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Risk Management Policy

Pepper Money Limited (ACN 094 317 665)

Contents

1.	INTRODUCTION.....	1
2.	RISKS	1
3.	RESPONSIBILITY	1
4.	REPORTING	2
5.	DEALING WITH RISKS	3
6.	REVIEW	3

1. Introduction

The identification and proper management of Pepper Money Limited (ACN 094 317 665) (the Company) risks are an important priority of the Board of Directors of the Company (Board). This Risk Management policy provides a framework for how the Board identifies, analyses and monitors any risks that the Company is subject to.

The Board Audit and Risk Management Committee (BARC) assists the Board in fulfilling its responsibilities for corporate governance and oversight of the Company's financial reporting, internal control structure, risk management systems, compliance, regulatory engagements and internal and external audit functions. The BARC also provides oversight to ensure appropriate policies are in place to manage material risks.

This policy is applicable to Pepper Money Limited and its wholly-owned subsidiaries "PML" which operate in Australia and New Zealand and PSO (Manila) Limited Philippines Branch Office business.

2. Risks

The risks faced by the Company include, but are not limited to:

- Strategic risk
- Credit risk
- Liquidity and Funding risk
- Market risk
- Operational risk
- Regulatory and Compliance risk
- Reputational and Conduct risk

Climate-related risks are assessed and managed as drivers of existing risk categories, such as operational, credit, strategic, and reputational risk, within Pepper's Risk Management Framework, in alignment with regulatory and sustainability standards.

3. Responsibility

Responsibility for risk management is shared across the organisation. Key responsibilities include:

- The Board is responsible for overseeing the establishment and approving the Company's Risk Management Framework (for both financial and non-financial risks) (RMF) including its strategy, plans, policies, procedures and systems and adopting and approving a Risk Appetite Statement (RAS) within which the Board expects management to operate.
- The Board has delegated to the BARC responsibility for:
 - overseeing the establishment of and recommending to the Board for approval an appropriate RAS for the Company.
 - monitoring and annually reviewing the Company's RAS to satisfy itself that it continues to be current and relevant to the Company and advise the Board on its adoption.
 - identifying major risk areas.

- monitoring the effectiveness of and annually reviewing the Company’s RMF and Risk Management activities to satisfy itself that they continue to be sound and that the Company is operating with due regard to the RAS approved by the Board.
- ensuring that risk considerations are incorporated into strategic and business planning.
- providing risk management updates to the Board and any supplementary information required to provide the Board with confidence that key risks are being appropriately managed.
- overseeing the establishment of and annually reviewing and approving the Company’s Compliance Plan and reporting on the effectiveness of the Compliance Plan at each meeting of the BARC.
- reviewing the Company’s financial statements and reports.
- in relation to the Company’s financial reporting, without limitation:
 - reviewing the suitability of the Company’s accounting policies and principles, how they are applied and ensuring they are used in accordance with the statutory financial reporting framework;
 - assessing significant estimates and judgements in financial reports;
 - assessing information from the external auditor to ensure the quality of financial reports; and
 - recommending to the Board whether the financial and associated non-financial statements should be signed based on the Committee’s assessment of them.
- reviewing and approving Part A of the AML & CTF program in relation to the Company’s entry into, approval or disclosure of related party transactions (if any).
- overseeing the Company’s financial controls and systems.
- managing audit arrangements and auditor independence, including considering whether an internal audit function is required and, if not, ensuring that the Company discloses the processes it employs to evaluate and improve its risk management and internal control processes.
- ensuring that any periodic corporate report the Company releases to the market that has not been subject to audit or review by an external auditor discloses the process taken to verify the integrity of its content.
- The Company’s Management is responsible for establishing the Company’s RMF, including identifying major risk areas and developing the Company’s policies and procedures, which are designed effectively to identify, treat, monitor, report and manage key business risks.
- The Chief Executive Officer and Chief Financial Officer are to provide to the Board declarations in accordance with section 295A of the Corporations Act.

Each employee, contractor, Executive and Director, is expected to understand and manage the risks within their responsibility and boundaries of authority when making decisions and undertaking day to day activities.

4. Reporting

It is the responsibility of the BARC to report to the Board about the Company’s adherence to policies and guidelines approved by the Board for the management of risks.

The Chief Executive Officer, Chief Financial Officer and Chief Risk Officer are each responsible for reporting to the BARC any proposed changes to the RMF and to that Committee and to the Board any exposures or breaches of key policies, procedures or systems or incidence of risks, where significant.

5. Dealing with Risks

Risk issues will be identified, analysed and ranked in a consistent manner. The Company will deal with risks in the following way:

- Identify the nature of the risk.
- Analyse, evaluate and determine the seriousness of such risk, and who the risk is to be reported to.
- Develop a risk mitigation plan.
- Implement the risk mitigation plan.
- Monitor and report progress of risk mitigation plan.
- Report and remedy exceptions and breaches

6. Review

The BARC will review this policy each calendar year or earlier if required by a change in circumstances.

The BARC will submit any amendments required to the Board for Approval.