

## RISK MANAGEMENT POLICY

18 August 2020



### A. INTRODUCTION

The Board of Directors (the "Board") of Platinum Asia Investments Limited ABN 13 606 647 358 (the "Company") believes the management of risk is a continual process and an integral part of good business management and corporate governance. Risk management is defined by the Board to mean the identification and management of those risks that could harm the Company.

In general, risks for the Company may be classified as strategic, operational, financial, legal, contractual, and technological.

The Company is an investment company. A measure of risk is inherent in all investment activities undertaken by the Company and its appointed investment manager, Platinum Investment Management Limited ABN 25 063 565 006 ("Platinum").

### B. RESPONSIBILITIES

The Board is responsible for approving the risk appetite of the Company. The Board is also responsible for ensuring that significant risks facing the Company are identified and that appropriate systems and controls, metrics, monitoring and reporting mechanisms are put in place to enable the Board to measure performance against the Company's approved risk appetite, to ensure that Platinum's management and the Company's other key service providers operate within the Company's approved risk appetite. The Company's risk appetite is formally reviewed at least annually by the Company's Audit, Risk & Compliance Committee for approval by the Board.

In addition, the Board has responsibility to ensure internal controls and arrangements are adequate for monitoring compliance with laws and regulations (applicable to the Company).

To assist them, the Board has established:

- an Audit, Risk & Compliance Committee that operates in accordance with ASX Listing Rule 12.7 and Principle 4 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations – 3<sup>rd</sup> Edition, unless otherwise stated in the Company's annual Corporate Governance Statement;

- reporting mechanisms from Platinum, which undertakes both the investment and administrative operations of the Company; and
- a certification process for the preparation and release of the Company's annual financial reports.

### C. AUDIT, RISK & COMPLIANCE COMMITTEE

The Audit, Risk & Compliance Committee plays a key role in assisting the Board with its responsibilities relating to accounting, internal control systems, reporting practices and risk management, ensuring the independence of the external auditor, and monitoring the franking account balance.

In addition, the Audit, Risk & Compliance Committee oversees and appraises the quality of audits conducted by Platinum's Compliance and Risk Department and the Company's external auditor and emphasises areas where the Committee believes that special attention is needed.

The Audit, Risk & Compliance Committee is comprised of the Non-Executive Directors of the Board. Regular attendees at meetings of the Committee include Platinum's Finance Director, Platinum's General Counsel, Platinum's Head of Finance and Platinum's Chief Compliance Officer. The external auditor attends meetings as requested by the Committee.

The Audit, Risk & Compliance Committee operates in accordance with a Charter, which outlines the structure and responsibilities of the Committee.

### D. INVESTMENT MANAGER'S RISK MANAGEMENT FRAMEWORK

Platinum has implemented a Risk Management Framework ("Framework") based on the standard AS/NZS ISO 31000:2009 *Risk management - Principles and guidelines*.

The Framework incorporates:

- systematic processes for the identification, assessment, treatment and monitoring of risks;
- communication and consultative processes to ensure management and staff are involved with the development and maintenance of risk profiles;

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- integrated risk management in business planning, decision-making and day to day operational management;
- training programs to improve management and staff awareness of risks and management techniques; and
- periodical performance reporting to the Board.

Platinum also has the following in place to ensure a strong control environment:

- clearly defined management responsibilities and organisational structure;
- documented delegations and limits for authorised representatives;
- regular internal review and control mechanisms including a management committee, and dedicated compliance and risk team (which incorporates internal audit);
- appropriate policies and procedures readily available for staff use;
- a business recovery plan, aimed at preventing significant disruptions to the business;
- a control self-assessment program, which includes regular testing of the key controls of identified risks, with results affecting the Company, reported to the Board; and
- controls on the use and maintenance of derivative instruments as part of its investment operations.

Platinum's control environment is subject to regular testing.

Platinum's Chief Compliance Officer is responsible for the coordination and continued improvement of the Framework. The Framework is formally reviewed annually, with results reported to the Audit, Risk & Compliance Committee.

Risk monitoring of the Company's approved risk appetite is performed on a quarterly basis by Platinum. The results of this monitoring are presented using a risk dashboard to the Audit, Risk and Compliance Committee.

### E. OTHER CERTIFICATIONS

On an annual basis, Platinum provides the Company with a certification of:

- compliance with the Company's Investment Management Agreement and Administration Agreement; and
- the external auditor's independence having regard to the standard of independence imposed for auditors under Part 2M.4 of the *Corporations Act 2001 (Cth)*.

These certifications are provided by Platinum's Finance Director to the Audit, Risk & Compliance Committee.

### F. CERTIFICATION PROCESS FOR ANNUAL FINANCIAL REPORTS

Prior to the Board approving the Annual Report, the CEO and Finance Director of Platinum are required to make the following certifications to the Board:

- the Company's financial records for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001 (Cth)* (the "Act");
- the financial statements, and notes referred to in paragraph 295(3)(b) of the Act, for the financial year comply with the accounting standards;
- the financial statements and notes for the financial year give a true and fair view of the Company's financial position and performance (as per section 297 of the Act);
- any other matters that are prescribed by the Act and the Corporations Regulations in relation to the financial statements and the notes for the financial year are satisfied;
- the integrity of the Company's financial statements is founded on a sound system of risk management and internal compliance and control, that in all material respects, implements the policies adopted by the Board;
- the Company's risk management and internal compliance and control system relating to financial reporting objectives is operating efficiently and effectively in all material respects;
- the risk management and internal compliance control systems have been designed and implemented to effectively manage the Company's material business risks;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

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- statements made to the auditor in the representation are true and accurate.

### **G. REVIEW OF RISK MANAGEMENT PRACTICES**

The Company regularly evaluates the effectiveness of its risk management practices to ensure that its internal control systems and processes are monitored and updated on an ongoing basis.

The division of responsibility between the Board, Platinum and the Audit, Risk & Compliance Committee aims to ensure that specific responsibilities for risk management are clearly communicated and understood.