diligence and skill requiring them to be active and inquiring in the conduct of their duties. Directors should consistently attend board meetings and devote sufficient time to make and keep themselves familiar with the nature of the company's business and the environments in which it operates. Directors also have a duty not to act recklessly by permitting a company to carry on business in a way likely to result in substantial loss to creditors, or to incur an obligation unless the company can perform against it.

5. Comply with the spirit and letter of the law

Directors must exercise their powers for a proper purpose. They should understand the reasons powers have been conferred on them and limits within which those powers can be exercised.

Directors must be aware of and comply with the obligations imposed on them and their companies by applicable law, regulation and the company's constitution and ensure that all requirements are met both in form and substance. Directors should also ensure general adherence by their companies to applicable codes, such as the NZX Corporate Governance Best Practice Code. However, directors may adopt and disclose robust alternatives to specific code standards where good reasons exist.

6. Continuing Development

Required knowledge competencies in particular will vary from company to company and change within companies over time. Boards should plan succession and engage in continuing professional development in order to continue to meet the needs of the company.

7. Shareholding by Directors

Directors are encouraged to hold shares in the Company; when buying or selling shares, Directors must strictly observe the provisions of the Company's Constitution, the Company's own internal rules and all relevant legislative or regulatory procedures.

INDIVIDUAL RESPONSIBILITIES

1. Chair Person

- Responsibility for the efficient functioning of the board and sets the agenda for board meetings, usually in conjunction with the managing director.
- Primary responsibility for ensuring that all directors receive sufficient and timely information to enable them to be effective board members.
- Responsibility for the balance of Board membership and to bring about changes in Board membership.
- Responsible for chairing Board and shareholder meetings and for the signature of approved minutes and resolutions.

2. Managing Director

- Responsibility to ensure all relevant items are on the agenda at board meetings in liaison with Chair Person and that agendas are distributed in a timely manner with sufficient supporting information
- Business promotion and management
- Board delegated responsibility, and with that has granted him the freedom, to manage the business of the company, save to the extent that Board action is needed as set out in the board's terms of reference
- Power to sub-delegate, and thus to manage the business with such people and organisational structures as he shall determine, after discussion so far as policy is concerned, with the Board.
- Once the Board has approved the plans and budgets for a future period further approval only sought from the Board if he wishes to vary the plans, or take a step which is a matter requiring Board action as set out in the board's terms of reference.

Committees of the Board

The board of SmartPay Limited has constituted three committees to provide specific input and guidance; it recognizes that committees add to the effectiveness of the board by being able to inject a more detailed analysis of key issues and promote efficient decision making. The three committees are the Audit and Finance Committee, the Risk and Compliance Committee and the Remuneration and Appointments Committee. These committees meet and operate under the terms of reference set out below which are reviewed and approved by the board annually. Each committee is empowered to seek any information it requires from employees and to obtain independent legal or other professional advice it may deem necessary.

AUDIT, AND FINANCE COMMITTEE

Required by 3.6.1 Listing Rules – Each Issuer shall establish an Audit Committee.

Membership

Listing rule 3.6.2

- Minimum of 3 directors
- 2 independent directors of SmartPay Limited
- Independent director appointed as Chair Person by the board
- At least 1 member with an qualifications in accounting or finance and or suitable commercial experience
- Appointments to be made by the board of SmartPay Limited on the recommendation of the Remuneration and Appointments Committee and to be reviewed every 3 years
- Quorum of 2 directors

Non members, external advisors etc may be invited to attend certain parts of the committee's meeting.

Responsibilities

AUDIT

- Ensuring processes are in place and monitoring those processes so that the board is properly and regularly informed and updated on corporate financial matters;

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- Review the independent and internal auditing practices to support the board in fulfilling its responsibility to ensure that there an effective internal control framework exists within the Company, including internal controls to deal with the effectiveness and efficiency of significant business processes and safeguarding of assets
 - Reviewing the financial reports and advising all Directors whether they comply with the appropriate laws and regulations;
 - Recommending the appointment and removal of the independent auditor;
 - Ensuring that the external auditor or lead audit partner is changed at least every 5 years

FINANCE

- Review performance against goals and corrective actions
“Results” and monitoring of ‘budgetary controls’ have tended to have a narrow financial connotation. While financial and cash flow review is critical, reviews of performance against goals should be more broadly based including:
 - Cash flows, liquidity
 - Relative share price and dividend return
 - Profits and profitability
 - Key performance indicators (market shares, customer satisfaction, productivity, employee attitudes)
 - Competitor/benchmark comparisons
- Ensure proper accounting records are maintained and the reliability of the financial information
- Establish and monitor the company’s capital management strategy
- Assessing the Company’s funding requirements and making recommendations to the Board concerning specific funding proposals
- Monitoring borrowings from financial institutions and compliance with borrowing covenants.

