

## RISK MANAGEMENT POLICY



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## VERSION CONTROL

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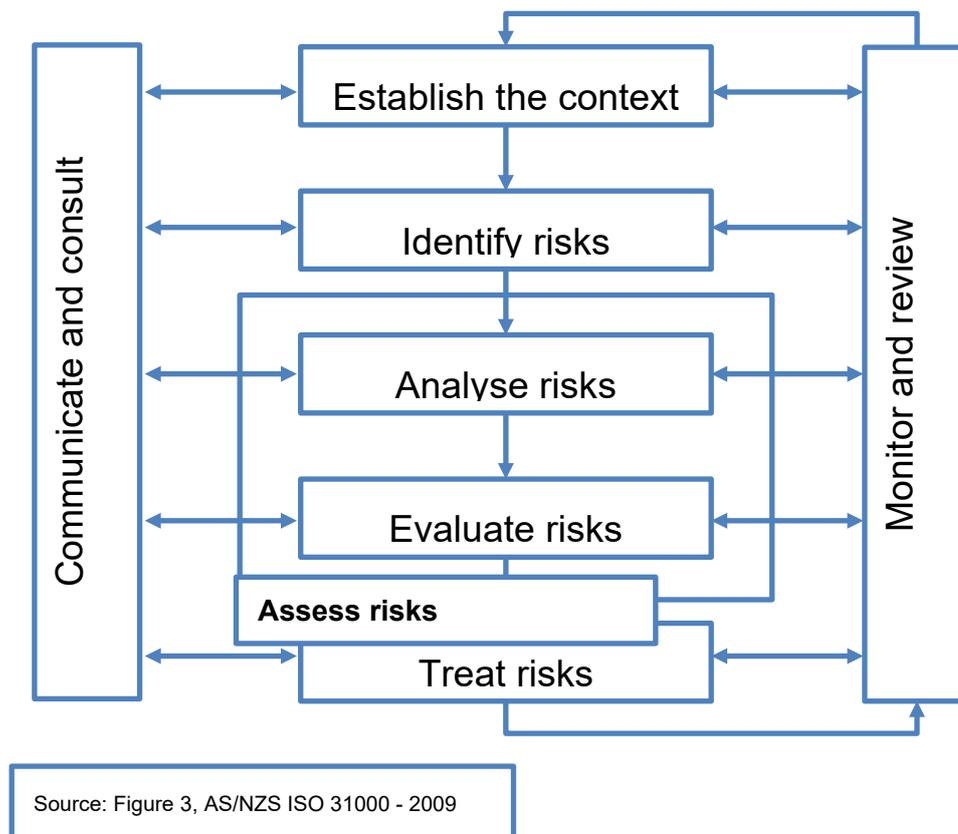
Version Number	Date Updated	Notes
1	1 August 2018	Original document prepared and finalised.
2	23 May 2019	Amendments to policy.
3	13 June 2019	Amendments to policy.
4	30 September 2019	Amendment to policy.
5	29 July 2021	Amendment to policy.

## SECTION A - INTRODUCTION

- 1.1 This Risk Management Statement (“**Statement**”) describes DebtCo T/AS Francom Credit Solutions’ (“**FCS**”) risk management system as it relates to the operations of FCS’ business. The risk management system refers to the systematic method of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risks associated with the provision of credit products to minimise losses and maximise opportunities by an authorised representative or itself.
- 1.2 The Managing Director is committed to optimising this risk management system and to ensure that risks are adequately and appropriately addressed in a timely manner. FCS will consider a broad range of external and internal aspects of the business when managing risk including, regulatory, social, economic and cultural risks as well as FCS’ policies and processes for managing risk and FCS’ resources to do so.
- 1.3 It is the policy of FCS to operate its financial services business within a culture of risk management and a mindset of adherence to this Statement at all times.

## 2. OVERVIEW OF RISK MANAGEMENT SYSTEM

- 2.1 The methodology set out in the Australian and New Zealand Standard on Risk Management Systems (AS/NZS ISO 31000-2009) has been used as a benchmark in preparing this Statement and may be used to assist in monitoring and implementing risk management measures. The key elements of Francom Credit Solutions’ risk management system are shown below.



- 2.2 FCS’ Risk Assessment and Management Matrix sets out in detail the risks FCS has identified, analysed, evaluated and treated.

### 3. CONTEXT

#### 3.1 Strategic and Organisational Context

FCS is required, amongst other things, to have adequate risk management systems.

#### 3.2 Risk Management Context

The major aspects of risk management for FCS in terms of its own operations are:

- (a) **Identify** all the potential risks faced by FCS and use the appropriate tools in applying them to FCS' operations and processes;
- (b) **Analyse and measure** the risks in terms of likelihood and consequence and use this information to make decisions on the method for controlling the potential risk;
- (c) **Select and implement** appropriate steps to manage the identified risks; and
- (d) **Monitor** the risk management program to ensure that the steps taken are working and continue to be appropriate in a dynamic operating environment.

This Statement addresses the following sources of risk identified by FCS:

##### (a) **Financial Risk:**

Financial risk refers to FCS' ability to maintain solvency at all times and to meet the financial requirements. It also addresses the risks faced by FCS in failing to adequately plan its business operations resulting in revenue losses.

##### (b) **Operational Risk (including Legal and Reputational Risk):**

In this context, operational risk covers, but is not limited to, issues such as technology risk (including processing risks), reputational risk, fraud, compliance, outsourcing, business continuity planning, legal risk and key person risk. Specifically, the organisational structure of FCS assumes all business related responsibility to the Director, which impacts on FCS' operational risk.

##### (c) **Credit Risk:**

Credit risk is the risk of default by the borrower's and transactional counterparties.

