RISK MANAGEMENT PROGRAM

1. Risk Management

Risk management may be defined as "coordinated activities to direct and control an organisation with regard to risk". Risk is the effect of uncertainty on objectives. Both likelihood and consequences must be considered in assessing risk. Risk arises in all aspects of the Company's operations and at all stages within the lifecycle of those operations. It offers both opportunity and threat and must therefore be managed appropriately.

This risk management program confirms the business's aim to adopt a strategic, consistent and structured approach to risk management to achieve an appropriate balance between realizing opportunities for gains and minimising losses.

Risk management involves establishing an appropriate risk management infrastructure and culture and applying logical and systematic risk management processes to all stages in the lifecycle of any activity, function or operation. By minimising losses and maximising gains, risk management enables the business to best meet its objectives.

Risk Management is a tool that assists you to predict future events that may impact (positively or negatively) on our business activities and to take appropriate actions to address the impact of these events.

2. Identifying Risks

Risk identification is the process used by the business to identify risks that will affect our ability to pursue business strategies and achieve the objectives of the business. To do this, the business uses two main methodologies: internal source and external source.

2.1 External Source Methodology

Our management team identifies new risks as they arise because our management style is hands-on and keeps up to date with current industry events. We are actively involved in the industry and communicate closely with many of its main personalities and are involved with various industry groups. This ensures a high degree of topical knowledge of the industry and keeps us abreast of any relevant changes. Examples of regular information sources include:

- NCCP Compliance lawyer
- Industry Association

- ASIC regulatory guides
- ASIC cases and media releases
- AFCA cases
- Civil and Criminal case law rulings
- Insurance Providers

Identified risks are properly recorded, documented, and communicated to the Compliance Manager and if necessary, the Board, legal counsel, auditors, and advisors.

2.2 Internal Sources

Our loan management system is built on an elaborate platform that provides constant audit trails and alerts when new risks are identified. By monitoring our assessing procedures and other internal processes we also identify internal risks.

Our Compliance Manager will also once per quarter, supervise a review of a minimum of 250 files or 25% of total loan submissions and active loans to check compliance with our systems and procedures.

If any breaches are found these are to be recorded in the Breach Register and reported to the person who caused the breach in writing and to all Responsible Managers, who will if necessary, ask for a response or take further action. They then must provide a copy of the summary of the findings to all Responsible Managers and save the records of the hindsight reviews electronically in the folder on the server.

Ongoing monitoring of compliance is also required to be done by the Responsible Manager who will provide ongoing training and supervision to others.

3. Assessing Risks

Risk assessment is the process of describing identified risks, including by reference to the inherent risk, and determining the likelihood of a risk eventuating and the significance of its potential impact. To do this, the business uses a self-assessment method, conducted by the Responsible Manager and Board. The likelihood, consequence and level of each risk is measures based upon the measures below.

3.1 Qualitative Measures of the Likelihood of a risk eventuating

Descriptor	Example Description
Common	This risk is almost certain to occur more than once in the next 2 yrs years
Likely	This risk is almost certain to occur once over the next 2 years
Possible	This risk could possibly occur at least once in the next 2 – 5 years
Unlikely	This risk is unlikely to occur in the next 2 – 5 years
Rare	This risk will probably never occur in a 5-year period

.3.2 Qualitative Measures of the Consequence or Impact

Descriptor	Business Objectives	Example Description
Significant	Severe impact which threatens ability to sustain ongoing operations	25% of revenue
Major	High impact on the achievement of strategic business objectives or ability to operate	20% of revenue
Moderate	Moderate impact on the achievement of strategic business objectives or ability to operate	15% of revenue
Minor	No material impact on the achievement of strategic business objectives or ability to operate	10% of revenue
Insignificant	Negligible impact on the business	5% of revenue

3.3 Qualitative risk analysis matrix – level of risk

	Consequences				
Likelihood	Insignificant	Minor	Moderate	Major	Significant
Common	Medium	High	Very high	Very high	Very high

Likely	Medium	Medium	High	Very high	Very high
Possible	Low	Medium	Medium	High	Very high
Unlikely	Very Low	Low	Medium	Medium	High
Rare	Very Low	Very Low	Low	Medium	Medium

4. Managing Risks

We are constantly developing our systems and processes to minimise the possibility of a risk event occurring. If such an event does occur, we will identify and manage it with the best possible outcome in mind.

