



Corporate Governance Statement 2019

For the year ended 31 March 2019

As at 21 May 2019

The corporate governance arrangements for OFX Group Limited (the **Company**) and its subsidiaries (the **Group**) are set by the Board having regard to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition) (**ASX Principles and Recommendations**), corporate best practice and the best interests of all shareholders.

The Company is committed to adopting best practice in corporate governance where these practices are appropriate to the business and add value.

The documents that are described in this Corporate Governance Statement are available on the Company's website at <https://www.ofx.com/en-au/investors/corporate-governance/>.

This Corporate Governance Statement is current as at 21 May 2019 and has been approved by the Board.

Principle 1 - Lay solid foundations for management and oversight

Role of Board and Management

The Board has adopted a Board Charter that details the functions and responsibilities of the Board, Chairman and individual Directors. Responsibility for the day to day management and administration of the Group is delegated to the Managing Director and Chief Executive Officer (**CEO**), assisted by his direct reports. The CEO manages the Group in accordance with the strategy, financial plans and delegations approved by the Board. A formal delegation from the Board to the CEO and senior management (**Executives**) sets out the limits of that delegation.

The Board is responsible for the overall operation and stewardship of the Group and, in particular for the long-term growth and profitability of the Group, the strategies, policies and financial objectives of the Group and for monitoring the implementation of those policies, strategies and financial objectives.

The functions reserved for the Board include:

- Providing input into, and approval of, the Group's strategic direction, budgets and financial plans as developed by the Executive Team and delegating implementation of that to the CEO.
- Directing, monitoring and assessing the Group's performance against strategic and business plans, to determine if appropriate resources are available.
- Approving and monitoring capital management and major capital expenditure, acquisitions and divestments, and capital distributions to shareholders and equity issuances.
- Overseeing the process for identifying significant risks of the Group's business and that adequate controls are established, reviewing and overseeing the Group's systems of internal compliance and control, risk management and legal compliance, to determine the integrity and effectiveness of those systems.
- Approving and monitoring internal and external financial and other reporting, including reporting to shareholders, the ASX and other stakeholders.
- The appointment and removal of the Chair, CEO, Chief Financial Officer (**CFO**) and the Company Secretary.
- Ratifying the appointment and removal of Executives (which includes all Executives who report directly to the CEO).



- Determining whether the remuneration and conditions of service of Directors and Executives are appropriate.
- Establishing and monitoring Board and Executive succession planning.
- Monitoring of performance including approving criteria for assessing performance of the CEO and Executives.
- Ensuring ethical behaviour and compliance with the Group's governing documents, including the Group's Code of Conduct and Securities Trading Policy.
- Reviewing corporate governance principles and policies and compliance with corporate governance standards.

To assist in undertaking the above in the most efficient manner, the Board has established two Board Committees and the current members are as follows:

- Audit, Risk and Compliance Committee (**ARCC**) - Grant Murdoch (Chair), Lisa Frazier, Douglas Snedden and Steven Sargent; and
- Remuneration and Nomination Committee (**Remuneration Committee**) – Douglas Snedden (Chair), Connie Carnabuci and Steven Sargent.

There is a Charter for each Committee setting out its role and responsibilities. Committee Charters are available on the Company's website. Further details about the operation of these Committees can be found below.

Details of each of the Directors' relevant qualifications and experience, the number of times that the Board Committees met during the reporting period, as well as Director attendance to each of the meetings are provided in the Directors' report of the 2019 Annual Report.

Additionally, the Board invites Executives to attend Board and Committee meetings where appropriate. Executives are required to report regularly to the Board to create a culture that promotes transparency, candour, contestability and foresight.

Directors are entitled to request additional information at any time they consider it appropriate and an open dialogue between individual Directors, the CEO and Executives is encouraged.

Appointment of new Directors

The Remuneration Committee is responsible for recommending the appointment of new Directors to the Board. During its Director selection process, potential candidates are subject to appropriate and prudent background and screening checks prior to appointment. These include checks in relation to the person's character's experience and qualifications, criminal history, bankruptcy as well as ensuring that the person is available to provide the appropriate time commitment to serve as a Director on the Board.

