



**AIMS**

**MACARTHURCOOK**

A Member of AIMS Financial Group

# **RISK MANAGEMENT FRAMEWORK**

April 2010

# VERSION HISTORY – RECORD OF CHANGES

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# **1. OVERVIEW**

## **1.1.PURPOSE**

This document establishes the Risk Management and Compliance Framework and the related policies to support MacarthurCook's (MCKs) Board with their responsibilities in respect of operating a financial services business in Australia. The MacarthurCook group of companies consist of MacarthurCook Limited (parent company), MacarthurCook Fund Management Limited (AFSL 258052), MacarthurCook Real Estate Funds Limited (AFSL 318261) and MacarthurCook Investment Managers Limited (AFSL 225357).

## **1.2.INTRODUCTION**

The Board is primarily responsible for establishing an appropriate risk management and compliance framework. Specifically, this Framework must meet the MCK's obligations under the Corporations Act 2001, which establishes the authority for MCK to operate a financial services business in Australia. Specifically, section 912A(1)(h) of the Corporations Act states that a licensee must have an adequate risk management system in place.

The Board has delegated to the MCK's management the responsibility for implementing the Framework and the supporting processes to ensure adherence with all legislative and risk management requirements. In addition, the Board-approved risk management and compliance policies are compulsory and applicable to all MCK management and staff.

## **1.3.AMENDMENT AND APPROVAL**

This Risk Management and Compliance Framework document can only be amended with the approval of the Audit, Risk and Compliance Committee under the supervision of the Board.

## **2. MCK RISK MANAGEMENT AND COMPLIANCE FRAMEWORK**

### **2.1. BOARD COMMITMENT TO RISK MANAGEMENT AND COMPLIANCE**

The following statement of the MCK's commitment to risk management and compliance has been issued by the Board and is supported by the MCK executive management team.

*MCK will actively foster a corporate culture that optimises its ability to achieve its business objectives while ensuring it complies with all relevant legislative and regulatory requirements, and manages risk appropriately.*

*The MCK Board has primary responsibility for risk management and compliance. The risk management and compliance framework is overseen and approved by the Audit, Risk and Compliance Committee, but requires active involvement by all MCK management and staff. Business Unit Managers will be primarily responsible for reporting any breaches of the legislation and regulations in their areas of responsibility, and will be held accountable for them.*

*This compliance statement is an important protection for our employees, the company, and our clients and ultimately for the integrity of MCK. It is important that the MCK Risk Management and Compliance Policies are adhered to and that our compliance and risk management system is effective.*

The Board's commitment to the Risk Management and Compliance Framework and related policies have jurisdiction throughout the MCK, and therefore are applicable to all staff.

