

McMillan Shakespeare Limited – Risk Management Policy

Risk Management Policy Statement

Background

McMillan Shakespeare Limited (MSL) has a responsibility to appropriately manage the risks MSL 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 licence, and as a company listed on the Australian Stock Exchange.

Responsibilities of the Board

This risk management policy has been approved by the Board of MSL, and applies to MSL and its subsidiaries (the “Group”). The Board of MSL is responsible for establishing the risk appetite for MSL, and approving its risk management policy. Given the nature and size of the Group’s operations, the Board has decided against the establishment of a separate committee of the Board to oversee risk management. Risk management remains a direct responsibility of the full Board.

The Board reviews and assesses the ongoing activities of the Group and the effectiveness of its risk management policy and procedures on an ongoing basis, and receives a formal report from Management at least quarterly.. It is assisted in these activities by reports from the Risk and Compliance Committee.

Responsibilities of the Risk and Compliance Committee of MSL

The Risk and Compliance Committee is a management committee that has responsibility for actively managing the risks facing MSL, including reviewing on a monthly basis the key risks and any relevant mitigation measures. The Risk and Compliance Committee includes membership from the Executive for all departments and is chaired by the General Counsel. The Chief Executive Officer and Chief Financial Officer report to the Board on the activities of the Risk and Compliance Committee as required, and at least on a quarterly basis.

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

Responsibilities of Executive and Management of MSL

Each Executive and manager is responsible for managing risk within their area of management, including identification of risks, implementation of appropriate management measures including mitigation plans and processes where appropriate, and reporting and escalating any matters to the Board via the Risk and Compliance Committee.

Risk Management Procedures

MSL bases its risk management procedures on the Risk Management Standard AS/NZS 4360:2004.

As part of their normal business activities, the manager of each department is required to formally identify and/or review key risks they face, not less frequently than annually. The results of these reviews are recorded in the MSL Risk Register, which is used by the Risk and Compliance Committee to actively monitor risks. The Risk Register includes the category of risk, risk identification, risk assessment, mitigation plan, and an Executive owner of the risk.

Risk Profile of MSL

MSL's activities give rise to a range of risks, like many other businesses. The key risks being managed by MSL include financial risk, strategic risk, operational risk, safety and security risks, technology risks and legal and compliance risk.