**Registered office:** FairFX Group Plc,
Vintners' Place, 68 Upper Thames Street,
LONDON, EC4V 3BJ
**Registration number:** 08922461

# Chairman's Corporate Governance Statement

## Overview

As Chairman of the Board of Directors of FairFX Group plc (**FairFX**, **We**, or the **Company/Group** as the context requires), it is my responsibility to ensure that FairFX has both sound corporate governance and an effective Board. As Chairman of FairFX, my responsibilities include leading the Board effectively, overseeing the Company's corporate governance model, and ensuring that good information flows freely between Executives and Non-Executives in a timely manner.

FairFX has decided to adopt the Quoted Companies Alliance Corporate Governance (**QCA Code**) in line with the London Stock Exchange's recent changes to the AIM Rules, requiring all AIM-listed companies to adopt and comply or explain non-compliance with a recognised corporate governance code. This report follows the structure of these guidelines and explains how we have applied the guidance. We will provide annual updates on our compliance with the QCA Code. The Board considers that the Group complies with the QCA Code in all respects, and details of same can be seen below.

FairFX understands that application of the QCA Code supports the Company's medium to long-term success whilst simultaneously managing risks and providing an underlying framework of commitment and transparent communications with stakeholders. FairFX is committed to promoting a socially responsible corporate culture, illustrated through its internal values and policies, as well as external supplier and shareholder engagement.

Key governance related matters that have occurred during the year includes the Company's formal adoption of the QCA Code and the formation of a Nomination Committee.

## QCA Principles

### 1. Establish a strategy and business model which promotes long-term value for shareholders

The Board has concluded that the highest medium and long-term value can be delivered to its shareholders through the Company's business efficiency and innovation strategies. FairFX aims to achieve business efficiency through a combination of the following; increasing scale through acquisitions, selective internalisation of the supply chain, thus reducing costs and improving speed of deploying new products, and a continual focus on improving the user experience (UX) across its platforms and products. This strategy seeks to make it easier for customers to access FairFX's products and services, as well as improve UX and ease of transactions undertaken by its customers, both corporate and retail. FairFX's innovation strategy is focused on the provision of digital banking services which can be achieved through new product launches.

Future developments to provide for long-term growth are outlined on page 4 of the Company's 2017 Annual Report, which can be found on the Company's website.

The Company's current intention is to deliver shareholder returns through capital appreciation. Challenges to delivering the above strategies and long-term goals are outlined in the Risk Management section below, as well as steps the Board takes to protect the Company and mitigate these risks, thus securing a long-term future for the Company.

### 2. Seek to understand and meet shareholder needs and expectations

FairFX places a great deal of importance on communication with its stakeholders and is committed to establishing constructive relationships with investors and potential investors in order to assist it in developing an understanding of the views of its shareholders. The Company seeks to provide effective communication through Interim and Annual Reports, along with Regulatory News Service announcements, all of which can be found on the Company website, *www.fairfxplc.com*.

FairFX is committed to maintaining a healthy dialogue between the Board and all of its shareholders to enable shareholders to come to informed decisions about the Company. The Chair acts as a liaison for shareholders, although throughout the year and especially during the Annual and Interim Results cycles, the CEO and CFO invite investors to attend presentations and meetings, imparting information about the Company whilst listening to shareholder feedback and reporting comments back to the Board as a whole.

The AGM also presents shareholders with an additional opportunity to communicate with the Board, to which FairFX proactively encourages investors to attend and participate. The AGM is attended by the Board and is open to all the Group's shareholders. The Company engaged the services of Boudicca to identify, analyse and mobilise the shareholder base, and encourage engagement with voters in relation to the Company's 2018 AGM. This proactive campaign saw the number of voters in the 2018 AGM increase. The Company seeks to understand the motivation behind shareholder voting decision. This is demonstrated as the Company receives ISS reports as well as providing feedback on the findings of the ISS, helping them to understand the reasoning behind the Company's decisions. The Company also receives quarterly reports from Richard Davies Investor Relations, containing shareholder analyses, enabling the Company to identify and reach out to new investors.

