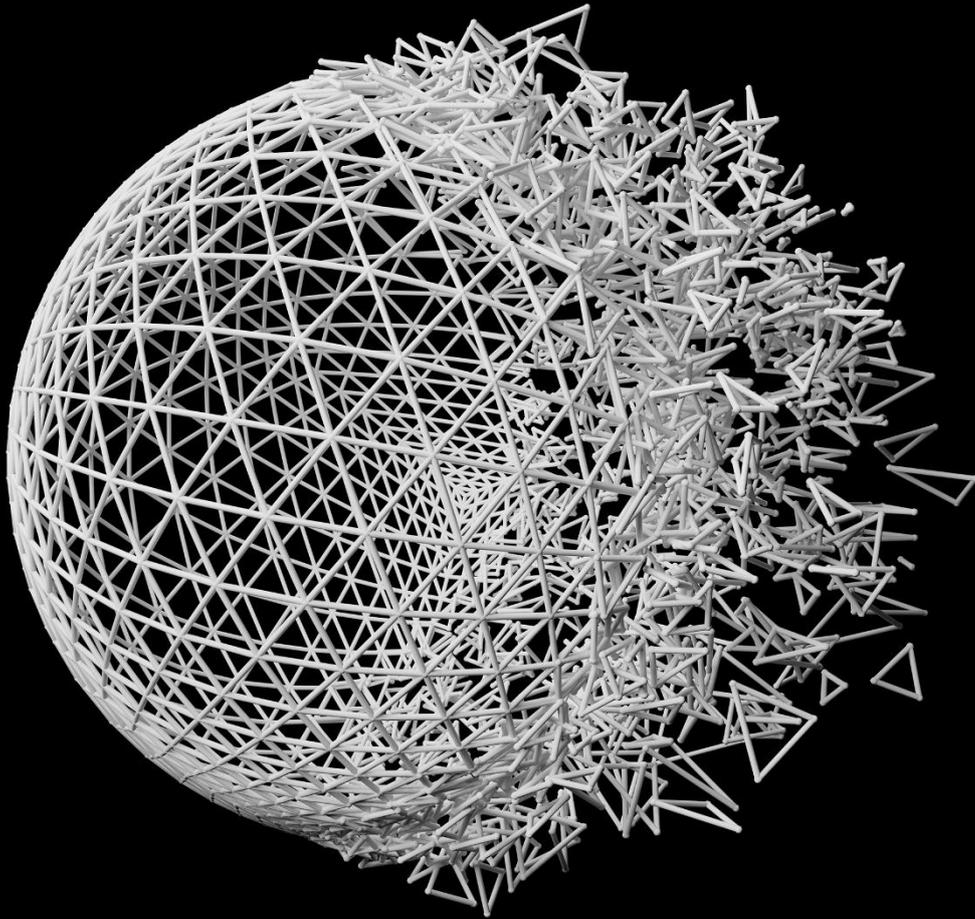


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Thorn Australia Pty Limited
Independent Expert Summary Report:
Interim Remediation Report

7 May 2019

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1 Background

Thorn Australia Pty Ltd ("Thorn") is a wholly-owned subsidiary of Thorn Group Limited and carries on a consumer leasing business through its brands Radio Rentals ("RR") nationally, except for South Australia where it operates as Rentlo Reinvented ("Rentlo"). Thorn Group Limited is listed on the Australian Securities Exchange.

Thorn has held an Australian Credit Licence ("ACL"), number 383003, since 12 October 2010 and leases appliances, furniture and technology and other consumer goods to consumers online via its websites, by telephone and through its store network across Australia.

Thorn entered into an Enforceable Undertaking ("EU") with the Australian Securities and Investments Commission ("ASIC") on 23 January 2018.

The EU was the outcome of ASIC surveillance and investigation, which focused on Thorn's compliance with the National Credit Act. In addition to appointing an Independent Expert to assess Thorn's compliance with the National Credit Act, the EU also requires Thorn to remediate consumers ("Affected Consumers") who have entered into an Affected Lease with Thorn.

