



*"Your Identity Secured, your payments made Safe"*

**ISIGNTHIS LTD**

**Corporate Governance Policies**

**Risk Committee Charter**

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## 1. Composition of the Risk Committee

The Committee shall be members of, and appointed by, the Board of Directors and shall comprise at least 2 non-executive directors plus the Managing Director or Executive Chair, or 3 non-executive directors, where possible, with the secretary of the company being the secretary of the Risk Committee. All Committee members shall be financially literate. One member, who does not chair the Board, shall be appointed to chair the Risk Committee and be an independent non-executive director. At least one member shall have accounting and/or related financial management expertise as determined by the Board, along with another member who has experience in managing financial, operational and regulatory risk. All Committee members shall have a reasonable understanding of the sectors in which the Company participates.

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## 2. Role of the Risk Committee

The role of the Risk Committee is:

- monitor management's performance against the entity's risk management framework, including whether it is operating within the risk appetite set by the board;
  - review any material incident involving fraud or a break-down of the entity's risk controls and the "lessons learned";
  - receive reports from internal audit on its reviews of the adequacy of the entity's processes for managing risk;
  - receive reports from management on new and emerging sources of risk and the risk controls and mitigation measures that management has put in place to deal with those risks;
  - make recommendations to the board in relation to changes that should be made to the entity's risk management framework or to the risk appetite set by the board; and
  - oversee the entity's insurance program, having regard to the entity's business and the insurable risks associated with its business.
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## 3. Operations

The Committee shall review risk matters at a minimum at least two (2) times a year. Minutes of the consideration of such matters are to be kept and provided to the Board as part of their next meeting papers.

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## 4. Authority and Resources

The board authorises the risk committee, through the risk committee chair, to;

- (a) to call upon any officer or employee of the Company, auditor or external party to provide the Committee with information or materials held by or available to him or her;
- (b) full access to senior management, risk and financial control personnel and any other relevant parties (internal and external);
- (c) meet separately with Chief Risk Officer (CRO) and auditor without management being present, if required by the Committee; and

- (d) when considered necessary or appropriate, the Committee may conduct or authorise investigations and may retain independent legal, accounting or other advisors.

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## **5. Reporting to the Board and Shareholders**

To assist the Board to carry out its risk function, the Risk Committee should compile a report to the Board on, at least annually, on the following matters:

- (a) recommending any changes to the Charter to the Board
- (b) self assessing the effectiveness of the Risk Committee on a regular basis
- (c) the results of the review of risk management framework and internal control systems, including consideration of whether the Company has a material exposure to any particular risks;
- (d) referring to the Audit Committee any matters that have come to the attention of the Risk Committee that are relevant for the Audit Committee; and
- (e) other such matters as arise from time per Schedule 1.

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## **6. Responsibilities**

Annual responsibilities of the Risk Committee are as set out in the Risk Committee Charter – Annual Action Points contained in Schedule 1.

## Schedule 1 – Risk Committee Charter – Annual Action Points

### 1. Financial Reporting and Internal Controls

- (a) Hold a Risk Committee meeting no less than every six months, or as a relevant matter rises, whereby such matter has been notified by either Executive Chair or equivalent, a director, a subsidiary company director, Chief Risk Officer, Chief Financial Officer, Chief Engineer, Chief Operating Officer or AMLCO to the Chair of the Committee.
- (b) Review half-year, annual and, if applicable, quarterly financial statements.
- (c) Recommend the risk profile and risk appetite across the group for approval by the Board;
- (d) Review the Company's customer risk register, including the transactional volume ratio of high, to standard and low risk customers, taking into account the value of security deposits, rolling reserves, deferred funding and funds on deposit.
- (e) Recommend the group's risk management strategies and risk management framework for approval by the Board;
- (f) approve and over see the process developed by management to identify principal risks, evaluate their potential impact, and implement appropriate systems to manage such risks;
- (g) approve principles, policies, strategies and processes for the management of risk.
- (h) receive reports from management concerning the risk implications of new and emerging risks, organisational change and major initiatives, in order to monitor them;
- (i) receive reports from management concerning resolution of significant risk exposures and risk events, in order to monitor them and as appropriate, if thought fit, approve them; and
- (j) Consider internal controls including the Company's policies and procedures to assess, monitor and manage financial risks (and other business risks if authorised), and the Company's risk management framework and systems generally.