The Company is open to receiving feedback from other key stakeholders, and will take action where appropriate. Information on the Investor Relations section of the Group's website (www.fairfxplc.com) is kept updated and contains details of relevant developments, reports and other key information.

## 3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Board recognises that the long-term success of the Company is reliant upon the effective engagement with its employees, suppliers, consumers and other stakeholders. The Board has put in place a range of processes and systems to ensure that there is close oversight and contact with its key resources and relationships. The Company prepares an annual strategic plan and detailed budget which takes into account a wide range of key resources including consultants.

All employees within the Group are valued members of the team, and the Company seeks to implement provisions to retain and incentivise its employees. The Group offers equal opportunities regardless of race, gender, gender identity or reassignment, age, disability, religion or sexual orientation.

FairFX have recently introduced Group-wide shared values which are in line with the Company's business pillars and brand values. These have been introduced to help guide the Company's behaviour, and to ensure that key internal stakeholder relationships are maintained, and are a direct result of a Group-wide survey. Further details relating to the values can be found in Principle 8 below. The Company also has a Whistleblowing Policy in place in order to discourage illegal activity and unethical business conduct in the Company, thus ensuring its employees are protected.

The Company is in constant contact with its key customers and suppliers, ensuring key relationships are maintained. FairFX undertakes regular reviews with its suppliers and proactively monitors its customer satisfaction through its Trust Pilot and Net Promoter scores.

FairFX has no significant environmental or community impact, but will continue to monitor and will take action if this changes in the future.

## 4. Embed effective risk management, considering both opportunities and threats, throughout the organization

The Board recognises the need for an effective and well-defined risk management process and it oversees and regularly reviews the current risk management and internal control mechanisms. Monitoring of the operational performance of the Group is an area of ongoing review.

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FairFX has a separate Risk Committee made up Executives and management who meet on a quarterly basis to identify, assess and monitor principal risks (excluding financial risks which are managed by the Audit Committee). They are responsible for updating the Company's Risk Register, evaluating the frequency and severity of identified risks. The Risk Committee reports any changes or new risks to the Board at every board meeting, ensuring risks are properly managed. Through this process the Board can determine if the risk exposure has changed during the year, and these disclosures are included in the Annual Report.

The Audit Committee is responsible for assessing and monitoring the Company's financial risks and reviewing the Company's financial controls. The Audit Committee has delegated responsibility to ensure that the Company's management has designed and implemented an effective system of internal financial controls and to review and report on the integrity of the consolidated financial statements of the Company and related financial information. The Committee will maintain effective working relationships with the Board of Directors, management, and the external auditors and monitor the independence and effectiveness of the auditors and the audit. The Audit Committee has stated that risk management is an area that it will continue to focus on over the coming year.

The risk assessment matrix below sets out and categorises key risks, and outlines the mitigating actions that are in place. This matrix is updated as changes arise in the nature of risks or the mitigating actions implemented, and the Board reviews risks on a regular basis. The following principal risks and mitigating actions have been identified:

Issue: Goodwill

| The Risk | Our Response |
|---|---|
| The calculation of the recoverable amount of goodwill is complex and subject to inherent uncertainty as it relies on key assumptions made by the Directors. As the goodwill is sensitive to changes in key assumptions, there is the risk that the goodwill will not be recoverable. | The Company's sector experience:<br>• Challenging the Directors' identification of and allocation of goodwill to CGUs;<br>• Evaluating, challenging, and testing the Group's assumptions used in the annual impairment review of goodwill, in particular the forecast cash flows and the discount rate applied;<br><br>Historical comparison:<br>• Assessing the historical accuracy of forecasting by the Directors;<br><br>Sensitivity analysis:<br>• Performing sensitivity analysis on the key assumptions in the forecasts to assess if there are any reasonably foreseeable circumstances in which impairment could occur;<br><br>Assessing transparency:<br>• Assessing the adequacy of the Group's disclosures about the impairment assessment. |