An Affected Lease means a consumer lease entered into between 1 January 2012 to 1 May 2015 ("the Relevant Period"), to which Part 11 of the National Credit Code applies and where:

- the lease is not an Absconded Account¹; and
- there was at least one Arrears Event² in the first 12 months or alternatively three or more Arrears Events during the lease period.

Thorn has identified 51,081 Affected Leases that meet the definition above, with a total value of \$6,709,249, comprising of:

- \$2,988,611 (Remediable Fee or Expense to be refunded)
- \$3,720,638 (Remediable Fee or Expense to be written-off)

An Affected Consumer can hold multiple Affected Leases and each Affected Lease may have a different Remediation Outcome.

The specific Remediation Outcome relates to the type of Remediable Fee or Expense paid by the consumer (or charged to the consumer but not paid by the consumer) in relation to an Affected Lease, which may include one or more of the following:

- late payment fees;
- dishonour fees;
- early termination fees; and
- collection or enforcement fees and expenses.

As per sub-paragraph 3.3.1 of the EU, refunds made to an Affected Consumer are collectively described as the Remediation Funds.

Deloitte was appointed as the Independent Expert on 12 February 2018 to provide a series of reports in accordance with the EU. As at the date of this Report, Deloitte has completed three Reports which have been issued to ASIC and Thorn:

¹ Absconded Account means an account which is in arrears and after having made reasonable inquiries, Thorn is unable to contact the consumer or Thorn has been denied access to repossess the rental goods.

² Arrears Event is where a lease payment was overdue for at least 41 calendar days.

- Interim Compliance Report dated 23 August 2018.
- Final Compliance Report dated 23 January 2018.
- Interim Remediation Report dated 7 February 2019

This report provides a summary of the findings of the Interim Remediation Report dated 7 February 2019. It does not include the summary of the findings from the Interim Compliance Report dated 23 August 2018 or the Final Compliance Report dated 23 January 2019.

2 Scope and Approach

Scope

The EU requires the Independent Expert to provide an interim Remediation Report to Thorn and ASIC in accordance with paragraph 3.10.12 of the EU, which includes:

- a) a summary of Thorn's progress with respect to communicating with and remediating affected consumers (as per paragraphs 3.3 to 3.5 of the EU) and the steps still to be taken;
- b) an assessment, made by reviewing a sample of 30 Affected Leases³ which includes at least three of each type referred to in sub-paragraphs 3.3.1 to 3.3.6 of the EU, of whether remediation has been correctly calculated and refunded or written-off;
- c) for each of the Remediation Funds and the write-off amounts:
 - i. the total amounts;
 - ii. the number of Affected Consumers
 - iii. the number and percentage of Affected Consumers who have received refunds / write-offs;
 - iv. the amount and percentage refunded / written-off;
 - v. the number and percentage of Affected Consumers yet to receive refunds / write-offs; and
 - vi. the amount and percentage not yet refunded / written-off; and
- d) any recommendations for actions that in the opinion of the Independent Expert, are necessary for Thorn to implement for the purposes of complying with paragraphs 3.3 to 3.5 of the EU.

Approach

The activities we performed during our assessment for the Interim Remediation Report included:

- An assessment of the Thorn's documented methodology to identify Affected Consumers which included:
 - Performing a walkthrough with Thorn personnel to understand Thorn's process in relation to identifying Affected Leases; and
 - Utilising data analytics specialists to examine the SQL data scripts relied upon by Thorn to determine if all Affected Leases had been correctly identified.
- An assessment of the activities performed by Thorn to calculate the remediation amount for each Affected Lease sampled which included:
 - Examining Thorn's calculation approach for alignment against the requirements of the EU; and
 - Assessing the accuracy of the calculation by re-performing the application of the calculation formula in Excel for a sample of Affected Leases and comparing the results against Thorn's own calculation.
- An assessment of the activities performed by Thorn in relation to the refund process for Affected Leases which included:

³ 32 Affected Leases with various Remediation Outcomes were sampled for the purposes of our assessment.