A Director appointed to fill a casual vacancy must stand for election at the next Annual General Meeting (**AGM**) of the Company which is generally held in August each year. Additionally, Directors who have been in office without re-election for three years since their last appointment must retire and seek re-election at the Company's AGM. In each case, the Company provides to shareholders all material information in its possession, concerning the Director standing for appointment or re-election, in the explanatory memorandum to the relevant Notice of Meeting. Directors will also include a recommendation within any Notice of Meeting on the manner in which shareholders are encouraged to vote in respect to any resolutions relating to the election of Directors.

Letters of Appointment for Directors and Executives

Directors receive formal letters of appointment setting out the arrangements relating to their appointments including:

- Term of appointment;
- Anticipated time commitment;



- Remuneration;
- Requirements to disclose interests which may affect independence;
- Requirements to comply with key Company policies including the Code of Conduct and Securities Trading Policy;
- Entitlement to seek independent advice at the expense of the Company;
- Insurance, indemnity and ongoing rights to access information arrangements; and
- Ongoing confidentiality obligations.

Similarly, the CEO and his direct reports all have letters of appointment setting out the key terms and conditions of appointment and include details about their remuneration, which are updated from time to time, as appropriate. Background screening checks are undertaken in respect of all Executives prior to appointment.

Company Secretaries

During the period, the Company had two Company Secretaries, Freya Smith and Naomi Dolmatoff, both of whom report directly to the Board through the Chairman on all Board and governance matters. Ms Dolmatoff was appointed as an additional Company Secretary during the period on an interim basis to cover Ms Smith who returned from maternity leave effective 14 May 2018. Ms Dolmatoff resigned effective 31 May 2018.

Freya Smith who is both Company Secretary and Chief Legal Officer also has an internal reporting line to the CEO.

The Company Secretaries are responsible for supporting the effectiveness of the Board by ensuring that policies and procedures are followed and co-ordinating the completion and dispatch of the Board agendas and papers.

The Company Secretaries and each Director has the opportunity to communicate with each other as directly required.

The Company Secretaries are appointed by the Board and each of Freya's and Naomi's biographies are included within the 2019 Annual Report.

Performance Evaluation

The Remuneration Committee is responsible for scheduling formal performance reviews of the Board, its Committees and the individual Directors annually, assisted by the Company Secretary. The Board then undertakes an evaluation process to review its performance. The review process involves:

- Completion of a questionnaire/survey by each Director or member of the Committee and nominated Executives who have regular interaction with the Board;
- An individual feedback session conducted by the Chairman with each Non-Executive Director, covering his or her performance based on the survey results. The Chair of the Remuneration Committee is nominated by the Board to conduct a similar feedback session with the Chairman;
- The preparation and provision of a report to the Board and each Director with feedback on the performance of the Board and its Committees based on the survey results; and
- The Board /Committee members meet to discuss areas for improvement and identify actions to be taken for improvement.

A performance review of the Board, its Committees and the individual Directors was conducted during the reporting period in accordance with the process outlined above. The next performance review is scheduled for June 2019.

In the lead up to the commencement of each new financial year, key performance indicators (**KPIs**) for the CEO and each Executive are reviewed and recommended to the Board by the Remuneration Committee.

The Remuneration Committee, together with the CEO reviews and makes recommendations to the Board following the CEO's annual performance assessment of his direct reports against the agreed KPIs. The annual



performance assessment of the CEO is undertaken by the Remuneration Committee and the Remuneration Committee reviews the performance of the CEO against his KPIs.

A performance evaluation of the CEO and each Executive was conducted in respect of the 2019 financial year.

KPIs in respect of FY2020 for the CEO and each Executive have also been established and reported to the Board.

Diversity

The Board has adopted a Diversity Policy and the Company is committed to providing and promoting a corporate culture which embraces diversity. A copy of the Diversity Policy is available on the Company's website. The Diversity Policy includes a requirement for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them. The Chief People & Culture Officer is responsible for ensuring that the Group meets its diversity compliance and reporting obligations.

Diversity helps the Group improve business results, enhance its reputation and attract, engage and retain talented people. People value working in an organisation where differences are respected. In addition, having a diverse range of employees better enables the Group to provide the best service to its customers.

The Group's commitment to workplace diversity is an investment in the creation of a sustainable and enduring business, which will deliver long term shareholder value. The Group's Diversity Policy is designed to clarify the Group's commitment to an inclusive workforce that embraces and promotes diversity in all respects. The Policy also provides a framework for the Board to set measurable objectives for achieving diversity and to assess annually the Company's progress in achieving them.

