

# **Risk Management Policy**

Bailador Technology Investments ACN 601 048 275

adopted on 25 September 2014

1	<b>Introduction</b> -----	3
2	<b>Risk management program -overview</b> -----	3
3	<b>Risk management program -risk identification</b> -----	3
4	<b>Oversight and management</b> -----	4
5	<b>Review of risk management program</b> -----	5

## 1 Introduction

- 1.1 Bailador Technology Investments Limited ACN 601 048 275 (**Company**) considers ongoing risk management to be a core component of the management of the Company, and understands that the Company's ability to identify and address risk is central to achieving its corporate objectives.
- 1.2 The Company's risk management policy (**Policy**) outlines the program implemented by the Company to ensure appropriate risk management within its systems and culture.

## 2 Risk management program -overview

- 2.1 The Company's risk management program comprises a series of processes, structures and guidelines which assist the Company to identify, assess, monitor and manage its business risk, including any material changes to its risk profile.
- 2.2 To achieve this, the Company has clearly defined the responsibility and authority of the Company's board of directors (**Board**) to oversee and manage the risk management program.
- 2.3 Regular communication and review of risk management practice provides the Company with important checks and balances to ensure the efficacy of its risk management program.

## 3 Risk management program -risk identification

- 3.1 In order to identify and assess material business risks, the Company defines risks and prepares risk profiles in light of its business plans and strategies. This involves providing an overview of each material risk, making an assessment of the risk level and preparing action plans to address and manage the risk. The Company regularly reviews its risk profiles to ensure currency.
- 3.2 The Company presently focuses on the following types of material risks:

### *Administrative risk*

- (a) The Company has outsourced the following functions to Bailador Investment Management Pty Ltd ACN 143 060 511 (**Manager**) (accounting, administrative, compliance, company and investment management) accordingly risk issues associated with these activities are handled in accordance with the Manager's policies and procedures.

### *Market related risks*

- (b) The Board is primarily responsible for recognising and managing market related risks. By its nature as a listed investment company, the Company will always carry investment risk because it must invest its capital in securities or investments which are not risk free. However, the Company seeks to reduce this investment risk by a policy of diversification of investments within its investment mandate.
- (c) The Manager is required to act in accordance with the Board approved management agreement (Management Agreement) and provides to the Board monthly net tangible asset backing reports.

- (d) In assessing the Company's risk tolerance level the Board considers any instance which materially affects the Company's monthly net tangible asset backing announcement released to ASX Limited (ABN 98 008 624 691).

## **4 Oversight and management**

### *Board*

- 4.1 The Board acknowledges that it is responsible for the overall system of internal control but recognises that no cost effective internal control system will preclude all errors and irregularities.
- 4.2 The Board has delegated responsibility for reviewing the risk profile including material business risks and reporting on the operation of the internal control system to the Audit and Risk Committee. However, the Audit and Risk Committee may also refer particular risk management issues to the Board for final consideration and direction.
- 4.3 The Board will review the effectiveness of the Company's risk management and internal control system annually.

### *Audit and Risk Committee*

- 4.4 The day-to-day oversight of the Company's risk management program has been conferred upon the Audit and Risk Committee and the management of the Company's risk management program has been conferred upon the Manager. The Audit and Risk Committee is responsible for ensuring that the Company maintains effective risk management and internal control systems and processes and provides regular reports to the Board on the effectiveness of the risk management program in identifying and addressing material business risks. To achieve this, in addition to the risk management responsibilities in the Audit and Risk Committee Charter, the Audit and Risk Committee is responsible for:
  - (a) monitoring the establishment of an appropriate internal control framework, including information systems, and its operation and considering enhancements;
  - (b) assessing corporate risk and compliance with internal controls;
  - (c) overseeing business continuity planning and risk mitigation arrangements;
  - (d) reviewing reports on any material misappropriation, frauds and thefts from the Manager;
  - (e) reviewing reports on the adequacy of insurance coverage;
  - (f) monitoring compliance with relevant legislative and regulatory requirements (including continuous disclosure obligations) and declarations by the Secretary in relation to those requirements;
  - (g) reviewing material transactions which are not a normal part of the Company's business;
  - (h) reviewing the nomination, performance and independence of the external auditors, including recommendations to the Board for the appointment or removal of any external auditor;

- (i) liaising with the external auditors and monitoring the conduct of the annual audit;
- (j) overseeing the processes of the Manager that support external reporting;
- (k) reviewing financial statements and other financial information distributed externally; and
- (l) reviewing external audit reports and monitoring, where major deficiencies or breakdowns in controls or procedures have been identified, remedial action taken by the Manager.

#### *The Manager*

- 4.5 The Manager will be responsible for designing and implementing risk management and control systems which identify material risks for the Company and aim to provide the Company with warnings of risks before they escalate.

### **5 Review of risk management program**

- 5.1 The Company regularly evaluates the effectiveness of its risk management program to ensure that its internal control systems and processes are monitored and updated on an ongoing basis and may disclose the results of such review in its annual reports.
- 5.2 The division of responsibility between the Board, the Manager and the Audit and Risk Committee aims to ensure that specific responsibilities for risk management are clearly communicated and understood. The reporting obligations of the Audit and Risk Committee ensure that the Board is regularly informed of material risk management issues and actions. This is supplemented by ongoing evaluation of the performance of the risk management program by the Manager and the Board.