

## Materiality Policy

### Background

The consideration of the significance of a transaction or a group of transactions and relationships occurs throughout the ASX recommended principles and it is therefore appropriate for the Board to determine and communicate materiality guidelines for use by the company, directors and staff.

### Definition of Materiality

The Australian Accounting Standards Board in its standard AASB 1031, which provides the following definition:

“Materiality means, in relation to information, that information which if omitted, misstated or not disclosed has the potential to adversely effect decisions about the allocation of scarce resources made by users of the financial report or the discharge of accountability by the management or governing body of the entity.”

The standard while recognising that materiality is a matter of an informed judgement does provide a guide on quantitative thresholds as follows:

An item or aggregate of items is considered to be not material if it is less than or equal to 5% of the base amount and material if it is greater than or equal to 10% of the base amount.

The ASX has also provided guidance on the issue of materiality.

The materiality of specific transactions, events or relationships should be reviewed from a number of perspectives including the impact of quantitative, qualitative and cumulative factors.

These factors need to be also considered from the company’s position as well as the customers/suppliers or director’s and staff member’s position.

The following ASX principles require the consideration of materiality by the company:

### Principle 2: Structure the Board to add value

#### **Recommendation 2.1 a majority of the board should be independent directors**

The ASX provides guidance that an independent director is independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

In this context it is important that the Board consider materiality thresholds from the perspective of the company and its directors and to disclose these.

## Principle 4: Safeguard integrity in financial reporting

### **Recommendation 4.1**

The Managing Director and the Chief Financial Officer are required to report to the Board that the financial reports present a true and fair view, in all material respects, of the company's financial condition and its operating results.

## Principle 5: Make timely and balanced disclosure.

All investors should have equal and timely access to material information concerning the company.

ASX listing rule 3.1 also requires a company to advise the ASX on any information about a company that may have a material effect on the price or value of the company's securities.

## Principle 7: Recognise and manage risk.

The company should maintain a risk profile that contains a description of the material risks facing the company.

The Managing Director and the Chief Financial Officer are required to make a statement that the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

## **Materiality Policy**

### **Purpose**

This policy provides guidance to the Board, management and staff on the assessment of materiality in financial matters, the independence of relationships and any other company matters that require appropriate disclosure.

### **Policy**

The Board recognises that materiality in a particular circumstance is a matter of informed judgement, however to provide some guidance the following are considered material in financial matters, the independence of relationships and any other company matters and should be disclosed.

In relation to Credit Corp Group Limited, its directors, management, staff, suppliers and customers the following guidance factors must be considered individually and jointly.

Any transaction, relationship or event that is considered material based on these factors is to be reported to the Chief Financial Officer and or the Audit Committee.

## Guidance Factors

### **Quantitative factors**

An item or aggregate of items is considered to be not material if it is less than or equal to 5% of the base amount and material if it is greater than or equal to 10% of the base amount over a twelve month period in the absence of any additional evidence or circumstance to the contrary.

The base amount in relation to the company is the net profit before tax amount.

The base amount for external parties is the annual gross revenue of that entity or individual.

### **Qualitative factors**

Material qualitative factors to be considered include:

The diversity of the company's customer and supplier base

Any relationship or group of relationships involving a director, manager or staff member which exist, which individually or cumulatively are:

- Strategic to the company or to the related entity or individual
- Professional advisors to the company
- An entity or business with which the company trades
- An entity or business with which the company competes
- Any other transaction or relationship, which is unusual in the normal course of business