To assist the Group to continue its work towards achieving diversity in the workplace, the following measurable objectives were reviewed by the Remuneration Committee and approved by the Board in relation to FY2019. A summary of progress achieved against these objectives during the year is set out below.

- **Objective:** To implement a formal Flexible Workplace Policy globally accompanied by communication and education surround this policy integrated into the managers stream of Learning & Development.
- **Performance Against Objective:** Formal Flexible Workplace policies were implemented and continued in all key jurisdictions. There is a culture of flexibility at OFX where employees are measured on their outputs have seen many informal flexible work arrangements such as working from home.
- **Objective:** To continue to monitor trends and implement initiatives encouraging attraction of more women into Product, Technology and customer-facing roles to ensure our Commercial, Product and Technology team better reflects our customer base in terms of gender.
- **Performance Against Objective:** During FY2019 OFX participated in network events specifically targeting women in Product/Technology, including "Girl Geeks". A number of internal Stop, Collaborate and Listen sessions were also held globally focusing on women in Technology. Training has also been rolled out for hiring managers on correct recruitment methods, including unconscious bias.
- **Objective:** Review our current Parental Leave policies globally and ensure we are at an appropriate/surplus industry standard in order to attract and retain women.
- **Performance Against Objective:** Primary carers leave (maternity leave) was amended and increased globally to 12 weeks paid leave after 1 year of continuous service or statutory leave whichever is higher.
- **Objective:** Ensure that our pursuit of gender diversity and a balanced, well represented workforce, is not at the cost of qualified candidates and/or existing employees in overrepresented groups.
- **Performance Against Objective:** Recruitment training conducted for all hiring managers including unconscious bias training.



As part of the process towards achieving gender diversity, the representation of female employees is outlined below.

	Proportion of female employees in OFX Group as at 18 April 2019				
OFX Group	Board	Executive*	Skip Level**	Manager***	Employee****
Female	33%	62.5%	48.6%	42.1%	40.7%
Male	67%	37.5%	51.4%	57.9%	59.3%

*Represents the Group Executive Team who report to the CEO.

**Represents the senior employees who all report into an Executive.

***Represents all people managers.

****Represents all other staff (total employees minus senior executives and managers).

The Company prepares an annual report to the Workplace Gender Equality Agency. Copies of which can be found <https://www.wgea.gov.au/>.

The Company's FY2020 objectives for diversity will be:

1. Retain and continue to grow the number of women in leadership roles, subject to merit against role requirements.
2. Continue to provide development and promotion opportunities regardless of gender, including:
 - Attendance at leadership development programs;
 - Promotions; and
 - Talent/succession management.
3. Continue to deliver equal average pay for men and women at each job grade.
4. Target for the Board to be at least 40% female by the end of FY2020.

The Board oversees the Company's strategies on gender diversity, including monitoring achievements against gender targets set by the Board.

Principle 2 - Structure the Board to add value

Nomination, Appointment and Re-election of Directors

The procedures for the appointment and removal of Directors are ultimately governed by the Company's Constitution. One of the roles of the Remuneration Committee, as set out in its Charter, is to identify and recommend to the Board individuals for nomination as members of the Board and its Committees, taking into account such factors as it deems appropriate, including experience, qualifications, judgement and the ability to work with other Directors.

Given the size of the Board at this time, it is considered unnecessary to have a stand-alone Nomination Committee.

External consultants may be engaged to assist the Board in identifying appropriate candidates for appointment.

