

Contango Income Generator Limited

ACN 160 959 991

Risk management policy

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1. Introduction

Contango Income Generator Limited ACN 160 959 991 (**Company**) views effective risk management as key to achieving and maintaining its operational and strategic objectives.

2. Risk oversight

2.1 The directors of the Company are responsible for reviewing and ratifying the risk management structure, processes and guidelines which are to be developed, maintained and implemented by management. The active identification of risks and implementation of mitigation measures is also the responsibility of management.

2.2 The Audit Committee of the Company's board of directors (**Board**) or the Company's investment manager (**Management**) may also refer a particular matter or financial risk management issue to the Board or a separate risk committee for consideration and direction.

2.3 To assist the Board in discharging its financial responsibility in relation to risk management, the Board has delegated certain activities to the Audit Committee. The objectives of the Audit Committee include, among other things:

- (a) promoting a culture of compliance;
- (b) providing a forum for communication between the Board and Management in relation to audit and compliance matters affecting the Company; and
- (c) reviewing and commenting on Management's plans for managing the material financial and reporting risks faced by the Company.

2.4 To achieve these objectives, the responsibilities of the Audit Committee in relation to risk management and internal compliance and control systems include among other things:

- (a) overseeing the establishment and implementation of risk management and internal compliance and control systems and ensuring that there is a mechanism for assessing the ongoing efficiency and effectiveness of those systems;
- (b) reviewing (at least annually) and approving policies and procedures on risk oversight and management to establish an effective and efficient system for:
 - (i) identifying, assessing, monitoring and managing risk; and
 - (ii) disclosing any material change to the Company's risk profile; and
- (c) receiving reports from the Management concerning the Company's material risks in order to assess the internal processes for determining, monitoring and managing these risks and to monitor the risk profile of the Company;

- (d) reviewing the Company's financial risk management procedures to ensure that the Company complies with its legal obligations, including to assist the relevant persons to provide declarations in relation to each of the Company's financial reports required by both section 295A of the *Corporations Act 2001* (Cth) and Recommendation 4.2 of the *ASX Corporate Governance Principles and Recommendations (3rd edition)*.
- 2.5 Further detail in relation to the responsibilities of the Audit Committee are contained in the Audit Committee's charter that is available on the Company's website.
- 3. Role of management
 - 3.1 Management is responsible for designing and implementing risk management and internal compliance and control systems which identify the material risks facing the Company. These compliance and control systems are designed to provide advanced warning of material risks before they eventuate.
 - 3.2 Management must regularly monitor and evaluate the effectiveness of these processes and risk plans and the performance of employees implementing them. In addition, Management must promote and monitor the culture of risk management within the Company and compliance with internal risk systems and processes.
 - 3.3 Management must report at each Board meeting on risk management to the directors and Audit Committee. The reporting must identify the Company's material risks and the extent to which:
 - (a) the Company's ongoing risk management program effectively identifies all areas of potential risk, including with respect to licensing and regulatory issues;
 - (b) adequate policies and procedures have been designed and implemented to manage identified risks;
 - (c) a regular program of audits is undertaken to test the adequacy of and compliance with prescribed policies; and
 - (d) proper remedial action is undertaken to redress areas of weakness.
- 4. Identified risks

There are a number of risks that are inherent to the business activities that the Company undertakes. These risks may change over time as the external environment changes and as the Company expands its operations. The risk management process requires the regular review of the Company's existing risks and the identification of new and emerging risks facing the Company, including financial and non-financial matters. It also requires the management, including mitigation where appropriate, of these risks.
- 5. Review of risk management
 - 5.1 The division of responsibility between the directors, the Audit Committee and Management aims to ensure that specific responsibilities for risk management are clearly communicated and understood by all.
 - 5.2 The reporting obligations of Management ensure that the directors and the Audit Committee are regularly informed of material risk management issues and actions. This is supplemented by the Audit Committee:
 - (a) overseeing the establishment and implementation of risk management and internal compliance and control systems and ensuring that there is a mechanism for assessing the ongoing efficiency and effectiveness of those systems;

- (b) reviewing (at least annually) and approving policies and procedures on risk oversight and management to establish an effective and efficient system for:
 - (i) identifying, assessing, monitoring and managing risk; and
 - (ii) disclosing any material change to the Company's risk profile;
- (c) reviewing and ratifying management's processes for ensuring and monitoring compliance with laws, regulations and other requirements relating to the external reporting of financial and non-financial information;
- (d) receiving reports from Management concerning the Company's material risks in order to assess the internal processes for determining, monitoring and managing these risks and to monitor the risk profile for the Company; and
- (e) reviewing and/or evaluating:
 - (i) the effectiveness of the Company's risk management and internal control processes; and
 - (ii) the Company's risk management system at least annually, and ensuring that the Company discloses in relation to each reporting period whether such a review has taken place, as well as any insights gained and any changes made to the risk management system as a result; and
- (f) ensuring that the Company discloses whether, and if so how, it has regard to, and manages, economic, environmental and social responsibility risks.

5.3 When considering the Audit Committee's review of financial statements for a financial period, the directors must request receipt of a written statement, signed by the relevant officers of the Company, that in their opinion the Company's financial reports give a true and fair view, in all material respects, of the Company's financial position and performance and comply in all material respects with relevant accounting standards. If requested, the statement may also confirm that the Company's financial statements are founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

5.4 Similarly, when reviewing risk management reports, the directors may request a separate written statement from the Management confirming that the Company's risk management and internal control systems have been operating effectively in relation to all material business risks for the relevant accounting period and that nothing has occurred since the period-end that would materially change this position.

6. Approved and adopted

This risk management policy was approved and adopted by the Board on 29 January 2016.