

June 2020

# Risk Management Policy



## PIONEER CREDIT LIMITED ACN 103 003 505 (COMPANY)

### Risk Management Policy

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#### 1. Overview

In managing risk, it is the Company's practice to take advantage of potential opportunities while managing potential adverse effects. Managing risk is the responsibility of everyone in the Company.

This policy sets out the Company's approach to risk, including the responsibilities of the Board, the Audit and Risk Management Committee (**ARMC**), the Managing Director, senior executives and others within the Company in relation to risk management.

#### 2. Risk management procedure

The Company's yearly risk management activities are divided into quarters as follows:

##### 2.1. Quarter One commencing 1 July

Senior executives refer to the senior management team as distinct from the Board, being those who have the opportunity to materially influence the integrity, strategy and operation of the Company and its financial performance. Senior executives undertake the following activities:

- a) review and update the risk register and/or complete an individual risk report for critical material business risks and provide the register and/or the report to the ARMC;
- b) the Managing Director and Chief Financial Officer provide a certification that the declaration provided in accordance with section 295A of the Corporations Act 2001 (Cth) is formed on the basis of a sound system of risk management and internal control and that the system is operating effectively in accordance with the requirements of Recommendation 4.2 of the ASX Corporate Governance Principles and Recommendations ('ASX CGP'); and
- c) the Managing Director provides a report on the Company's risk management framework for the purpose of the Board's review in accordance with the requirements of Recommendation 7.2 of ASX CGP.

The ARMC undertakes the following activities:

- a) reviews and notes the updated risk register and/or individual risk reports and questions management if required;
- b) reviews and notes the Managing Director and Chief Financial Officer certification for the purposes of Recommendation 4.3 of ASX CGP; and
- c) reviews the Managing Director's report on the Company's risk management framework in order for the Board to annually satisfy itself that the Company's risk management framework continues to be sound for the purposes of Recommendation 7.2 of ASX CGP; and

The Board undertakes the following activities:

- a) notes the Managing Director and Chief Financial Officer certification for the purposes of Recommendation 4.3 of ASX CGP;

- b) reviews the ARMC's report on the Company's risk management framework in order for it to annually satisfy itself that the Company's risk management framework continues to be sound for the purposes of Recommendation 7.2 of ASX CGP; and
- c) makes the annual report disclosure with respect to Recommendation 7.2 of ASX CGP.

## **2.2. Quarter Two commencing 1 October and Three commencing 1 January**

Senior executives review the status of risk management strategies, and review and update the risk register and/or complete an individual risk report for critical material business risks and provide the register and/or the report to the ARMC.

The ARMC reviews and notes the updated risk register/individual risk reports and questions management as it considers necessary.

## **2.3. Quarter Three commencing 1 January**

The Managing Director and Chief Financial Officer provide a certification that the declaration provided in accordance with section 295A of the *Corporations Act 2001 (Cth)* for the purposes of the half-year financial statements is formed on the basis of a sound system of risk management and internal control and that the system is operating effectively in accordance with the requirements of Recommendation 4.2 of ASX CGP.

## **2.4. Quarter Four commencing 1 April**

Senior executives undertake the following activities under instruction of the ARMC:

- a) review the Company's Risk Management Policy for the ARMC to make recommendations to the Board about any proposed changes;
- b) publish any updates to the Company's Risk Management Policy approved by the Board on the Company's website;
- c) review the Company's Board Charter and role descriptions for senior executives to ensure accountability for all risk management is included;
- d) identify or review material business risks, develop risk management strategies and present full company risk profile by completing a risk register; and
- e) allocate and/or review owners of critical material business risks in the risk register.

The Board determines the Company's overall risk appetite, approves this policy and provides input into the Company's risk profile.

## **3. Role of the Board**

The Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control. Further details of the Board's responsibility are set out in section 2 of this policy.

## **4. Role of the ARMC**

The Company has formed a separate ARMC which has the role of, among other things, monitoring and reviewing the integrity of the financial reporting of the Company and any significant financial reporting judgments. It also monitors management's performance against the Company's risk management framework, including whether it is operating within the risk appetite set by the Board and reviews the Company's internal financial control system and risk management framework.

The role of the ARMC is set out in the Company's *ARMC Charter*.

## **5. Role and authority of the Managing Director**

Implementation of the risk management framework and day-to-day management of risk is the responsibility of the Managing Director, with the assistance of senior executives, as required.

The Managing Director has responsibility for identifying, assessing, monitoring and managing risks. The Managing Director is also responsible for identifying any material changes to the Company's risk profile and ensuring, with approval of the Board, the risk profile of the Company listed in this policy is updated to reflect any material change.