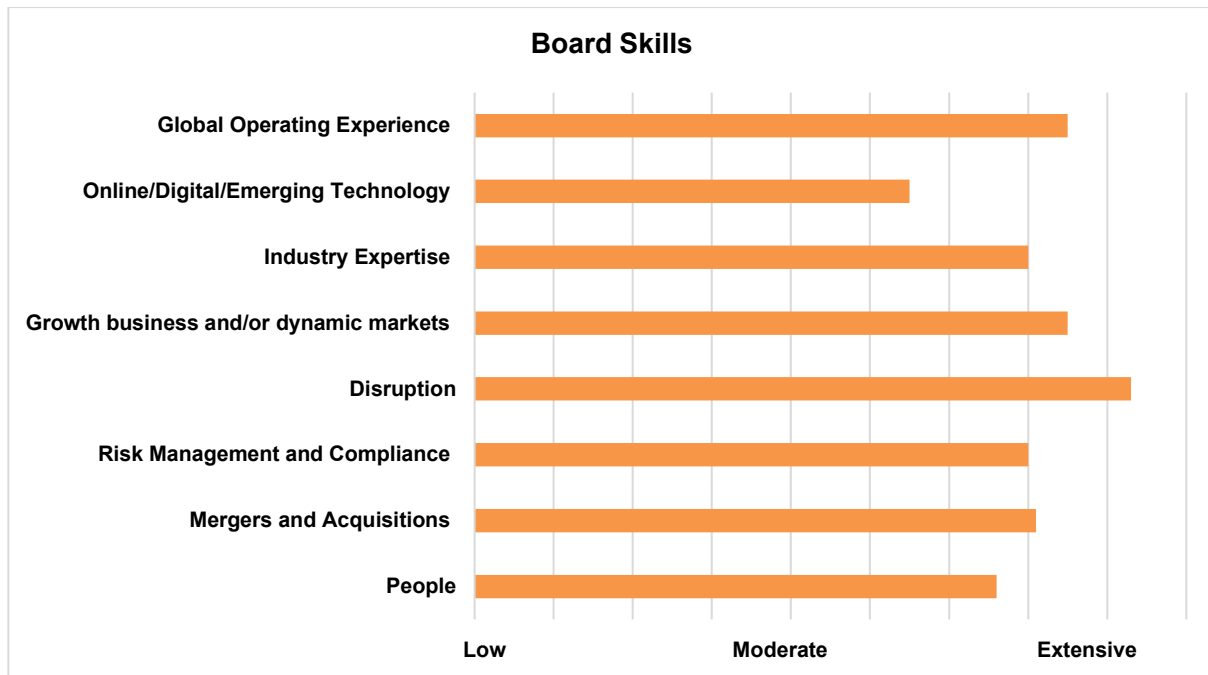
Prior to and following appointment, potential and new Directors may meet with Non-Executive Directors, the CEO, CFO and other Executives to familiarise themselves with the Company's business, strategy and operations which includes part of the company's induction programme as described within this Corporate Governance Statement.

Composition of the Board

The Board currently comprises six Directors, being a Non-Executive Chairman, one Executive Director and four Non-Executive Directors. The Board's size and composition is determined by the Directors, within limits set by the Company's Constitution. Directors' profiles, duration of office and skills and experience are set out in the Directors' Report in the Company's 2019 Annual Report.



The Board seeks to have an appropriate mix of skills, experience, expertise and diversity to enable it to discharge its responsibilities and add value to the Company. The Board values diversity in all respects, including gender and differences in background and life experience, communication styles, interpersonal skills, education, functional expertise and problem solving skills. Together, the Directors contribute the following key skills and experience:



Skill	Description
Global Operating Experience	Exposure to international regions either through experience working in an organisation with global operations or through management of international stakeholder relationships, including understanding of different cultural, political, regulatory and business requirements.
Online/Digital/Emerging Technology	Expertise/experience in the analysis of online/digital feasibility and assessment, strategies for optimising value and understanding and mitigating risk from/of online/digital opportunities, including skills and knowledge for addressing cyber risks and privacy risks.
Industry Expertise	Experience and/or broad understanding of the cross-border payments industry or wider financial services industry including market drivers, risks, opportunities and trends including policies, competitors, end users, regulatory policy, framework and engagement.
Growth business and/or dynamic markets	Experience in building growth businesses and/or in highly competitive and dynamic markets/industries.
Disruption	Experience in an industry that has faced significant disruptive change and/or rapidly changing business environment.
Financial Acumen	Experience in financial accounting and reporting, corporate finance, risk and internal controls.
Risk Management and Compliance	Experience in the identification and resolution of legal and regulatory issues, including ability to anticipate and evaluate key risks to the group in a wide range of areas including legal and regulatory compliance and monitor risk and compliance management frameworks and systems.
Mergers and Acquisitions	Experience in all aspects of the negotiation, structuring, risk management and assessment of both acquisitions and divestments.
People	Experience in building workforce capability, setting a remuneration framework which attracts and retains a high calibre of executives, talent development, engagement and organisational change and promotion of diversity and inclusion.