With respect to specific categories of risk, review, from time to time, principles, policies, limits, standards, guidelines, management committee mandates and other significant procedures established by management. Categories of risk may include (but are not limited to) counterparty, regulatory compliance, market, operational, asset and liability, liquidity, and matters related to significant new business and change management initiatives.

### 2. Management Systems

With respect to the group's Compliance Management systems, the Committee shall:

- (a) Approve and oversee the group's legal and regulatory compliance processes developed by management, including compliance by subsidiary companies, other Regulated Entities, and credit licence holders, and by internal trustees if any, and where considered necessary, commission and direct specific actions and assignment of responsibility to ensure compliance practices are adequate; and

- (b) Receive reports from management concerning the group's compliance management processes, in order to consider and, if thought fit, approve or vary them.

### **3. Other Responsibilities**

The Committee shall:

- (a) Review issues raised by the Chief Risk Officer, and External Auditor, or Internal Audit (external and independent), that impact the risk management framework or the group's risk management;
- (b) in consultation with the Executive Chair or equivalent or the Managing Director, provide prior endorsement for the appointment of (and there after monitor his/her performance and objective setting) and, if relevant, removal of the Chief Risk Officer.
- (c) Review and make recommendations to the Board on draft statutory statements covering governance and risk management issues in accordance with the requirements of regulators; and
- (d) Direct any special investigations deemed necessary, and engage and consult independent experts where considered necessary or desirable to carry out its duties and rely on the advice of such experts.
- (e) Be available to meet with relevant regulators on request

### **4. Risk Categories and Types**

The following is the listing of the top 10 risk categories encompassed within the duties and responsibilities of the Risk Committee. Beside each category heading are the risk types, which may be considered by the Committee. This is not meant to be an exhaustive list and may change from time to time.

1. Reputational
2. Legal
3. Key person
4. Technology
  - a. Systems Failure, External Attack and Data loss- is the risk that our IT systems come under attack or fail.
  - b. PCI DSS – Payment Card Industry Data Security Standards, which are a technical risk mitigation process, which may from time to time recommend certain technical or procedural controls be implemented to mitigate risks.
  - c. Disaster Event – is the risk that may arise from key systems not being available for a lengthy period of time, for which the Copoany has Business Continuity and Disaster Recover plans.
5. 5. Cyber Security
  - a. ISO27001 – Data Security Standards, which are a technical procedural risk mitigation approach, which may from time to time recommend certain operational or procedural controls be implemented to mitigate risks.

- 6. Capital/Finance/Credit/Liquidity**
  - a. Credit and Counterparty - The risk that the other party in an agreement will default / will not meet its contractual obligations in accordance with agreed terms.
  - b. Capital - The risk of holding insufficient capital to meet licence obligations or growth objectives.
  - c. Liquidity - The risk that iSignthis will be unable to service its cash flow obligations today or in the future.
  - d. Finance - Error in financial reporting or fraud, causing an error in financial report. Including insufficient financial reporting controls.
- 7. Corporate Governance**
- 8. Insurance**
- 9. Subsidiary**
  - a. Operational
  - b. Regulatory/Licencing
  - c. Capital/Finance/Credit/Liquidity
  - d. Other
- 10. Other (as requested by the Board).**

## **Schedule 2 – Procedure for selection and appointment of external auditor**

### **1. Introduction**

The Risk Committee conducts the selection process and recommends a preferred external auditor to the Board. The Board may endorse the external auditor recommended by the Risk Committee and appoint the auditor. Alternatively the Board may wish to review the recommendation of the Risk Committee.

At the request of the Risk Committee, the chief financial officer and/or chief executive officer may assist the Risk Committee in the selection and appointment process including by proposal of an external auditor, together with a written supporting submission.