### **2.2. MCK CORPORATE VALUES AND PRINCIPLES**

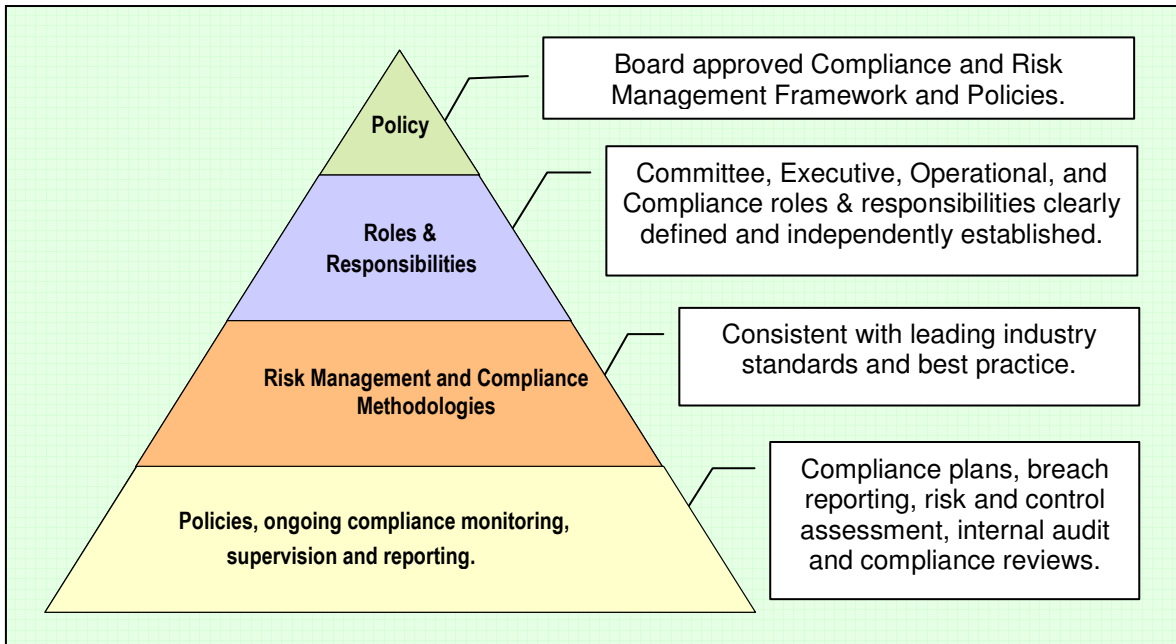
As holders of AFS licences, the MCK group of companies has a statutory and ethical responsibility to ensure that it complies with all legislative and regulatory requirements on a continuous basis. These responsibilities apply irrespective of the effect that non-compliance may have on MCK's ability to achieve its business objectives.

In meeting these responsibilities, MCK has developed various policies, including this Risk Management & Compliance Framework, Risk Management Policy and Risk Register, which provides authoritative guidance on the minimum acceptable standards of risk management within the organisation. The documents prescribe essential ethical principles relating to general conduct, making decisions, conflicts of interest and compliance. Living up to these values requires MCK to maintain effective measures to meet risk management and compliance obligations under the Corporations Act 2001. This includes establishing processes to ensure ongoing compliance with licence conditions and effective supervisory arrangements and enforcement measures. Failure to meet these requirements has serious consequences, as a breach of the obligations under the Corporations Act is not just a significant compliance risk, but also potentially a business continuity risk, through a cancellation or suspension of the AFS Licence.

Accordingly, the risk management and compliance obligations, methodology and reporting requirements are detailed in the MCK Risk Management and Compliance Policies respectively.

## 2.3. MCK RISK MANAGEMENT AND COMPLIANCE FRAMEWORK

MCK aims to maximise its ability to meet its corporate business objectives, whilst acting consistently with the statutory obligations and ethical values. To this end, MCK has adopted the Risk Management and Compliance Framework (the Framework) illustrated below. The key components of the Framework include Board-approved policies, clearly documented roles and responsibilities, leading risk assessment and compliance methodologies, monitoring and reporting processes. Effective monitoring and supervision is provided through compliance and internal audit function, compliance plans, and established communication and escalation processes for compliance reporting and complaints handling.



The components of the Framework have been developed in accordance with the International Risk Management Standard ISO 31000 (replacing the AS/NZS 4360) and the Australian Compliance Standard (AS/NZS AS 3806). In addition, and consistent with these leading industry standards and management's responsibilities to implement the Risk Management and Compliance Framework, MCK will actively:

- Identify all business risks and compliance obligations using the risk management and compliance processes outlined in the Risk Management Policy.
- Ensure risk management and compliance become part of day-to-day management.
- Provide staff with policies and procedures necessary to manage risks and comply with relevant obligations.
- Ensure staff are aware of:
  - Risks and how to manage them.
  - All relevant compliance requirements.
- Assign accountability for risk and compliance.
- Monitor the risk profile of the business.
- Monitor compliance with obligations.
- Communicate to the MCK Board the business risk profile, risk treatment action plans and details of any compliance breaches and management action taken.
- Implement a continuous improvement approach to risk management and compliance.

The Framework and the methodology and concepts that support it will be reviewed and updated periodically to provide continuous process improvement with respect to developments in risk management and compliance practices

### **3. ADOPTION BY THE BOARD**

This MCK Risk Management and Compliance Framework was adopted by the Board at a meeting of Directors on 29 April 2010.