We try to mitigate risk through many methods such as planning, training, communication and auditing. Especially important is the communication of risks throughout the business and ensuring staff are aware of the Risk Management Program. However, our pragmatic and realistic views consider that the best laid plans and intentions will be tested by unforeseen situations. We will manage any risk event to minimise any prejudice to our clients.

In the risk matrixes listed below, we have listed our Risk Management Procedures and Risk Mitigation tools that we use to manage risk.

5. Underwriting Risk Matrix

Description of Risk	Potential Consequences	Risk Management Procedures	Impact on the Business if the Risks Arise	Likelihood that the Risks will Arise	Overall Level of Risk & Risk Priority
Systemic staff non-compliance/negligence in making reasonable inquiries and verifications regarding client's financial position	Loss of entire loan amount, loss of license	Regular Auditing and Training where required.	Significant	Unlikely	High
Systemic failure in identifying essential financial history/creditor history based on provided documentation	Loss of entire loan amount, loss of license	Regular Auditing and Training where required.	Significant	Unlikely	High
Systemic staff non-compliance/negligence in confirming client supplied information with that of the supplied documentation	Loss of entire loan amount, loss of license	Regular Auditing and Training where required.	Significant	Unlikely	High

Systemic negligence in selecting suitable loan amount, repayment amount and repayment frequency	Loss of entire loan amount, Reputation risk, loss of business	Regular Auditing and Training where required.	Significant	Unlikely	High
Systemic negligence in making reasonable checks/enquiries regarding client's identity	Loss of entire loan amount, loss of credit license, loss of accreditation with lender and ongoing legal dispute	Regular Auditing and Training where required.	Moderate	Unlikely	Medium

6. Natural Disaster and other Risk Matrix

Description of Risk	Potential Consequences	Action taken	Time to Recover	Risk Mitigation	Impact on the Business if the Risks Arise	Likelihood that the Risks will Arise	Overall Level of Risk & Risk Priority
Flood/ Storms	Unable to access building, potential for destruction of all files and computers. Could be caused by fire sprinklers. Loss of Data.	Enact Category A DRP plan	Over 1 month and up to 3 months	Insurance	Minor	Rare	Very Low

Fire	Unable to access building, potential for destruction of all files, data and business records fire investigations could be prolonged. Safety of staff immediate priority. Loss of Data.	Evacuate Building using pre-existing plan and Enact Category A DRP Plan	Over 3 months and up to 24 months	Fire alarms, smoke detectors non-smoking policy	Minor	Unlikely	Low
Act of Terrorism	Unable to access building, or local area, potential for destruction of all files, data and business records. Safety of staff immediate priority. Loss of Data.	Cooperate with authorities Evacuate Building using pre-existing plan and Enact Category A DRP Plan	Over 12 months	Very Low	Minor	Rare	Very Low
Act of sabotage a person deliberately damages systems or property.	Loss of data or misappropriate use of data. This could cause reputation risk and the inability to service clients and protracted investigations by regulators and long periods of repairs. Loss of Data.	Enact Category A DRP plan or DRP Plan depending upon severity	Less than 1 month but longer term non- critical disruptions	Security cameras, PIN number access, after hours security, building secured after hours. Thorough	Minor	Possible	Medium

				screening conducted on all employees			
Global Pandemic or National Epidemic	Staff may be unable to attend work at the business's office. Underwriting risks would increase as well as requests for hardship.	Enact work from policies	1 Month to 12 Months depending on type of Pandemic/Epidemic	Have work from home policy and disaster recovery processes. Have ability to be completely cloud based so staff can work from home. Have resources to update	Significant	Unlikely	High

7. Human Resources Risk Matrix

Description of Risk	Potential Consequences	Risk Management Procedures	Impact on the Business if the Risks Arise	Likelihood that the Risks will Arise	Overall Level of Risk & Risk Priority