### **2. Tender**

#### **(a) Request for submissions**

If the Risk Committee elects to undertake a tender process, the chief executive officer or chief financial officer will prepare or cause to be prepared a draft request for submissions that will be reviewed for approval by the Risk Committee (with such changes as it considers appropriate).

The request should contain sufficient information to enable a proposal and fee estimate to be given to the Company. The request should include information about the Company, its operations, its key personnel, its structure, its financials and any other relevant information.

The chief executive officer or chief financial officer will arrange for candidates to meet with a selection panel appointed by the Risk Committee.

#### **(b) Selection Panel**

The selection panel will comprise nominated members of the Risk Committee, and any other person the Risk Committee considers appropriate to assist it to assess the suitability of the external auditor.

### **3. Selection Criteria**

The preferred external auditor should best satisfy the selection criteria identified by the Risk Committee including:

#### **(a) Fees**

A candidate must provide a firm fee quotation for its audit services. Price will be only one of the relevant factors in the selection of a preferred external auditor.

#### **(b) Independence**

A candidate must satisfy the Risk Committee that it is independent and outline the procedures it has in place to maintain its independence.

The external auditor must be independent from, and be seen to be independent from, the Company.

In monitoring external auditor independence, the Risk Committee will have regard to the following principles:

- (i) monitor the number of former employees of the external auditor who were involved in auditing the Company and who are currently employed in senior financial positions in the Company, and assess whether this impairs or appears to impair the auditor's judgement or independence in respect of the Company. An individual auditor who was engaged by the external auditor and participated in the Company's audit shall be precluded from employment as chief executive officer or chief financial officer of the Company for a period of at least 12 months from the time of the audit; and
- (ii) consider whether taken as a whole, the various relationships between the Company and the external auditor and the economic importance of the Company (in terms of fees paid to the external auditor for the audit as well as fees paid to the external auditor for the provision of any non-audit services) to the external audit impair or appear to impair the auditor's judgement or independence in respect of the Company.

(c) Scope of audit/issues resolution

A candidate must outline its response to the scope of audit in the request for submissions and any proposed procedures to address any issue of material significance or matter of disagreement with the Company's management.

The external auditor and the chief financial officer will be required to disclose to the Risk Committee all such issues of material significance and all matters of disagreement, whether resolved or unresolved.

(d) Non-audit work

A candidate must detail its approach to the provision of non-audit related services to the Company. Generally such work should be at most negligible.

If proposed otherwise, the Risk Committee must consider the circumstances in which the Company might use the external auditor for non-audit services. Matters to be considered include the extent, scope and potential value of non-audit fees and any circumstance where the external auditor may be required to review and rely upon work conducted by it in a non-audit capacity.

The scope of non-audit work must not be allowed to impinge upon the external auditor's independence (refer also to paragraph 4 below).

(e) Other matters

The selection criteria may include such other matters as the Risk Committee thinks fit.

#### **4. Policy on audit and non-audit services**

The Risk Committee will develop a policy that sets out the circumstances in which the Company may use the external auditor for other services. A copy of this policy will be provided to the external auditor.

The policy will be based on the following principles:



- (a) the external auditor may provide audit and audit-related services that, while outside the scope of the statutory audit, are consistent with the role of auditor;
- (b) the external auditor should not provide services that are perceived to be materially in conflict with the role of auditor;
- (c) the external auditor may be permitted to provide non-audit services that are not perceived to be materially in conflict with the role of auditor, subject to the approval of the Risk Committee;
- (d) exceptions may be made to the policy (with specific Board approval) where the variation is in the interests of the Company and arrangements are put in place to preserve the integrity of the external audit process.

**5. Rotation of external audit engagement partner**

The Risk Committee will ensure that the external auditor has in place arrangements with regard to any legislative or regulatory requirements for rotation of the audit engagement partner.

The audit engagement partner for the audit must rotate at least every 5 years. At least two years must expire before the Audit Partner can again be involved in the audit of the Company.

**6. Review of audit arrangements**

The Risk Committee will periodically review the external auditor's performance, at least annually. As part of this review the Risk Committee will obtain feedback from the chief financial officer and other members of senior management regarding the quality of the audit service.