The appointment of any new Director is based on pre-established criteria having regard to the existing skills matrix of the Board as a whole and having assessed those areas where additional skills or background or experience are required.

During the period, the Board, with the assistance of the Remuneration Committee recognised an opportunity to add to the diverse skill set of the Board and appointed Connie Carnabuci. This was considered a strategic appointment which further strengthens the Board's experience across financial services, technology, digital, disruption and knowledge of the Asian market.

The Board feels that it is currently of the right structure and size and possesses the necessary expertise to drive the short, medium and long term strategic objectives of the Group.

Director Independence

The Board Charter requires that the majority of the Directors are "independent" which is defined within the Board Charter. This takes into account the guidance provided under the ASX Listing Rules and the ASX Principles and Recommendations.

The Board will review any determination it makes as to a Director's independence on becoming aware of any information that may have an impact on the independence of the Director. For this purpose, Directors are required to ensure that they immediately advise the Board of any relevant new or changed relationships to enable the Board to consider and determine the materiality of the relationships.

The Board annually reviews the independence of directors and requires that each Director immediately disclose if he/she is, or becomes aware of, any information, facts, or circumstances that will or may affect that Directors' independence.

Director	Independent Status	Appointment Date
Steven Sargent	Independent, Non-Executive Director and Chairman	4 August 2016
John Alexander (Skander) Malcom	Not considered independent, Executive Director	1 February 2017
Grant Murdoch	Independent, Non-Executive Director	19 September 2013
Douglas Snedden	Independent, Non-Executive Director	16 March 2015
Lisa Frazier	Independent, Non-Executive Director	1 April 2018
Connie Carnabuci	Independent, Non-Executive Director	1 April 2019
Melinda Conrad	Independent, Non-Executive Director	Resigned effective 28 September 2018

Chairman and CEO are not the same person

The Chairman of the Board is elected by the Non-Executive Directors. The Board supports the separation of the role of Chairman and CEO. The Chairman's role is to manage the Board effectively, to provide leadership to the Board, and to facilitate the Board's interface with the CEO.

Director education and induction

All Directors are responsible for ensuring they remain current in understanding their duties as Directors. Ongoing directors have access to continuing education about the Group in the form of regular updates from the CEO and his direct reports, and where necessary by external legal and financial advisors on specific issues. Any new Directors receive a comprehensive induction designed to familiarise them with the business, strategy and operations by way of meetings with Non-Executive Directors, Executives and other key employees, access to all relevant Company information including key corporate governance policies, charters and procedures and Board papers, where appropriate.



Conflicts of interest

The letters of appointment of the Directors outline the Board's policy on conflicts of interest and Directors are required to disclose any conflict of interest to the Board which is recorded in the Conflicts of Interest register maintained by the Company Secretary. At each Board and Committee meetings, Directors are requested to consider whether there are any changes to their standing interests or whether there are any new interests to declare. Where conflicts of interest do exist, Directors excuse themselves from discussions and do not exercise their right to vote in respect of such matters.

Access to Information and Independent Advice

All Directors have access to the CEO's direct reports and the Company Secretary, to discuss issues or obtain information on specific areas in relation to items to be considered at Board meetings or other areas as they consider appropriate. Further, Directors have unrestricted access to Group records and information.

The Board, its Committees and each Director has the right, subject to the approval of the Chairman, to seek independent professional advice at the Group's expense to assist them to carry out their responsibilities. Further, the Board and its Committees has the authority to secure the attendance at meetings of outsiders with relevant experience and expertise.

Principle 3 - Promote ethical and responsible decision making

Code of Conduct

The Board maintains high standards of ethical conduct and the CEO is responsible for ensuring that high standards of conduct are maintained by all staff. The Group's reputation as an ethical business organisation is critical to its ongoing success. The Board has adopted a Code of Conduct covering the practices necessary to maintain confidence in the Group's integrity, the practices necessary to take into account the Group's legal obligations and reasonable expectations of its stakeholders, and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. It is not a prescriptive set of rules but rather a practical set of principles giving direction and reflecting the Group's approach to business conduct.

The Company's Code of Conduct was reviewed during the period and is available on the Company's website.

The Company encourages individuals to report known or suspected instances of inappropriate conduct, including breaches of the Code of Conduct and other policies and directives. There are policies in place designed to protect employees and contractors from any reprisal, discrimination or being personally disadvantaged as a result of their reporting a concern.