Issue: Investments in subsidiaries

| The Risk | Our Response |
| --- | --- |
| The carrying amount of the parent Company's investments in subsidiaries represents a significant amount of the Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent Company financial statements, this is considered to be the area that had the greatest effect on our overall parent Company audit. | Our sector experience:<br>• Critically assessing the existence of impairment indicators by examining the current level of trading, including identifying any indications of a downturn in activity, and by examining the post year end management accounts;<br><br>Test of details:<br>• Comparing the carrying amount of all investments with the relevant subsidiaries' draft balance sheets, audited for Group reporting purposes, to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount, and for acquisitions made during the year assessing whether the goodwill recognised has been impaired; and<br><br>Our sector experience:<br>• Comparing the market capitalisation of the Group to the net assets of the Group, which may indicate impairment in the carrying value of the Company's subsidiaries. |

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Issue: Revenue

<table>
<tr><th>The Risk</th><th>Our Response</th></tr>
<tr><td>Revenue from the Currency Cards, FairPay, Dealing and Central segments is derived from the buying and selling of currency at spot rates, and is recognised as the difference between the rate offered to clients and the rate the Group receives from its liquidity providers. The exchange rates used may be incorrect, leading to a material under and overstatements of revenue.<br><br>Revenue is derived across 5 product segments and comprises a high volume of relatively low value individual transactions. Revenue may not be completely recorded or revenue may be recorded for transactions in the incorrect accounting period or that have been subsequently cancelled.<br><br>Commercial arrangements with third party providers of Currency Cards, FairPay, Dealing, Banking and Central differ across individual segments, such that the Group may be acting as principal or agent. An error in the assessment of these relationships may result in an incorrect presentation of the revenue.</td><td>Our procedures included: In the Currency Cards segment:<br>Data comparison:<ul><li>Reconciling system reports for the gross value of currency transactions sold to daily statements from the intermediary between the principal and the Group, and agreeing contracted exchange rates to statements from the currency provider for the gross value of currency transactions purchased;</li></ul>In the International Payments segments:<br>Test of details:<ul><li>Selecting a substantive statistical sample of FairPay and Dealing deals, and tracing the items to order details and bank statements and agreeing contracted exchange rates to statements from the currency providers for gross value of currency transactions purchased;</li></ul>Test of details:<ul><li>Using computer assisted audit techniques to identify gaps in the sequential numbering of Dealing trades;</li></ul>In the Banking segment:<br>Expectation vs outcome:<ul><li>Developing an expectation of the current year balance based on our view of the number of accounts and relationships with revenue, including consideration of historical data; and</li></ul>In all segments:<br>Our sector experience:<ul><li>Assessing whether the Group is acting as an agent or principal by assessing the risks and responsibilities of the Group.</li></ul></td></tr>
</table>

Given the scale of the Group, the Audit Committee believes an internal audit function is not yet considered necessary as day to day control is sufficiently exercised by the Executive Directors. However, the Board engages with specialist external auditors to evaluate areas such as PCI compliance and penetration testing. The Board will continue to monitor the need for an internal audit function.

## 5. Maintain the Board as a well-functioning, balanced team led by the Chair

The Board comprises of one Executive Director, Ian Strafford-Taylor, and three Non-Executives, John Pearson, Robert Head and Ajay Chowdhury. The Company considers all three of its Non-Executives to be independent in character and judgement, all of whom have a very small interest in the Company through options. John Pearson is the Company's Chair.

Meetings of the board are open and constructive, with every Director expected to participate fully. Senior management are encouraged to attend meetings, providing the Board with a thorough overview of the Company and its day-to-day business. The Board aims to meet at least six times in the year and a calendar of meetings and principal matters to be discussed is agreed at the beginning of each year. In order to be efficient, the Directors meet formally and informally both in person and by telephone. Board and Committee document authors are made aware of proposed monthly deadlines through the calendar of meetings assembled at the beginning of the year. Board and Committee papers, including agendas, minutes, actions and financials, are combined into one document and circulated in soft copy, where possible, in advance, allowing time for full consideration and necessary clarifications before the meetings.

The Company has an Audit Committee, a Remuneration Committee, and a Nomination Committee. The Committees are staffed by appropriate Directors and chaired by experienced Committee members, thereby possessing the necessary skills and knowledge to discharge their duties effectively.