Systemic staff Non-compliance with credit legislation	Loss of license	Annual staff tests, internal hindsight reviews and lender reviews	Significant	Unlikely	High
Non-compliance with procedures and policy's	Loss of part of the loan amount, loss of accreditation with lender and ongoing legal dispute, loss of credit license	Separation of credit and sales, separation of verification clerk from approving officer. Staff training and lender hindsight audits and quality checks	Insignificant	Possible	Low
Staff Breach of Privacy Act	Legal action by person affected and reputation risk	Privacy policy, privacy consents, staff training and hindsight reviews. Monitoring of phone calls	Insignificant	Likely	Medium
Providing Advice, we are not qualified for	Legal action by person affected and reputation risk	Staff Training,	Insignificant	Possible	Low
Victim of Financial Fraud on our own account	Loss of substantial funds	Bank signing requires 2 signatures, electronic keys used, daily bank reconciliations	Significant	Unlikely	High
Injury, Death or illness of key employer/ employee	Loss of morale, loss of corporate history, loss of income	OHS, Workers Comp, Key man insurance	Minor	Unlikely	Low

Injury, Death or illness of Responsible Manager	Loss of compliance with credit licence, loss of monitoring of staff,		Minor	Unlikely	Low
Employee Fraud	Lending loss, reputation risk with lender and financial loss	Separation of credit and sales, separation of verification clerk from approving officer. Staff training and lender hindsight audits and quality checks Compliance plan Employee recruitment policy	Insignificant	Unlikely	Very Low
Hostile Employee	Client information Loss of business/ reputation	Exit interview, performance reviews	Insignificant	Possible	Low

8. Technology Risk Matrix

Description of Risk	Potential Consequences	Action taken	Time to Recover	Risk Mitigation	Impact on the Business if the Risks Arise	Likelihood that the Risks will Arise	Overall Level of Risk & Risk Priority
Total Loss of Power to computer systems	telephone system would fail, computers would fail with potential loss of data and lifts would not work. Unable to continue to work.	Divert office phone and fax to alternative number, work from alternative	Less than 1 day provided power is only lost for minor period	Pay power bills and used a power interruption device on server	Insignificant	Likely	Medium

		location until restored.					
Functionality Loss of Office Phones	Interruption to business, unable to effectively communicate with customers and suppliers	Contact to be made using company mobile phones, message to be placed on our line by Telephone carrier	Less than 1 day provided phones are only lost for minor period	Pay power bills on time and engage reliable phone service technician	Insignificant	Likely	Medium
Loss of Data / Virus	Interruption to business, unable to effectively communicate with customers and suppliers, downtime for staff and unable to meet service standards	Contact and, revert to using our paper-based files, consider using alternative locations and consider DRP Plan B	Less than 7 days	Moderate, we have access to local servers and off-site servers and employ virus software and computer backups.	Significant	Unlikely	High

Compute r / Data Supplier fails to provide service	Unable to assist in the data recovery	Seek alternative supplier	Less than 7 days	Keep records of systems and maintain and monitor relationships.	Minor	Possible	Medium
Data Breach	Loss of customer data and business ending fines.	Regularly audit computer systems	ASAP	Continue to improve systems	Significant	Unlikely	High

9. General Risk Matrix

Description of Risk	Potential Consequences	Risk Management Procedures	Impact on the Business if the Risks Arise	Likelihood that the Risks will Arise	Overall Level of Risk & Risk Priority
Withdrawal of funding	Unable to write new loans	Two funders	Major	Unlikely	Medium
Changes to Legislation	Changes to legislation lowering ability to lend money	Continue to monitor potential changes and adjust business as required.	Moderate	Likely	High
Bad Debt	Loss of income due to bad debt	Continue to audit loan book and procedures	Minor	Unlikely	Low

10. Monitoring and Reporting Risk Management

As outlined in this document's compliance framework section, this document will be updated and reported on at least once per year by the Responsible Manager and Directors. This review, update and associated reports will include a re-evaluation of the Risk Management Plan.