Principle 4 - Safeguard integrity in financial reporting

Audit, Risk and Compliance Committee (ARCC)

The Board is committed to a transparent process for auditing and reporting of the Group's financial performance and overseeing the Group's internal control structure, risk management framework and systems and systems and processes for compliance with applicable legal and regulatory requirements. The Board has established the ARCC, which performs a central role in assisting the Board in achieving this goal.

The ARCC's principal functions are set out in its Charter, which is available on the Company's website and includes:

- To ensure that the ARCC understands the Group's structure, business and controls to ensure that it can adequately assess the significant risks facing the Group;
- To oversee the Group's financial reporting process on behalf of the Board and to report the results of its activities to the Board, including:
 - To review the Group's financial statements to determine whether they are accurate and complete and make any necessary recommendations to the Board;



- To review significant accounting policies adopted by the Group to ensure compliance with AIFRS and generally accepting accounting principles;
 - Considering any significant accounting, financial reporting issues raised and matters relevant to half year and annual reporting in a timely manner;
 - Systems in place aimed at ensuring accounting records are properly maintained are in accordance with statutory requirements; and
 - Review other financial information distributed externally as required.
- To oversee the performance of the external audit including making recommendations to the Board in relation to the external auditor and internal auditor (if applicable);
 - Review the effectiveness of the Group's risk and compliance function, reviewing the risk management framework and establishing procedures and systems in relation to dealing breaches, complaints; and
 - Reviewing the Group's legal and regulatory compliance.

One of the main purposes of the ARCC is to ensure the quality and independence of the audit process. The Chair of the ARCC and the CFO work with the external auditors to plan the audit approach. All aspects of the audit are reported back to the ARCC and the external auditors are given the opportunity at ARCC meetings to meet with the Board. The External Auditor will meet with the Board without management present to allow open discussion between the Directors and the external auditor in relation to their external audit.

The ARCC is structured so that it has at least three members, consists only of Non-Executive Directors, consists of a majority of independent directors and is chaired by an independent Chair who is not the Chairman of the Board. Further all members must be financially literate and at least one member shall have accounting and/or related financial management expertise.

The ARCC has a minimum of four scheduled meetings each year and at other times as required. The Company Secretary attends and minutes all meetings. The Chair of the ARCC reports the findings of the ARCC back to the Board at the following Board meeting. Minutes of each of the committee meetings are also provided to the Board.

The external auditor is invited to attend all meetings. To ensure the auditor remains independent, all audit and non-audit work is authorised by the ARCC. The external auditor is not permitted to perform any non-audit or assurance services that may impair or appear to impair the external auditor's judgement.

Declarations

In accordance with section 295A of the *Corporations Act 2001* (Cth) and Principle 4 "Safeguard Integrity in Corporate Reporting", for each half and full year financial period, the CEO and CFO provide the Board with a written declaration that, in their respective opinions:

- The financial records of the Company have been properly maintained; and
- The financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company.

To underpin the integrity of the Company's financial reporting and risk management framework, it is also the Company's practice for the CEO and CFO to state to the Board in writing that in their respective opinions:

- Statements made regarding the integrity of the financial statements are found on a sound system of risk management and internal compliance and control systems which implement the policies adopted by the Board;
- The risk management and internal compliance and control systems, the extent that they relate to financial reporting, are operating effectively and efficiently, in all material respects based on the risk management framework adopted by the Company; and



- The Company's material business risks (including non-financial risks) are being managed effectively.

In FY2019, the Board received the declarations and statements referred to above in relation to the half year ending 30 September 2018 and the full year ending 31 March 2019, prior to approving the financial statements for those periods.

Audit Process

The financial reports are subject to an annual audit by an independent professional auditor, who also reviews the Group's half yearly financial statements. The ARCC oversees this process on behalf of the Board, in accordance with its Charter.

The current external auditor is PWC. The lead audit and engagement partner for the 2019 financial year was Ms. Elizabeth O'Brien.

Attendance at AGM by Auditor

The external auditor attended the 2018 AGM and was available to answer questions from shareholders present at the meeting.