The attendance record of each relevant Director at Board and Committee meetings during 2017 is as follows:

| | Board | Audit Committee | Remuneration Committee |
|---|---|---|---|
| | 9 Meetings | 3 Meetings | 2 Meetings |
| John Pearson | 9 | 3 | 2 |
| Ian Strafford-Taylor | 9 | N/A | N/A |
| Ajay Chowdhury | 7 | 3 | 2 |
| Robert Head | 8 | 3 | 2 |

The Non-Executive Directors are each expected to dedicate approximately 18 days per annum and otherwise such time as required.

Directors' conflict of interest

The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

## 6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Company believes that the current balance of skills in the Board as a whole reflects a very broad range of commercial, professional and technical skills, enabling them to provide the necessary guidance, oversight and advice for the Company to operate effectively. The Non-Executive Directors have broad sector knowledge, from media and digital to broadcasting and retail, whilst the Executive Director has extensive experience in the finance industry. The Non-Executive Directors maintain ongoing communications with Executives between formal Board meetings.

Biographical details of the Directors can be found on the Company's website. Each Director is required to retire by rotation at least every three years at the Company's AGM, and may offer themselves for re-election thereat.

Anthony Quirke is the Company Secretary for FairFX. He is responsible for ensuring that Board procedures are followed and that the Company complies with all applicable rules, regulations and obligations governing its operation, as well as helping the Chairman maintain excellent standards of corporate governance. ONE Advisory Limited also provides additional Company Secretarial support and assistance with MAR compliance.

If required, the Directors are entitled to take independent legal advice and if the Board is informed in advance, the cost of the advice will be reimbursed by the Company.

In addition to their general Board responsibilities, Non-Executive Directors are encouraged to be involved in specific workshops or meetings, in line with their individual areas of expertise. The Board shall review annually the appropriateness and opportunity for continuing professional development, whether formal or informal.

The Nomination Committee will seek to take into account any Board imbalances for future nominations, with an area taken into account being gender balance.

## 7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Chairman has been assessing the individual contributions of each of the Board members to ensure that:

- Their contribution is relevant and effective;
- They are committed; and
- Where relevant, they have maintained their independence.

Over the next 12 months the Company intends to review the performance of the team as a unit to ensure that the members of the board collectively function in an efficient and productive manner, as well as reviewing the effectiveness of each Committee.

## 8. Promote a corporate culture that is based on ethical values and behaviours

The Board recognises that its decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave. The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long term value to its shareholders, and that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board.

A large part of the Company's activities are centred upon an open and respectful dialogue with employees, suppliers and other stakeholders. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives. The Board places great importance on this aspect of corporate life and seeks to ensure that this flows through all that the Company does. The Directors consider that at present the Company has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge.

This can be demonstrated through FairFX's recently introduced Group-wide values. The values are in line with the Company's business pillars and brand values and will help guide the Company's behaviour. These values promote the healthy corporate ethos of effective communication and encouraging an 'ideas culture'. The Company believes such values are important when it comes to creating a strong and consistent internal culture, as well as being essential to driving the Company's overall success as a business. FairFX has undertaken an employee engagement survey, which provided staff with the opportunity to provide feedback on the values. The adoption of these values, as well as the distribution of staff handbooks and employee workshops, illustrate the Company's commitment to promoting a healthy corporate culture.

The Company has also adopted a Share Dealing Code for Directors and applicable employees of the Group for the purpose of ensuring compliance by such persons with the provisions of the AIM Rules and Market Abuse Regulation relating to dealings in the Company's securities (including, in particular, dealing during close periods in accordance with Rule 21 of the AIM Rules). The Company also has Whistleblowing and Anti-Bribery Policies in place, further demonstrating the Company's promotion of ethical business conduct and practices.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board is committed to, and ultimately responsible for, high standards of corporate governance, and has chosen to adopt the QCA Code. It is responsible for the overall management of the Group including the formulation and approval of the Group's long-term objectives and strategy, the approval of budgets, the oversight of the Group's operations, the maintenance of sound internal control and risk management systems and the implementation of Group strategy, policies and plans. The Board reviews the Company's corporate governance arrangements regularly and expect to evolve these over time, in line with the Company's growth. The Board delegates responsibilities to Committees and individuals as it sees fit.