### 4. ORGANISATIONAL STRUCTURE

4.1 FCS has established a functional organisational structure to support its risk management processes and the Director is responsible for risk management matters relating to the operation of FCS.

4.2 External consultation on risk management practice is engaged as required.

4.3 FCS recognises that risk management is an integral part of good management practice and assists with informed decision making. Risk management is integrated into FCS' philosophy, practices and business plan and a culture of compliance is promoted.

4.4 FCS' Compliance Program and Calendar further outlines the specific roles and responsibilities of FCS' key staff in relation to risk management.

## **5. RISK IDENTIFICATION**

- 5.1 FCS has undertaken a process to identify risks impacting on its operations that need to be managed. Certain material risks and business continuity risk have been identified and these are set out in FCS' Risk Register.

## **6. RISK ANALYSIS**

- 6.1 FCS analyses the risks identified. This assessment process involves a consideration of the following:
- (a) the causes and sources of a risk;
  - (b) the likelihood of the event occurring; and
  - (c) the positive or negative impact of the identified risk on FCS if it occurred.
- 6.2 The likelihood and impact are then combined to determine the overall level of risk.

## **7. RISK EVALUATION**

- 7.1 FCS has adopted qualitative criteria to evaluate levels of risk - this criterion takes account of the fact that certain risks are unquantifiable.
- 7.2 FCS evaluates each risk and prioritises the assessed risk in order to establish which risks need to be treated. FCS also considers the existing risk control procedures and assesses what (if any) further action is required.

## **8. RISK TREATMENT**

- 8.1 FCS has appropriate control mechanisms in place to ensure that the risks identified and assessed are appropriately and adequately managed. FCS has selected the most appropriate risk treatment option for each risk by balancing the cost and efforts of each treatment against its benefits, having regard to other considerations including legal and regulatory requirements. These control mechanisms are set out for each identified material risk and Business continuity procedures are outlined in FCS' Risk Register.
- 8.2 FCS will monitor the risk treatment for the introduction of secondary risks caused by the risk treatment. The secondary risk will be assessed, treated, monitored and reviewed in the same treatment plan as the original risk.

## **9. RESIDUAL RISK**

- 9.1 FCS will monitor the effectiveness of the risk treatment to determine the level of residual risk. Where residual risk is identified FCS will decide whether the residual risk level is tolerable.
- 9.2 Where the residual risk levels are not tolerable FCS will generate an additional or alternative risk treatment to address the risk. FCS will monitor and assess whether this treatment is more effective at reducing the residual risk. These control mechanisms are set out for each identified material risk in FCS' Risk Assessment and Management Matrix.

## **10. IDENTIFICATION, ANALYSIS AND EVALUATION OF COMPLIANCE RISKS**

- 10.1 FCS identifies situations where there is a risk of non-compliance.
- 10.2 FCS analyses compliance risks by considering:
- (a) the causes and sources of non-compliance;

- (b) the severity of the consequences of non-compliance; and
  - (c) the likelihood that non-compliance and associated consequences will occur.
- 10.3 FCS has identified instances of non-compliance in the Risk Assessment and Management Matrix.
- 10.4 FCS' Compliance Officer will assess compliance risks on an annual basis or when:
- (a) FCS commences or changes business activities or provides new products or services;
  - (b) changes to the structure or strategy of FCS occur;
  - (c) significant external changes occur e.g. changes to financial or economic circumstances, market conditions, liabilities or client relationships;
  - (d) there are changes to compliance obligations under relevant legislation and regulations; and
  - (e) breaches or incidents occur.

## **11. MONITORING AND REVIEW**

- 11.1 The Director will ensure that this Statement is reviewed annually to ensure it provides an adequate framework to monitor the operating circumstances that may impact on the risk profile of FCS.
- 11.2 As part of FCS' annual external compliance review, the external compliance consultant will, as required, review FCS' risk management framework and Risk Register as it relates to the risks associated with the operation of FCS. Reports from the compliance plan auditor will be presented for the review and consideration of the Director.
- 11.3 As part of FCS' annual external compliance review, the Compliance Officer will report on whether the risk management framework and policy continue to be appropriate, how well the risk management policy is being followed and a measure of the progress against and deviation from the policy.

## **12. COMMUNICATION AND REPORTING**

- 12.1 Appropriate personnel are provided with a copy of or access to this Statement and Risk Register and receive any necessary training in respect of relevant risk management systems.
- 12.2 The Compliance Officer provides quarterly compliance reporting which highlight any issues detected in the performance of the risk management system of FCS. This includes the identification, evaluation and management of further potential risks affecting FCS.

## **13. RECORD KEEPING**

- 13.1 The Compliance Officer is responsible for ensuring that adequate records are kept of the risk management system to enable the process to be reviewed.

## **14. OUTSOURCING RISKS**

### **14.1 Providers:**

1.1.1 FCS engages the services of the following firm(s):

1.1.1.1 Francom Legal;

1.1.1.2 Francom Human Resources;

1.1.1.3 Francom Finance; and

1.1.1.4 Francom Consulting.

**14.2 Meetings and Exchange of Information:**

1.1.2 Meetings are held a minimum of every twelve (12) months, or as requested.

**14.3 Changes of Policies and Procedures:**

1.1.3 Changes of procedures are discussed at meetings and reviewed in accordance with FCS' Compliance Calendar.

**14.4 Communication to the Managing Director:**

1.1.4 Any changes to the service or breaches of Service Level Agreements are communicated to the Managing Director of FCS quarterly.

**14.5 Conflicts:**

1.1.5 None known.

Issued by Francom Credit Solutions

29 July 2021