Levels and Limits Of Authority

- No decision making authority – makes recommendations only to full board
- The committee will have direct communication with and unrestricted access to the independent and any internal auditors or accountants

Meetings

- At least 2 days notice to be given of meetings
- Meetings 4 per year to coincide with the annual and half yearly reporting timetable
- Meetings to be minuted, minutes approved and filed
- Copy minutes to be included in board agenda packs for next full board meeting.

RISK AND COMPLIANCE COMMITTEE

Membership

- Minimum of 2 directors
- Chair Person appointed by the board

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- Appointments to be made by the board of SmartPay Limited on the recommendation of the Remuneration and Appointments Committee and to be reviewed every 3 years
 - Quorum of 2 directors

Non members, external advisors etc may be invited to attend certain parts of the committee's meeting.

Responsibilities

RISK

- Take a proactive approach to risk management. The Board is responsible for ensuring that risks, and opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the board.
- Establish that the Company has systems in place to minimise the impact of financial and operational risk on its business and are appropriate to review compliance. These systems involve a process to enable:
 - identification of significant risk;
 - monitoring financial risks and exposure from movements in interest rates and exchange rates
 - quantification of the risk impact;
 - development of risk mitigation strategies;
 - monitoring of compliance;
 - reviewing of systems and records to ensure ongoing integrity of the process.
- Management has the responsibility to institute and operate these systems. The Committee has an oversight and monitoring role.

COMPLIANCE

- Require and monitor legislative and regulatory compliance

Levels and Limits Of Authority

- No decision making authority – makes recommendations only to full board
- The committee will have direct communication with and unrestricted access to the independent and any internal auditors or accountants

Meetings

- At least 2 days notice to be given of meetings
- Meetings 4 per year to coincide with the annual and half yearly reporting timetable
- Meetings to be minuted, minutes approved and filed
- Copy minutes to be included in board agenda packs for next full board meeting.

REMUNERATION AND APPOINTMENTS COMMITTEE

Membership

- 2 non executive directors

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- - Appointments to be made by the board of SmartPay Limited and to be reviewed every 3 years
 - Non executive Chair Person appointed by the board of directors
 - Quorum of 2 directors

Non members, external advisors etc may be invited to attend certain parts of the committee's meeting.

Responsibilities

- Approve board appointments
- Approve terms of remuneration for senior executives of the company, including board members in accordance with the directors and key executives remuneration policy (appendix E)
- Review and agree terms of any bonus incentive or share option scheme.
- Approve key appointments reporting to the Managing Director
- Succession planning
- Review key executive performance

While the Board determines the MD's compensation, it ought to ensure that the compensation for the executive team (usually those executives that report directly to the MD) also reflects individual and business performance and that there is a coherent remuneration policy in place that is being observed. The board adds value in the human resources area by its involvement in the top team's selection and remuneration, any by approving overall policy in the context of strategy.

Level/Limit Of Authority

- Decision making authority for responsibilities above delegated by the full board
- Listing rule 3.3.3 – all new directors appointed shall retire from office at the next Annual Meeting and stand for re-election by the shareholders
- Listing rule 3.5.1 – remuneration must be authorised by an Ordinary resolution of the shareholders

Meetings

- At least 2 days notice to be given of meetings
- At least 1 meeting per year
- Meetings to be minuted, minutes approved and filed
- Copy minutes to be included in board agenda pack for next full board meeting

F Other Corporate Governance Matters

The following miscellaneous matters are set out for completeness, so far as the Board's operations are concerned.

- 1) Both Non-Executive and Executive Directors have the same rights and responsibilities in their capacities as Directors as each other, and the Board must act as a whole when it is acting as a Board.

2) To allow the Non-Executive Directors to carry out this particular role, they should meet separately from the Executive Directors from time to time, when the Chair Person or any one of them thinks that such a meeting is desirable, and at least once a year. These meetings are not meetings of the Board and cannot make decisions. The Chair Person should report the substance of any discussions at these meetings to the Managing Director.