Principle 5 - Make timely and balanced disclosure

Continuous Disclosure Policy

The Board has adopted a comprehensive Continuous Disclosure Policy and is available on the Company's website. The purpose of the Continuous Disclosure Policy is to:

- Ensure that the Company, as a minimum, complies with its continuous disclosure obligations under the *Corporations Act 2001* (Cth) and the ASX Listing Rules and as much as possible seeks to achieve and exceed best practice;
- Provide shareholders and the market with timely, direct and equal access to information issued by the Group; and
- Promote investor confidence in the integrity of the Group and its securities.

The Continuous Disclosure Policy is administered by several key personnel within the Group with the Company Secretary having overall responsibility for the administration of the Policy and all communications with the ASX. The onus is on all staff to inform the Company Secretary of any material price sensitive information as soon as becoming aware of it.

Principle 6 - Respect the rights of shareholders

Shareholder communications

The Company is committed to effective, accurate and timely communication with its shareholders, market participants, customers, employees, suppliers, financiers, creditors, other stakeholders and the wider community. The Company will ensure that all stakeholders, market participants and the wider community are informed of its activities and performance.

The Board has adopted a Communications Policy, which is available on the Company's website, which sets out the Group's approach and commitment to communication. Information is communicated in a number of ways including:

- Group website;
- annual and half yearly reports;
- market disclosures;
- updates on operations and developments;
- market briefings and webcasts of briefings; and



- presentations at General Meetings.

The half year and annual report, market releases and presentations are all available on the Company's website.

In addition, the Company has an investor relations engagement program that includes engaging with institutional investors, buy-side and sell-side research analysts and individual investors on a scheduled basis (including the release of its results) or ad hoc basis (including industry conferences and key updates). During the reporting period, the Group held an Investor Day and invited current and prospective investors to meet with its Board, Executives and other senior management of the Company. The Investor Day was aimed at providing investors with insight to better understand the Group's business operations and strategy, its culture, the complex industry that OFX operates in as well as its marketing approach and customer engagement, and internal governance and risk processes.

The Board places importance on these interactions as it allows the Company to articulate its objectives and also receive feedback from investors on all areas of its performance including its strategy, financial results and governance. During the 2019 financial year, the following key information was released to shareholders:

- Half Year results;
- Full Year results;
- Investor Day presentation materials;
- Annual Report; and
- Chairman and CEO's presentations to the AGM.

Advance notification of scheduled analyst and investor briefings are provided to shareholders, the briefings are webcast and then archived to the Company's website.

The Company is planning to hold its AGM in August 2019 and a copy of the Notice of Meeting will be provided on the Company's website as well as being sent directly to shareholders via their nominated means of communication. The Board encourages shareholders to attend the AGM or to vote directly or by proxy if they are unable to attend. Shareholders are also invited to submit questions prior to the AGM, which may be answered by the Chairman or CEO in their addresses.

Shareholders are encouraged to receive communications from and send communications to the Company and its share registrar, Link Market Services electronically

Principle 7 - Recognise and manage risk

Risk Management Policy

The Company believes that risk recognition and management are integral to creating and maintaining shareholder value, and to the successful execution of its strategic objectives. The Company has a Risk Management Policy which sets out its approach to risk management. The Company seeks to ensure that appropriate systems are in place to identify material risks that impact the business; that the financial impact of identified risks is understood, and appropriate internal control systems are in place to limit the Group's exposure to such risks, that appropriate responsibilities are delegated to control the identified risks effectively and any material changes to the Group's risk profile are appropriately disclosed. This occurs through the Risk Management Framework which establishes a system of risk oversight and management to identify, assess, monitor and manage risk.

During the reporting period, the ARCC reviewed the Group's Risk Management Policy and is satisfied that it continues to be sound.

Sustainability Risks

Details of the key economic risks facing OFX and how they are managed are set out in the Operating and Financial Review of the Directors Report in the Company's 2019 Annual Report.

The following material social sustainability risks have been identified by the Company:



- **Money laundering:** Money laundering is a process by which the illicit source of assets obtained or generated by criminal activity is concealed to obscure the link between the funds and the original criminal activity. It therefore has significant economic and social consequences. As an international payments company involved in the transfer of funds around the world, OFX has a responsibility to take steps to prevent the use of its services for the purposes of money laundering, terrorist financing or other illegal activities. OFX has therefore implemented policies, systems and controls to detect and prevent these activities and regularly undertakes independent reviews of their effectiveness; and
- **Money Transfer Scams:** Recipient fraud occurs when a genuine OFX customer sends or attempts to send funds to a fraudulent recipient as a result of misinformation. This misinformation can occur in various ways, such as from email accounts, romance scams, investment scams, phishing emails, lottery scams, etc. Scam activity is a growing concern and causes significant harm to community. OFX will not facilitate transfers for customers where it believes they are a victim of a scam and has implemented fraud systems that aim to detect and prevent recipient fraud. This includes blocking transfers to known scam accounts where notified by regulatory agencies and regularly training its staff on identifying where customers may be victims of scams. These measures however, cannot detect all customers who are subject to recipient fraud.

