



Risk Management Policy

Liberty Financial Group Limited (ABN 59 125 611 574)

1. Overview

- 1.1 This Risk Management Policy (**Policy**) sets out the framework of how Liberty Financial Group Limited (ABN 59 125 611 574) (**Company**) manages risk relating to the Company and its controlled entities.
- 1.2 The ordinary shares in the Company and the ordinary units in the Liberty Financial Group Trust (**Trust**) are stapled together and quoted on the ASX.

2. Board oversight

- 2.1 The board of directors of the Company (**Board**) is responsible for the overall corporate governance of the Company and its controlled entities, including:
 - (a) endorsement of the Company'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; and
 - (e) conducting due diligence for the appointment and ongoing monitoring of outsourced arrangements.
- 2.2 The Board is responsible for liaising with the board of directors of the RE on matters relevant to the Company and the RE and/or the Trust.
- 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 Company.

3. Audit and Risk Committee

The Audit & Risk Committee of the Company assists the Board to monitor the Company's risk management framework by reviewing any matters of significance affecting financial reporting and internal controls of the Company. A separate charter sets out the specific responsibilities of the Audit and Risk Committee.

4. Management

Senior management oversight

- 4.1 Senior management assists the Company in monitoring:
- (a) key aspects of the risk management framework including the Company'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

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

Role of management in respect of the RE and Trust

- 4.4 The Company is the employer of all staff members (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.
- 4.5 The role of management of the Company in the oversight and operations of RE and the Trust will be limited to and in accordance with the terms of the Services Agreement.

5. Risk

- 5.1 Risk is an inherent part of the Company's business. Management of that risk is therefore critical to the Company's continuing profitability and financial health.
- 5.2 There are a number of risks which are inherent to the business activities which the Liberty Group undertakes including:
- (a) customer default risk;

- (b) operational risk (IT, support services etc);
 - (c) financial risk (interest rates, housing prices, foreign exchange rates);
 - (d) funding risk;
 - (e) broker risk;
 - (f) competition risk;
 - (g) regulatory risk;
 - (h) legal and documentary risk;
 - (i) compliance risk including tax audits;
 - (j) pricing risk;
 - (k) fraud risk;
 - (l) conflicts of interest; and
 - (m) employment risk.
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6. Risk identification, analysis, acceptance and mitigation

The Company uses various risk management approaches to protect its business from unacceptable risk including approaches is to:

- (a) identify risk;
 - (b) quantify and qualify risks;
 - (c) develop risk strategy;
 - (d) implementation of 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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7. Reporting

- 7.1 To assist the Company's Audit & Risk Committee in monitoring and reviewing the effectiveness of the operational risk management framework and compliance with key risk management policies, a semi-annual risk management update is provided to the Committee.
- 7.2 Breaches and operational risk incidents arising within the operations of the Company are reported to the Chief Executive Officer on a monthly basis. Significant breaches or incidents are reported to the Company via regular board reporting and/or immediate notification to the board as necessary.

8. Regulatory breach reporting

- 8.1 Each member of the Company group that holds an Australian credit licence or 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.
- 8.2 The Company 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.

9. Publication of this Policy and questions

- 9.1 This Policy will be available on the Company's website.
- 9.2 For questions about the operation of this Policy, please contact the Company Secretary.