3) The Directors should Review the Board's own performance, including the individual performance of the Chair Person and the Non-Executive Directors. Oversight of this process of review is the responsibility of the Chair Person, and any concerns about the performance of the Chair Person should be discussed with the most senior Non-Executive Director, by date of appointment, and discussed by him and any others he may wish to include, with the Chair Person.

It should manage its membership so that directors of quality are appointed, and that where directors ought not to continue, they leave the board.

4) In performing their role the Board should be mindful of its obligations of disclosure and the need to promote investor confidence and accordingly will adhere to its disclosure

5) The Directors will have the right, while they remain directors, and for 12 years after they cease to be directors, to have access to all documents which have been presented to meetings of the Board, or made available to directors in relation to their position as directors.

6) The Directors shall have the right, with the prior approval of the Chair Person or a resolution of the Board, to seek legal or financial advice on any matter, which is either put forward for decision of the Board, or relevant to their positions as Directors. This will be at the expense of the company.

Appendix A – Corporate Values

From its inception, SmartPay has been inspired by core values which drive every part of its business operations today and underlie how the board and the Company as a whole conducts its business.

Australasian focus – we remain a New Zealand based company with a strong Australasian focus with offices in New Zealand and Australia intent on growing our business. Our partnerships, staff and customers all reflect the nature of our business as we continuously look outward for new opportunities and challenges.

Innovation – taking ideas and turning them into viable commercial reality through innovation is an important feature of our business strategy – from conceptualisation through to design, production, sales and marketing, innovation remains the bedrock of our philosophy. Reflected in our commitment to an active research and development programme, we believe the innovation that we have introduced in our electronic payment solutions targeted at customers needs it is our competitive advantage.

Excellence – we know that simply being satisfactory is not good enough to succeed and compete as a world class niche technology leader. Instilled in everything we do is the desire to achieve excellence across all the divisions of the business, and where possible exceed the normal standards and expectations of our customers, regulators, competitors and shareholders.

Leadership – SmartPay strives to provide leadership in the electronic solution industry through being more responsive to the needs of its customers and to the sector as a whole, while communicating that vision throughout the company, its stake holders including our customers and the industry.

Integrity and Honesty – these values are of the highest importance in all the dealings that SmartPay has both internally and externally. We pride ourselves on maintaining high ethical standards and codes of conduct in how we do business, and what we expect of all our staff and directors. We expect to earn the respect of our customers and shareholders through consistently applying the principles of integrity, transparency and honesty in our corporate governance and through a professional approach to business.

End to end solution provider – SmartPay believes in a holistic approach to solutions so that it is able to provide a full service capability in all its markets from the design, manufacture, certification, installation and support of bespoke, tailored products that best meet the exact needs of its customers. This includes both software and hardware solutions to meet our customers' needs.

APPENDIX B – Ethics policy and code of conduct

Policy

SmartPay's Corporate Values includes the commitment that we will act with:

“Integrity and Honesty – these values are important in all the dealings that SmartPay has both internally and with the world on a day to day bases. We pride ourselves on maintaining high ethical standards and codes on conduct in how we do business and what we expect of all our staff and directors. We expect to earn the respect of our customers and shareholders through consistently applying the principles of integrity, transparency and honesty in our corporate governance and professional approach to business.”

In support of this value, the Board of Directors of SmartPay has adopted this ethics policy and code of conduct. This code governs both SmartPay's operations and the conduct of directors, employees, contractors, consultants and all other people when they represent SmartPay. SmartPay expects its managers to lead by example and it is expected that they perform their duties in accordance with this code and ensure that the ethical standards and responsibilities are communicated to everyone reporting to them.

Any failure to act in accordance with this code may result in disciplinary action being taken and could lead to dismissal.

Code of Conduct

Responsibilities to Shareholders

Confidential Information – SmartPay employees, contractors, consultants and directors must not disclose any confidential information about the Company Confidential information must not be disclosed to anyone external to the organization unless a confidentiality agreement has been entered into. More detailed confidentiality obligations are spelt out in the SmartPay standard employment contract and consultancy contracts.

Insider Trading – SmartPay employees, contractors, consultants and directors must comply with the Company's Insider Trading Policy.

Public Statements – SmartPay employees must not, without authority, directly or indirectly state that they are representing the Company or its position in respect of any matter.

Accounting Practices – SmartPay employees, contractors, consultants and directors must ensure that all Company accounting records accurately and fairly reflect, in reasonable detail, the relevant underlying transactions, and all assets and liabilities of the Company. Accounting records must be maintained in accordance with generally accepted accounting practices, international financial reporting standards and any policies set by the board.

