

# **Risk Management Policy and Framework Statement**

**McMillan Shakespeare Group of Companies**



McMillanShakespeareGroup

Document Owner	Group Chief Financial Officer / Chief Risk Officer
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## Background

McMillan Shakespeare Limited (**MMS**) has a responsibility to appropriately manage the risks MMS faces in its business. Effective risk management is required in order to achieve its business objectives. This is not only for the sake of its customers, shareholders, and employees, but also to meet its responsibilities as the holder of a Financial Services and Credit Licence and as a company listed on the Australian Securities Exchange.

## Responsibilities of the Board

This risk management policy and framework has been approved by the Board of MMS and applies to all entities within the MMS Group. The Board of MMS is responsible for establishing the risk appetite for MMS and approving its risk management policy and framework. Given the nature and size of MMSG's operations the Board has established the Audit, Risk and Compliance Committee to oversee risk management. Risk management remains a direct responsibility of the full Board.

## Audit, Risk and Compliance Committee (ARCC)

The ARCC reviews and assesses the ongoing activities of MMSG and the effectiveness of its risk management framework, policy, and procedures on an ongoing basis, and provides a formal report to the Board. It is assisted in these activities by reports from the Risk and Compliance Committees.

## Membership

The ARCC solely consists of non-executive Directors with a majority being independent directors and is chaired by an independent non-executive Director. The ARCC usually meets eight times a year. The remaining non-executive and executive Directors normally attend the meeting of the Committee as observers.

## MMS Risk and Compliance Committee (RCC)

The MMS RCC is a management committee that has responsibility for actively managing the risks facing MMSG, including reviewing on a monthly basis (except January of each year) the key risks and any relevant mitigation measures.

In relation to financial reports, the Board receives a written statement, signed by the Chief Executive Officer (**CEO**) and the Chief Financial Officer (**CFO**), confirming that MMSG's financial reports give a true and fair view, in all material respects, of MMSG's financial position and comply in all material respects with relevant accounting standards. This statement also confirms that MMSG's financial reports are founded on a sound system of risk management and internal controls and that the system is operating effectively in relation to financial reporting risks.

## Membership

The MMSG RCC consists of the MMSG Chief Executive Officer (**CEO**), MMSG Chief Financial Officer (**CFO**), relevant MMS Senior Executives, the Group Risk Manager (**GRM**) and the Group General Counsel (**GGC**).

## Warehouse Risk and Compliance Committee (WRCC)

The WRCC is a management committee that has responsibility for actively managing the Warehouse's Credit Licence risks. The WRCC meets every month (except January) to review and consider material risk and compliance matters regulated by the Warehouse ACL (excluding Credit & Treasury risks which are managed by the Credit and Treasury Committees).

## Membership

The WRCC consists of the MMSG CFO, relevant MMS Senior Executives, Group Treasurer & Credit Manager, Manager Onboard Finance, Credit Manager, Team Manager - Onboard Finance, GGC, GRM and the Compliance Monitoring Manager.

## The UK Risk and Compliance Committee (UKRCC)

The UKRCC is a management committee that has responsibility for monitoring and managing material risk and compliance matters for the UK entities.

## Membership

The UK Risk and Compliance Committee membership consists of relevant members of the UK Senior Executive team (Managing Director Asset Finance, Group Finance Director and Managing Director CLM, UK Risk and Compliance Manager), the MMSG CEO, Group Manager Finance UK and Financial Reporting and MMS risk and compliance staff.

## Management of Specific Risk Areas

MMSG considers that particular risks may require more detailed and close management, in particular, Credit Risk, Treasury Risk and Residual Value Risk. As a result, separate policies have been approved for the management of Credit Risk, Treasury Risk, and Residual Value Risk. Under each of these policies, the relevant risk has been defined, responsibility for managing the risk has been allocated and appropriate committees and reporting structures have been adopted to appropriately manage these specific risks.

The successful management of IT projects and the associated resource allocation is essential to the operational performance and competitive position of MMSG. The Program Governance Committee has been established to provide oversight of and guidance to MMSG's Project Management Office which is charged with the day to day management of these issues.

## Responsibilities of Senior Executive and Management of MMS

Each Senior Executive is responsible for managing risks within their area of responsibility, including identification of risks, implementation of appropriate management measures including mitigation plans and processes where appropriate, and reporting and escalating any matters to the ARCC or Board via the UKRCC, WRCC, RCC, Credit Committee, Interest Committee, Residual Value Committee, or the Program Governance Committee, as the case may be. Senior Management or Senior Executives refers to the direct reports of the CEO and members of the MMS Group Executive.

## Risk Management Procedures

MMSG bases its risk management procedures on the Risk Management Standard AS ISO 31000:2018. As part of their normal business activities, the Senior Executives are required to formally identify and/or review key risks they face, at least quarterly. The results of these reviews are recorded in the MMSG risks and issues register, which is used by the risk committees to actively monitor risks. The risks and issues register includes the category of risk, risk identification, risk assessment, mitigation plan, and a Senior Executive owner(s) of the risk.

MMSG relies on the Three Lines Model in identifying, managing, and controlling risks. The governing body, management (first and second lines) and internal audit have clear responsibilities and their activities are aligned with achieving MMS' objectives.

1. management control – functions (operational managers) that own and manage risks are responsible for identifying risks and implementing suitable controls to address the risks;
2. risk management and compliance oversight –
  - (a) the UKRCC oversees the risk management process for the UK entities;
  - (b) the WRCC oversees the risk management process for the Warehouse Credit Licence;
  - (c) the MMSG Credit Committee, MMSG Interest Committee, MMSG Residual Value Committee and the MMSG Program Governance Committee oversee the specific credit, treasury, residual value, and project related risks respectively; and
  - (d) the RCC oversees the risk management process at a Group level.
3. independent assurance (internal audit performed by an independent third party audit firm).

## Risks Managed by MMS

MMS' activities give rise to a range of risks, like many other businesses. The key risks being managed by MMS include Reputation, Growth – Acquisitions, Growth - Diversification and Innovation, Customer, Financial, Credit Management, Regulatory Compliance, Conduct, Data/Technology, People, Leased Vehicles and Climate Change.