- Conducting sample testing of Affected Consumers (who held an Affected Lease) where an Affected Consumer has paid a Remediable Fee or Expense to confirm the refund process was correctly performed and the refund was made in the timeframe specified in the Communication Plan.
- An assessment of the activities performed by Thorn in relation to the write-off process initiating the request to remove default listings for Affected Leases, which included:
 - Conducting sample testing of a selection of Affected Leases where an Affected Consumer has been charged but not paid a Remediable Fee or Expense to confirm Thorn has written-off the fee or expense; and
 - Conducting sample testing of a selection of Affected Consumers (who held an Affected Lease) where a default listing was made on the Affected Consumer's credit report to confirm Thorn has initiated a request (with the relevant credit report bodies to remove the default listing) within one month of the Communication Plan Approval Date.
- An assessment of the activities performed by Thorn to notify Affected Consumers which included:
 - Performing a walkthrough of the communication process with Thorn personnel;
 - Conducting sample testing on various communication artefacts to confirm that Thorn has attempted to contact Affected Consumers in accordance with the Communication Plan; and
 - Accessing the Websites⁴ to confirm information regarding Affected Consumers' entitlements to remediation has been published on the Websites.

Sampling period

The sampling period for our assessment for the Interim Remediation Report included the remediation activities conducted by Thorn between 1 June 2018 up to and including 31 December 2018.

⁴ www.radio-rentals.com.au
www.rr.com.au

3 Report conventions

The following conventions are used in this report:

- All references to 'deficiencies', refer to an act or omission whereby Thorn appears to have not complied with the EU;
- All references to 'adequate', refer to the adequacy of Thorn's activities in relation to consumer remediation;
- All reference to 'recommendations' refer to the actions we believe would be necessary for Thorn to undertake in order to rectify deficiencies identified; and
- All references to 'enhancements' refer to actions we believe should be considered by Thorn in taking a leading approach in relation to a consumer remediation program.

4 Summary of Findings

Deloitte’s findings are based on the scope of work and the activity performed by Thorn up to 9 January 2019 (“Cut-off Date”). Our assessment of Thorn’s remediation activities undertaken up to and including the Cut-off Date has not identified any deficiencies in relation to:

- Thorn’s communication with Affected Consumers as per the ASIC approved Communication Plan;
- Identification of Affected Leases;
- Thorn’s steps in calculating the Remediation Funds, including crediting open accounts and making remediation payments to consumers who had entered into an Affected Lease;
- Calculating and applying the write-off amounts; and
- Removal of default listings from Affected Consumers’ credit reports.

Communication Plan

As per the EU, Thorn was required to undertake a number of activities in relation to consumer remediation, including developing a Communication Plan to communicate with Affected Consumers.

The Communication Plan is the key document setting out Thorn’s activities in relation to consumer remediation and describes how and when Affected Consumers will be contacted.

The Communication Plan was approved by ASIC on 7 May 2018 and as detailed in the EU, the approval date triggered a number of activities to be taken by Thorn by a specific timeframe. For example within seven months of the Communication Plan approval date, Thorn was required to pay the remediation due to each Affected Consumer under paragraph 3.5.3 of the EU.

Based on the results of our sampling, Thorn has adhered to the approved Communication Plan and activities required to be performed to date.

Remediation Activities

The table below sets out the key dates by which Thorn is required to complete remediation activities. In undertaking our assessment (including sampling of operational processes), we have determined Thorn has completed all activities in accordance with the dates set out in the EU.

Table 1

Remediation activities	EU reference	Date completed by
Request credit reporting body(s) to remove any default listing	3.3.3	7 June 2018
Publish information regarding Affected Consumers’ entitlements to remediation on Thorn’s Websites	3.5.1	7 June 2018
Credit the refund amount to consumers’ accounts, and notify the consumers of their end of lease choices	3.3.6(a)	7 July 2018

Remediation activities	EU reference	Date completed by
Write-off the amount where an Affected Consumer has been charged but not paid a Remediable Fee or Expense	3.3.2	7 August 2018
Clear all outstanding Remediable Fees and Expenses for closed Affected Leases	3.3.4	7 August 2018
Identify, contact and inform Affected Consumers of their remediation entitlements	3.5.2	7 November 2018
Pay the remediation due to Affected Consumers	3.5.3	7 December 2018

Remediation Progress

Due to the nature of the interactions a consumer may have with Thorn (for example, a returning consumer and multiple leases held by a consumer at one time), reporting statistics in relation to progress of the remediation program requires an 'account level' analysis as well as a 'lease level' analysis. The data set relied upon for the purposes of this report reflects this framework.

