

Risk & Compliance Committee

Committee members	Regular attendees
• Patrick Storey (Chairman)	Finance Director ¹
• Stephen Karle	Company Secretary
• Sir Nigel Knowles	
• Joanne Lake	
• Peter Ward	
• Paul Smith (CEO)	
• Andy Thomson (CFO)	
• Ian Cooper (Risk & Compliance Director)	
• Barrie Grimshaw (IT & Business Change Director)	

1 By invitation

What does the Committee do?

The principal purpose of the Risk & Compliance Committee is to assist the Board in its oversight of risk within the Group with particular focus on risk appetite, risk profile and the effectiveness of the Group's internal controls and risk management systems.

The Committee's terms of reference are available on the Group's website.

The Committee was in place throughout the year and held five meetings.

Dear Shareholder

As Chairman of the Risk & Compliance Committee, I am pleased to present our report for the year ended 24 February 2018.

The report provides insight into the composition of the Committee and the work that it undertakes to ensure that the Group's risk management policies and procedures are fit for purpose and that the Group's risk management framework is operating effectively.

Composition and governance

In addition to my role as Chairman of the Risk & Compliance Committee, I am also Chairman of the Audit Committee. All of the Non-Executive Directors are members of this Committee, and have been since the Group's IPO in May 2016.

The Chief Executive Officer, the Chief Financial Officer, the Risk & Compliance Director, and the IT & Business Change Director are also members of this Committee. The Finance Director attends Committee meetings by invitation.

The composition of the Committee was reviewed by the Nominations Committee in November 2017, and considered appropriate for what is still a comparatively young listed organisation.

How the Committee discharged its responsibilities

The Committee held four scheduled meetings during the year in alignment with its terms of reference. The Committee also held a fifth meeting which was convened solely to review the Group's plans for territory builds, following the unexpected opportunity presented by an unprecedented number of agents leaving the Group's largest competitor.

A self-assessment internal review of the performance of the Committee concluded that it had discharged its responsibilities during the year. The time allocated to these meetings has been reviewed and recently increased to ensure that it remains appropriate for the issues being raised. Following the Committee's review and updating of its terms of reference in February 2018, a revised formal rolling agenda has been introduced for the new financial year.

The Group's Credit Risk Committee reports to this Risk & Compliance Committee.

The Morses Club strapline is 'Putting You First': customers are at the heart of the Group's culture, vision and values. In recent years, the level of public and regulatory scrutiny of the Group's marketplace has grown. The Board recognises the importance to the business of risk and compliance, and the need to devote time and energy to these vital areas.

The Committee is responsible for reviewing and reporting to the Board on a number of topics, including:

- the Group's risk appetite (the extent and categories of risk regarded by the Board as acceptable for the Group to bear);
- the Group's risk management and internal controls framework (its principles, policies, methodologies, systems, processes, procedures and people);
- the arrangement for the identification, assessment, monitoring, management and oversight of risk with regard to processes and procedures;
- the effectiveness of the Group's internal controls, compliance monitoring and risk management systems; and
- the Group's procedures for preventing and detecting money laundering and fraud.

Risk & Compliance Committee *continued*

The Committee has a schedule for matters to be discussed at the various meetings. These include a regular review of:

- The work done by the Executive Team's Risk Committee.
- The Group's assessment and management of conduct risk.
- The Group's policies and practices for Treating Customers Fairly and ensuring consistently good customer outcomes.
- The Group's compliance monitoring activities.
- Information and cyber security, including adherence to the new GDPR requirements.
- Customer complaints.
- Financial crime.
- Regulatory matters, including those relating to the FCA.

Activities during the year

During the year, some of the key topics discussed included territory builds, cyber security and data protection, regulatory matters and customer complaints.

Territory builds

During the last year, the Committee held a special meeting with the sole purpose of reviewing the risks presented by an opportunity to materially grow the number of new territory builds. The Committee was determined to scrutinise fully the management team's proposed response to this significant opportunity, prior to its implementation, to ensure that the Group's risk and compliance infrastructure could be grown in tandem with the business.

Cyber security and data protection

Cyber security has also been a major topic for the Committee. During the year, the Group performed both penetration testing and failover testing. It has employed its first information security officer and has encrypted all of its laptops. The Committee has reviewed the Group's extensive preparations for the GDPR regulations being introduced in May 2018.

Regulatory matters

The Committee was delighted that the Group was the first mainstream Home Collected Credit company to receive full FCA authorisation in May 2017, and has been actively involved in the Group's continuing constructive dialogue with the FCA.

We are keen to ensure that the Group keeps abreast of evolving regulation and contributes to that evolution as appropriate.

Customer complaints

Whilst the Group generates excellent customer satisfaction rates and has a very good track record with the Financial Ombudsman Service, the Committee continues to play a part in ensuring that management maintains its clear focus on Treating Customers Fairly and good customer outcomes.

At its meetings, the Committee takes a keen interest in trends of customer complaints and particularly in any 'root cause analysis' performed routinely by management.

A section on the Group risks can be found on pages 28 to 31.

Approval

On behalf of the Risk & Compliance Committee

Patrick Storey

Chairman
26 April 2018