The Company does not consider that it has any material environmental sustainability risks.

A risk management and internal control system

The Board Charter provides that it is the responsibility of the Board to identify the principal risks of the business and also to review and ratify the Group's systems of internal compliance and control, risk management and legal compliance to determine the integrity and effectiveness of those systems.

The ARCC also assists the Board in carrying out its accounting, auditing, financial reporting and risk management responsibilities. The ARCC is required to regularly review those areas of greatest compliance risk including obtaining updates from management. The ARCC is required to at least annually review the effectiveness of the compliance function and be satisfied that all regularly compliance matters have been considered in the preparation of all official documents of the Group. Management undertakes quarterly risk assessments and these assessments are reported to the ARCC. The risk assessments include information to show the status of identified risks and how these are being managed.

The Chief Operating Officer has responsibility for management of the Group's risk function and has access to the Chairman of the ARCC.

The Company's internal audit function is outsourced to Ernst & Young and other specialised independent review firms. Internal Audit provides independent assurance over the effectiveness of the Company's risk management, internal control and governance processes. The internal audit function has direct access to the Chairman of the ARCC and to management. A risk-based approach is used to develop the annual internal audit plan, aligning planned internal audit activities to the Company's material risks. The internal audit plan is approved by the ARCC annually.

Principle 8 - Remunerate fairly and responsibly.

Remuneration and Nomination Committee (Remuneration Committee)

The Board believes that attracting and retaining the right calibre of personnel at the Board, Executive and Employee level is critical to ensure the Group is able to pursue its strategic objectives.

The Remuneration Committee assists the Board to achieve this. Its role and function are set out in its Charter, a copy of which is available on the Company's website. The Remuneration Committee responsibilities include:

- Providing advice in relation to remuneration packages of Executives, non-executive Directors and executive Directors, equity-based incentive plans and other employee benefit programs;
- Reviewing the Group's recruitment, retention and termination policies;



- Reviewing the Group's superannuation arrangements;
- Reviewing succession plans of Executives and the CEO;
- Recommending individuals for nomination as members of the Board and its committees;
- Ensuring the performance of the Executives and members of the Board are reviewed at least annually;
- Considering those aspects of the Group's remuneration policies and packages including equity-based incentives, which should be subject to shareholder approval; and
- Monitoring the size and composition of the Board and consider strategies to address Board diversity and the Group's performance in respect of the Group's Diversity Policy.

Composition of Committee

The Remuneration Committee is structured so that it has at least three members, consisting only of Non-Executive Directors all of whom are independent directors, and is chaired by an independent Chair who is not the Chairman of the Board.

Trading in the Company securities by Directors and Employees

All Directors and employees are required to comply with the Group's Securities Trading Policy in undertaking any trading in the Company's shares and may not trade if they are in possession of any inside information. Directors and employees can only trade during the specified trading windows which occur in the 3 weeks immediately following the release of the half year and full year results and the annual meeting. In addition, Directors and certain restricted employees may only trade during the trading windows with prior written clearance as set out in the policy.

The Company has in place an Executive Share Plan which was approved by shareholders at the Company's 2018 AGM. The Securities Trading Policy prohibits participants from entering into transactions in financial products which operate to limit the economic risk of security holdings in OFX over unvested entitlements or vested entitlements subject to a holding lock or restriction on dealing (restricted entitlements or restricted securities), including, without limitation, any hedging or similar arrangement in respect of unvested entitlements or restricted entitlements held or granted under any equity based remuneration scheme.

Directors, Executives and certain other employees are prohibited at all times from entering into any stock borrowing or margin loan arrangement in relation to security holdings in OFX, transferring securities in OFX into an existing margin loan account and selling securities in OFX to satisfy a call pursuant to a margin loan.

During the period, the Securities trading Policy was reviewed, and a copy is available on the Company's website.