The Chairman's principal responsibilities are to ensure that the Company and its Board are acting in the best interests of shareholders. His leadership of the Board is undertaken in a manner which ensures that the Board retains integrity and effectiveness, and includes creating the right Board dynamic and ensuring that all important matters, in particular strategic decisions, receive adequate time and attention at Board meetings. The Chairman is also the main point of contact for shareholder and key stakeholder liaison, although the Executives meet shareholders regularly throughout the year.

The CEO has, through powers delegated by the Board, the responsibility for leadership of the management team in the execution of the Group's strategies and policies and for the day-to-day management of the business. He is responsible for developing corporate strategy.

The Independent Non-Executives are tasked with constructively challenging the decisions of executive management and satisfying themselves that the systems of business risk management and internal financial controls are robust.

Whilst the Board may delegate specific responsibilities, there is a schedule of matters specifically reserved for decision by the Board, including;

- material business contracts
- major corporate transactions and investments
- group strategy
- approval of budget
- approval of Interim and Annual Reports

The Board delegates authority to three Committees to assist in meeting its business objectives whilst ensuring a sound system of internal control and risk management. The Committees meet independently of Board meetings.

Audit Committee
The Audit Committee is responsible for monitoring the integrity of the Group's financial statements, reviewing significant financial reporting issues, reviewing the effectiveness of the Group's internal control and risk management systems and overseeing the relationship with the external auditor (including advising on their appointment, agreeing the scope of the audit and reviewing the audit findings).

The Audit Committee comprises of Robert Head (Chair), John Pearson and Ajay Chowdhury. The Audit Committee also meets regularly with the Group's external auditor. The Audit Committee will meet at least 3 times a year at appropriate times in the reporting and audit cycle and otherwise as required.

Remuneration Committee
The Remuneration Committee is responsible for determining and agreeing with the Board the framework for the remuneration of the Chairman, the Executive Directors and other designated senior executives and, within the terms of the agreed framework, determining the total individual remuneration packages of such persons including,

where appropriate, bonuses, incentive payments and share options or other share awards. The Group Chief Financial Officer and Group Financial Controller work closely with the Committee Chairman to facilitate open communication and regular information flow. Each committee member brings a wealth of professional and practical knowledge and experience which is relevant to the Company's industry.

The remuneration of Non-Executive Directors is a matter for the Board. No Director is involved in any decision as to his or her own remuneration.

The Remuneration Committee comprises of Robert Head (Chair), John Pearson and Ajay Chowdhury. The Remuneration Committee will meet at least twice a year and otherwise as required.

Nomination Committee

The Nomination Committee monitors the size and composition of the Board of Directors and the other Committees and is responsible for identifying suitable candidates to joining the Board. Succession planning is a key responsibility of the Nomination Committee.

The Nomination Committee comprises of comprises of John Pearson (Chair), Robert Head and Ajay Chowdhury. The Nomination Committee will meet as and when required, and has met once since its inception in September2018.

The Chair and the Board continue to monitor and evolve the Company's corporate governance structures and processes, and maintain that these will evolve over time, in line with the Company's growth and development.

## 10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Board is committed to maintaining effective communication and having constructive dialogue with its shareholders and other relevant stakeholders. The Company intends to have ongoing relationships with both its private and institutional shareholders (through meetings and presentations), and for them to have the opportunity to discuss issues and provide feedback at meetings with the Company.

In addition, all shareholders are encouraged to attend the Company's Annual General Meeting. The Board maintains that, if there is a resolution passed at a GM with 20% votes against, the Company will seek to understand the reason for the result and, where appropriate, take suitable action.

The latest Corporate Documents (including Annual Reports) can be found on the Company's website.

Information on the Investor Relations section of the Group's website (www.fairfxplc.com) is kept updated and contains details of relevant developments, reports and other key information.