Co-operation with auditors – SmartPay employees, contractors, consultants and directors must fully co-operate with internal (if any) and external auditors of the Company and must not mislead or conceal any relevant information from those auditors.

Responsibilities to Customers, suppliers and other persons

Unacceptable payments

Bribes, inducements or other illegal payments must not be made to, or for the benefit of any customer, supplier, Government official (of any country), or other party in connection with obtaining orders or favourable treatment or for any other purpose.

Directors, employees, contractors and consultants must not seek or accept any type of compensation, fee, commission, gift, entertainment or any other gratuity (each a gratuity) from a third party in connection with the Company's operations which go beyond common courtesies associated with general commercial practice. No director, employee, contractor or consultant may accept any such gratuity exceeding \$250 in value without first obtaining approval in writing to do so.

Treatment of other persons

Employees, Directors, contractors and consultants must treat customers, suppliers, other employees and all other persons associated with the Company with courtesy and dignity. This includes:

- Not discriminating against any person on the grounds of gender, marital status, religion, race, colour, ethnic or national origins, disability, age, political opinion, employment status, family status or sexual orientation.
- Not sexually harassing any person (employees are referred to the harassment procedure if they feel they are being sexually harassed)
- At all times using appropriate behavior (including language) for the circumstances.

Procurement

Employees, contractors, consultants and directors must ensure fair dealing between persons involved with the Company.

Responsibilities to ourselves and each other

Performance of duties – employees, consultants and directors must perform their duties ethically, honestly, responsibly and diligently and in the best interests of the Company.

Compliance with Laws – the operations of the Company must be conducted in compliance with all laws and regulations applicable in New Zealand and in each other jurisdiction in which business is undertaken. Compliance with the Law means observing the letter and spirit of the law as well as managing the business of the Company so its reputation is synonymous with good compliance. If there is any ambiguity about which laws and regulations are applicable or difficulty in interpreting laws legal advice should be sought.

Compliance with Company Policy – employees, contractors, consultants and directors must familiarize themselves with and comply with Company policies in carrying out their duties.

Compliance with delegated authorities – the Board has delegated the responsibility for the day-to-day management of the business to the Managing Director who has delegated the right to make financial and operational decisions within certain defined limits to other members of the Company's Management team.

Political Contributions – Political contributions of any type must not be made, directly or indirectly, without the prior approval of the Board

Use of Company assets – employees, consultants and directors are responsible for taking all prudent steps to ensure the protection of Company assets and resources, and to minimize the possibility of theft by any person. Employees, contractors, consultants and directors must ensure that Company assets and resources are used only for the purposes of the Company and in accordance with appropriate authorisations.

Outside Activities – employees, contractors, consultants and directors must not directly or indirectly engage in any activity which could by association cause the Company public embarrassment. Nor may employees engage, directly or indirectly, in any business activity involving commercial contact with, or work on behalf of the Company's customers, suppliers or competitors. More detailed terms and conditions are contained within the Company's standard employment contract.

Conflicts of interest – employees, contractors, consultants and directors, must not use their position or any Company information for personal benefit or for the benefit of any other business or person. No employee or related person to an employee may directly or indirectly have an equity interest in, or a significant beneficial connection with any business or individual that competes with, or is a customer or supplier to the Company without the prior written consent of the Company. (Ownership of shares in a listed company that deals with or competes with the company does not breach this provision, provided that not more than 1% of the shares in that company are owned).

Reporting concerns

The Company is committed to the principles and practices set out in the Protected Disclosures Act 2000. If you learn of a breach of this code or any other of the Company's policies you should report that to the Compliance Officer.

Review Procedures

This code will be reviewed by the Board of Directors annually. If you wish to make any comments, with a view to improving this code, please contact the Company's Compliance Officer.

Appendix C - Financial Delegations and Guidelines

Purpose

The purpose of financial delegations is to enable the effective management of the SmartPay group by delegating financial authority to the principle decision-makers. The financial delegation is complementary to the budgetary control process in that it defines the level of authority for commitment of revenue and capital expenditure.

Delegated Authorities

The Managers are the only employees authorised to commit to expenditure or supplier contracts on behalf of the SmartPay group. In the absence of the manager approval must be obtained from the Managing Director.

Capital Expenditure

Managers do not have the delegated authority to commit SmartPay to capital expenditure even if such expenditure has been anticipated in the budget. Any proposed capital expenditure must be submitted to the Managing Director in the form of a business case, which must include the reasons for the expenditure and timing.

