



## **Risk Management Policy**

**Liberty Fiduciary Ltd (ABN 80 119 884 623) as responsible entity for the  
Liberty Financial Group Trust (ARSN 644 813 847)**

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## 1. Overview

- 1.1 This Risk Management Policy (**Policy**) sets out the framework of how Liberty Fiduciary Ltd (ABN 80 119 884 623) (**RE**) as responsible entity for the Liberty Financial Group Trust (**Trust**), manages risk relating to the RE, the Trust and their controlled entities (together, the **Trust Group**).
- 1.2 The ordinary shares in Liberty Financial Group Limited (ABN 59 125 611 574) (**Company**) and the ordinary units in the Trust are stapled together and quoted on the ASX.
- 1.3 The RE has various contractual arrangements with the Company, including a Services agreement. The Trust Group, the Company and its controlled entities are together referred to as the **Liberty Group**.

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## 2. Board oversight

- 2.1 The board of directors of the RE (**Board**) is responsible for the overall corporate governance of the Trust Group, including:
  - (a) endorsement of the Trust Group's risk management framework including key policies and procedures and approval of any changes to the framework or any key risk policies and procedures;
  - (b) monitoring compliance with the endorsed risk management framework;
  - (c) delegating authority to management, where appropriate;
  - (d) approving asset purchases and outsourcing arrangements;
  - (e) conducting due diligence for the appointment and ongoing monitoring of outsourced arrangements; and
  - (f) monitoring compliance with the Trust's compliance plan and ensuring there is an underlying compliance framework.
- 2.2 The Board is responsible for liaising with the board of directors of the Company on matters relevant to the RE and/or the Trust and the Company.
- 2.3 As part of the monitoring process, the Board is to be provided with the following information at scheduled board meetings:
  - (a) any proposed changes to the risk management framework, key policies or reporting arrangements for approval;
  - (b) reports on exposures, non-compliance with key policies and general effectiveness of risk management systems, when necessary;
  - (c) results of independent reviews of the control environment; and
  - (d) other management information, in each case, in relation to the Trust Group.

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### **3. Management**

#### **Senior management oversight**

- 3.1 Senior management of the Company assists the Trust Group in monitoring:
- (a) key aspects of the risk management framework including the RE's policies;
  - (b) delegation of approvals required under the risk management framework;
  - (c) risk management reporting including operational issues, operational losses;
  - (d) operational control weaknesses and breakdowns including fraud;
  - (e) due diligence conducted for appointment and ongoing monitoring of outsourced arrangements; and
  - (f) results of risk self-assessment reviews and workshops.

#### **Operations management**

- 3.2 The management team ensures that activities are conducted within the parameters set by the operational risk matrix and policies and procedures and in accordance with the Board's directions.
- 3.3 This is achieved by:
- (a) documented policies and procedures;
  - (b) quarterly review of compliance with compliance plans and underlying policies and procedures; and
  - (c) appropriate reporting of operational issues to the Board.

#### **Role of management in respect of the RE and the Trust**

- 3.4 The Company is the employer of all employees (including the Chief Executive Officer, the Chief Financial Officer and other managers) that provide services to the RE and the Trust under a Services Agreement between RE and the Company and its controlled entities from time to time.
- 3.5 The Board delegates to management those matters which are not reserved to the Board, including the day-to-day management of the RE and the operation of the Trust.
- 3.6 The role of management in the oversight and operations of RE and the Trust will be limited to and in accordance with the terms of the Services Agreement.

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### **4. Risk**

- 4.1 Risk is an inherent part of the Trust Group's business. Management of that risk is therefore critical to the Trust Group's continuing profitability and financial health.
- 4.2 There are a number of risks which are inherent to the business activities which the Liberty Group undertakes including:
- (a) customer default risk;
  - (b) financial risk (interest rates, housing prices, foreign exchange rates);

- (c) funding risk (including wholesale funding market risks and securitisation default risk);
  - (d) swap risk;
  - (e) regulatory risk;
  - (f) legal and documentary risk;
  - (g) compliance risk including tax audits;
  - (h) pricing risk;
  - (i) fraud risk; and
  - (j) conflicts of interest.
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## **5. Risk identification, analysis, acceptance and mitigation**

5.1 The Trust Group uses various risk management approaches to protect its business from unacceptable risk including approaches to:

- (a) identify risk;
  - (b) quantify and qualify risks;
  - (c) develop risk strategy;
  - (d) implement policy and procedures to manage risks;
  - (e) monitor compliance;
  - (f) report exceptions and breaches;
  - (g) remedy breaches;
  - (h) maintain and review systems and records to ensure ongoing integrity of the process; and
  - (i) annual review of entire process.
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## **6. Reporting**

6.1 The Board is responsible for monitoring and reviewing the effectiveness of the operational risk management framework and compliance with key risk management policies.

6.2 Breaches and operational risk incidents arising within the operations of the Trust Group are reported to the Board on a monthly basis. Significant breaches or incidents are reported to the RE via regular board reporting and/or immediate notification to the board as necessary.

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## **7. Regulatory breach reporting**

7.1 Each member of the Trust Group that holds an Australian financial service licence is required to identify breaches or likely breaches, give proper consideration to whether the breach is significant and, where required, notify relevant regulators upon becoming aware of the breach or likely breach.

- 7.2 The RE must notify the ASX immediately in writing if it becomes aware that it has breached any of the ASX Listing Rules and that breach is significant.
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**8. Publication of this Policy and questions**

- 8.1 This Policy will be available on the RE's website.
- 8.2 For questions about the operation of this Policy, please contact the company secretary.