Thorn's progress in remediating Affected Consumers (at the consumer account level, not the Affected Lease level) as of the Cut-off Date is detailed in Table 2 below.

Table 2.

Remediation Status	Count	Completion Rate
Consumer contacted - Remediated	12,505	50.4%
Consumer contacted - Not Remediated	12,286	49.6%
Total	24,791	

Table 3 details, at the Affected Lease level, the remediation credits and refunds that have been processed by Thorn to the Cut-off Date.

Table 3.

Total Affected Leases	Remediation Credits applied	Total No. of Leases Successfully Remediated	Remediation Credit Refunded	Completion Rate (No. of Leases)	Completion Rate (Remediation Credit Refunded / Remediation Credit Applied)
51,081	\$6,709,249	31,315	\$4,266,308	61.3%	63.6%

As our assessment of Thorn's remediation activities did not identify any deficiencies or enhancements, there were no recommendations made in the Interim Remediation Report. Thorn's ongoing progress

in completing the required consumer remediation activities will be assessed by Deloitte in the *Final Remediation Report* to be provided to ASIC in August 2019.

5 Limitations

Our work for Thorn was limited to the specific scope outlined in the Engagement Letter dated 26 February 2018, which was provided to ASIC, and the terms of the Enforceable Undertaking. Our work was completed during the period 1 November 2018 to 7 February 2019, and therefore, we may not have identified matters that would have been found had additional time been available.

Our work does not constitute a reasonable assurance (audit) or limited assurance (review) engagement in accordance with the Auditing and Assurance Standards Board ("AUASB") standards and consequently, no assurance is provided. The scope of our work does not extend to obligations not specifically detailed in the engagement letter and the work described herein, and any interpretation of law. No legal opinions are provided or can be assumed.

Our assessment is based on the relevant legislative and compliance obligations identified within the engagement letter and this report at a point in time, which are subject to change and hence cannot be relied upon to meet the future compliance needs.

Deloitte assumes that any information (including the data quality and integrity of underlying datasets) provided by Thorn in relation to enquiries for this report is true, complete and not misleading, and confirms that if the information is untrue, incorrect or misleading then the report may be incorrect or inappropriate for its purpose. The decision-making responsibility in response to the findings of this report resides solely with Thorn and ASIC.

Our assessment of Thorn's operational activities in relation to remediation activities (communication, calculation of Remediable Expenses, payment, write-offs and initiating requests to remove default listings) was performed on a sample basis. We cannot, in practice, examine every aspect of content, activity and procedure, nor can we be a substitute for management's responsibility to ensure adequacy and maintenance of adequate controls over all levels of operations including the prevention and detection of irregularities, including fraud.

Our scope did not include any assessment of controls supporting technology platforms or an assessment of the accuracy of underlying data.

We accepted the confirmation provided by Thorn that the data migration from B400 to Navision was complete and accurate.

Within the scope of the engagement, we did not re-perform the extraction of the affected population nor did we re-calculate the remediable fees.

Our assessment involved reviewing the code developed by Thorn and the SQL on the datasets provided by Thorn. In addition, we have relied on clarifications and representations made by Thorn. The extent of our validation was limited by the data being available and accessible to us outside of Thorn's environment only.

Using the code and the dataset that Thorn provided, we were able to extract the remediable fee charged, account balance and next credit amount. However, the actual calculation of the remediable fees was conducted by Thorn outside the SQL environment (in Excel) and it incorporates information derived from other source/s that were not part of the datasets provided by Thorn. Hence, the fee amounts were recalculated for the Affected Leases sampled only (not the entire population).

We believe the statements made in this report are accurate, but no warranty of completeness, accuracy, or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, Thorn. We have not attempted to verify these sources independently unless otherwise noted within the report.

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