Revenue Expenditure

Managers have the delegated authority to commit expenditure up to the maximum of the monthly budget for each item provided that profit targets and year to date figures are being met. Any proposed expenditure over the maximum will require separate approval by the Managing Director.

Unbudgeted expenditure or expenditure over the monthly budget

The Managing Director must approve any proposed or unbudgeted expenditure above the Manager's delegation or monthly limit, proposals must be supported with justification for the over expenditure, before it is committed. In some cases these will be timing issues where the cost was/is budgeted in a previous/future month, in which case this should be noted.

Unbudgeted expenditure will only be approved in exceptional circumstances, with the Managers responsible for explaining the reasons in their monthly management report.

Supplier Contracts

Managers do not have the delegated authority to commit SmartPay to contracts with new suppliers; the Managing Director must approve all such new contracts before they can be signed.

Managers may commit to new contracts with existing suppliers without the approval of the Managing Director provided that these contracts can be cancelled without penalty on 3 months notice.

Remuneration and employment Changes

Any planned changes to the head-count and resulting employment related costs should be budgeted by the relevant manager. All subsequent changes to the head-count will require specific approval by the Managing Director before the recruitment/termination process commences.

Related costs

Following approval of any changes, resulting employment related costs will not require separate approval, but be governed by the relevant HR policies operating within each operating company.

Remuneration

Managers may recommend policy changes to remuneration and employment related costs to the Remuneration and Appointments Committee or Board of Directors.

Any unbudgeted remuneration increases must be submitted to the Managing Director in the form of a business case. The business case must include the reasons for the increase, margin analysis and reference to a relevant market benchmark.

Job offers

Prior to a job offer being made the Managing Director must review the file with the recommending manager. For senior positions this may also involve an interview conducted by the Managing Director and a profiling test. Standard contractual terms only may be offered; any terms outside of the standard must have the approval of the Managing Director prior to the offer being made.

Termination of Contracts and Staff Relations

Prior to the termination process being commenced approval must be obtained from the Managing Director. Approval must also be obtained from the Managing Director for any disciplinary process, which could result in the termination of contract of the employee. All other disciplinary, grievance or other staff-relations issues must be brought to the attention of the Managing Director.

Purchase orders and approval forms

Before expenditure of any nature is committed, purchase orders must be raised and approved by the relevant manager who confirms it is for a budgeted expense and reviews it for efficacy. In the case of travel the Travel Authorisation Form will suffice. Managers will not be required to sign off the invoice, providing there is an approved purchase order that equates to the invoiced amount.

Monthly accruals

Managers will be required to provide finance with an accrual schedule that will list items to be accrued on a monthly basis. These will be required by the 2nd business day of the month.

Budget Transfers

Managers are not permitted to transfer budget between different line items, without express permission of the Managing Director. The transfer of budget from one area to another is not permitted.

Explanations of variance to budget

Managers, who exceed the budget of any line by 5% or \$2,000 in any given month or on a year to date basis, must provide an explanation to the Managing Director for inclusion in monthly board report..

Supplementary budget

Managers who expect to exceed their budgets due to changes in business conditions must accrue compensatory savings in alternative areas.

Appendix D – Guidance for determining independence of directors

Listing Rule 3.3.1A – the Board must determine which directors and in its view are independent - a director who is not an executive of the company and does not have a disqualifying relationship.

The listing rules define Disqualifying relationship to mean any direct or indirect interest or relationship that could reasonably influence, in a material way, the Director's decisions in relation to the Issuer.

Without limiting the definition, a Director shall be deemed to have a Disqualifying Relationship in the following circumstances:

- (a) the Director is a Substantial Security Holder of the Issuer or an Associated Person of the Substantial Security Holder (other than solely as a consequence of being a Director of the Issuer); or
- (b) where:
 - (i) the Director has a relationship (other than in his or her capacity as a Director of the Issuer) with the Issuer or a Substantial Security Holder of the Issuer; or
 - (ii) an Associated Person of the Director has a relationship with the Issuer or a Substantial Security Holder of the Issuer; and
 - (iii) by virtue of the relationship in (b)(i) or (b)(ii) that Director or any Associated Person of that Director is likely to derive, in the current financial year of the Issuer, a substantial portion of his, her or its annual revenue from the Issuer during such financial year.