The Managing Director is required to report on the progress of, and on all matters associated with, risk management (including presentation of the risk register) as a standing item at each ARMC meeting. The Managing Director is to report to the ARMC, and then the Board annually on the Company's risk management framework for the purpose of the Board's review in accordance with the requirements of Recommendation 7.2 of ASX CGP.

In fulfilling the duties of risk management, the Managing Director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

Further details of the Managing Director's responsibilities are set out in section 2 of this policy.

## **6. Role of senior executives**

Senior executives are responsible for assisting the Managing Director identify, assess, monitor and manage risks.

Further details of senior executive's responsibilities are set out in section 2 of this policy.

## **7. Role of managers and supervisors**

Managers and supervisors must:

- a) monitor material business risks for their areas of responsibilities;
- b) provide adequate information on implemented risk treatment strategies to senior management to support ongoing reporting to the ARMC and Board; and
- c) ensure staff are adopting the Company's risk management framework as developed and intended.

## **8. Role of individual staff**

All staff within the Company should:

- a) recognise, communicate and respond to expected, emerging or changing material business risks;
- b) contribute to the process of developing the Company's risk profile; and
- c) implement risk management strategies within their area of responsibility.

## 9. Risk profile

The Company considers that any risk that could have a material impact on its business should be included in its risk profile. The risk profile of the Company as at the date this policy was reviewed by the Board can be categorised as follows:

- a) Strategic
- b) Operational
- c) Financial Reporting
- d) Project Management
- e) Business Continuity
- f) Technological
- g) Legal and compliance
- h) Reputational
- i) Human Capital

The individual risks which fall within these categories are included in the Company's risk register.

## 10. Risk management strategies

The Company maintains a number of policies and practices designed to manage specific business risks. These include:

### 10.1. Insurance Program

The Company has a comprehensive insurance program in place including:

- a) office property;
- b) directors' and officers' liability;
- c) professional indemnity;
- d) cyber
- e) corporate travel (as required); and
- f) workers' compensation.

### 10.2. Regular budgeting and financial reporting

The Company has regular budgeting in place. It is the role of the Audit and Risk Management Committee to review the integrity of the financial reporting of the Company. The ARMC is to ensure the Board is fully aware of matters which may significantly impact the financial conditions or affairs of the business.

### 10.3. Clear limits and authorities for expenditure levels

The Company's *Board Charter* sets out Materiality Thresholds. These include quantitative and qualitative thresholds as well as triggers for the materiality of contracts.

#### 10.4. Procedures/controls to manage occupational health and safety matters

The Company has in place an Employee Handbook – Human Resources Policy Manual which includes policies in relation to Drugs and Alcohol in the Workplace, Occupational Health and Safety, Accident, Incident and Hazard Reporting, Return to Work and Rehabilitation, which are designed to manage occupational health and safety matters.

#### 10.5. Procedures for compliance with Australian Credit Licence

The Company has in place a compliance framework in relation to its obligations under the *National Credit Consumer Protection Act 2009 (Cth)* and its Australian Credit Licence. The compliance framework is made up of 6 key elements:

- Compliance Committee, established as a sub-committee of the Board, comprised of the Managing Director, the Senior Manager Compliance and between one and three additional members nominated by the Board;
- a NCCP Licensing Risk & Compliance Policy Manual;
- internal and external dispute resolution processes;
- Board and staff/representative training on compliance obligations;
- annual audit/review processes to assess the effectiveness of the Company's compliance framework in relation to its obligations under the *National Credit Consumer Protection Act 2009 (Cth)* and its Australian Credit Licence; and
- Board, Compliance Committee and senior management reporting on compliance issues.

#### 10.6. Procedures for compliance with continuous disclosure obligations under the ASX Listing Rules and the Corporations Act

The Company's *Continuous Disclosure and Shareholder Communications Policy* has been designed for the purpose of ensuring the Company complies with its continuous disclosure obligations.

#### 10.7. Adoption of Leadership Principles

The Company's Leadership Principles form the core of what we expect in terms of behaviour from the Company's directors, senior executives and employees. They are embedded throughout the organisation and underpin every interaction the Company has with its customers and stakeholders. The Leadership Principles create a link between the Company's purpose and its strategic goals.



## **11. Responsibility to stakeholders**

The Company considers the reasonable expectations of stakeholders particularly with a view to preserving the Company's reputation and success of its business. Factors which affect the Company's continued good standing are included in the Company's risk profile outlined in clause 8 of this policy.

## **12. Continuous improvement**

The Company's risk management system is evolving. It is an on-going process and it is recognised that the level and extent of the risk management system will evolve commensurate with the development and growth of the Company's activities.

## **13. Review of Risk Management Policy**

The ARMC will review this Risk Management Policy at least annually and will recommend to the Board the policy for approval if any updates are made.

## **14. Risk Management Policy history**

25 February 2014	Risk Management Policy adopted.
June 2020	Last Reviewed