In considering whether a director has a disqualifying relationship the Issuer must consider all the circumstances including the history of the relationship between the Issuer and the Director and/or any plans the Issuer may have concerning the relationship with the Director on an ongoing basis. The NZX considers that generally 10% of a Director's or an Associated Person of a Director's revenue will be a substantial portion of that Director's or Associated Person's annual revenue for the purposes of this definition. In assessing the annual revenue of a Director or Associated Person of a Director, dividends and other distributions payable to all holders of a Class of Equity Securities should be excluded.

Appendix E - Director and Key Executives Remuneration Policy

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions.

The expected outcomes of the remuneration structure are:

- Compliance with NZX, statutory and other professional obligations.
- Retention and motivation of key executives
- Attraction of high quality management to the Company; and
- Performance incentives that allow executives to share in the success of the Company

The Appointments and Remuneration Committee of the Board is responsible for advising the Board implementation of the remuneration policy.

The Remuneration Committee reviews the level of remuneration of the Directors annually. The Committee considers the skills, performance, experience and level of responsibility of the Directors in undertaking the review and is authorised to obtain independent advice on market conditions. The Committee then makes appropriate recommendations to the Board for shareholder approval.

Appendix F - Disclosure and Communications Policy

Policy

The Company is committed to promoting investor confidence by providing forthright, timely, accurate complete and equal access to information in accordance with its obligations under the listing rules of the New Zealand Stock Exchange.

The Company has therefore developed this policy to commit the Company to the continuous disclosure obligations it has pursuant to the listing rules and set out the processes followed by the Company to ensure compliance with those obligations.

Continuous Disclosure

The Company will notify the market immediately, by announcing to the NZX, of any information related to its business which a reasonable person would expect to have a material effect on, or lead to a substantial movement in, the price or value of its securities, unless such is not required by the listing rules.

Disclosure

The Company has appointed the Managing Director as the Company's Market Disclosure Officer who is responsible for monitoring the Company's business to ensure that the Company complies with its disclosure obligations.

He/she shall obtain all necessary information by requiring his/her direct reports to provide all such information in respect of their areas of responsibility and to regularly certify that they have done so and made all reasonable enquiries to ensure all relevant material information has been disclosed.

It shall then be determined what information must be disclosed and approval from the Board for its disclosure must be obtained prior to its disclosure.

Communications framework and strategy

To ensure that communications with all stakeholders are managed efficiently the Company has developed the following communications framework and strategy:

- 1. Consistency:** The Company ensures that it deals with analysts and media in a structured and consistent manner. It is also important that information provided to analysts is consistent with the information provided to the market generally.
- 2. Accuracy:** The Company ensures that all information it provides to analysts and the media is accurate and verifiable. The Company will not generally comment on market speculation unless such is required by law or the listing rules.
- 3. Access:** The Company ensures that all information it provides to analysts and the media is accurate and verifiable. The Company will not generally comment on market speculation unless such is required by law or the listing rules.
- 4. Contacts:** In order to ensure consistency, the board delegates to the Managing Director and or its designates as the points of contact for analysts, media or investor relations issues.
- 5. Press Releases:** The Company releases information to the market immediately after notifying the NZX, through frequent press releases (using email and the Company internet site).

6. Self Promotion: The Company actively promotes itself in and around Australiasia.

7. Broker / Investor Functions: The Company may appoint brokerage firms to organise institutional functions. The Chair Person and Managing Director will generally be available to attend functions with The Company's broker, the broker's clients, and other brokers.

8. Marketing: The Chair Person, Managing Director and designates will consider an annual marketing tour, organised by the Company's broker, to meet with fund managers and others.

9. Share Register: The Company will regularly monitor the share register to observe significant changes in shareholdings. A weekly report will be obtained from the Share Registry, detailing all transactions involving more than 200,000 shares.

10. Monitor and Evaluation:

- (a) Monitor and assess all press comments.
- (b) Monitor and assess brokers' reactions / circulars.
- (c) Assess required level of press follow-up (if necessary).

11. Target Audiences: The Company will identify key target audiences, compile database and communications strategies for:

- (a) Media - National and regional financial and business press.
 - Specialist trade press.
 - Financial and business correspondents on national broadcast media.
- (b) Investment Community
 - Stockbrokers.
 - Investment Analysts.
 - Institutional Investors.
 - Banks.
 - Finance Houses.
- (c) Employers – Management and staff

Appendix G – Shareholder Relations Policy and Practices

The Board’s Relationship with Shareholders and Other Stakeholders

The Board will use its best endeavors to familiarise itself with issues of concern to Shareholders and significant stakeholders, including customers, staff and the communities in and around the Company.