



RISK MANAGEMENT POLICY

CENTURY AUSTRALIA INVESTMENTS LIMITED

Approved by the Board 18 May 2018

RISK MANAGEMENT POLICY

MISSION STATEMENT

Risk includes anything that hinders the sustainable achievement of objectives and results.

OBJECTIVE

To identify the Company's material risks and analyse the risk management, internal compliance and control systems in place, and of the effectiveness of their implementation.

FUNCTIONS

The Board is responsible for ensuring the existence of an efficient and effective system of internal control. It is also responsible for ensuring that risks, and opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Board has delegated the role of reviewing the risk profile and reporting on the operation of the internal control system to the Audit Committee. The Company does not have a designated internal audit function. The Audit Committee is responsible for evaluating and continually improving the effectiveness of its risk management and internal control processes. The external auditor is required to attend the Annual General Meeting and is available to answer shareholder questions.

The Audit Committee:

- (a) requires Link Fund Solutions Limited to report on the operation of internal controls, and for the Investment Manager to report on compliance with the Board approved investment process on a half yearly basis
- (b) reviews the external audit of internal controls and liaises with the external auditor;
- (c) conducts any other investigations and obtains any other information it requires in order to report to the Board on the effectiveness of the internal control system, and
- (d) makes recommendations on the entity's insurance program, having regard to the Company's business and the insurable risks associated with its business.

In respect of the current financial year all necessary declarations have been submitted to the Board.

MATERIAL BUSINESS RISKS

The following economic sustainability¹ risks have been identified by the Board as having the potential to significantly or materially impact the Company's performance:

- a. Administrative risks including operational, compliance and financial reporting; and
- b. Market related risks

Administrative risks

The Board is primarily responsible for recognising and managing administrative risks including (a) operational, (b) tax, (c) compliance and (c) financial reporting. The Company has outsourced its administrative functions to service providers, RBC (custody), Pitcher Partners Sydney (tax), Link Fund Solutions Limited (accounting) and MAM Pty Limited part of Wilson Asset Management Limited (investment management) accordingly risk issues associated with these activities are handled in accordance with the service providers policies and procedures. The Board review, on an annual basis,

¹ The term "economic sustainability risks" is defined as the ability of a listed entity to continue operating at a particular level of economic production over the long term (ASX Corporate Governance Principles and Recommendations 3rd Edition, ASX Corporate Governance Council).

the procedures and policies of outsourced service providers via direct discussion with the Board and/or review of audit reports on their policies and procedures as well as obtaining certificates of currency of insurance cover which each service provider has in place.

The Administration Manager is required to be audited on internal controls and required to submit a copy of their reports to the Audit and Risk Committee to confirm compliance with the requirements of Australian Standard on Assurance Engagement ASAE3402 and the Auditing and Assurance Standards Board GS007.

Any deficiencies identified in internal control policies or the financial affairs of the Company by the external auditor are tabled for discussion at Audit Committee meetings.

In accordance with section 295A of the Corporation Act 2001 (Cth), the Administration Manager Link Fund Solutions Limited will confirm half-yearly in writing to the Board that in all material respects:

- The financial records of the Company have been properly maintained in accordance with section 286 of the Corporations Act 2001;
- The financial statements and notes comply with the Accounting Standards; and
- The financial statements and notes give a true and fair view.

In addition, Link Fund Solutions will confirm half-yearly in writing to the Board that the declaration provided above:

- is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks; and
- all material business risks have been effectively managed.

Market related risks

The Company seeks to reduce investment risk by a policy of diversification of investments across industries and companies operating in various sectors of the market. MAM Pty Limited part of Wilson Asset Management Limited (investment manager), is required to act in accordance with the Board approved investment management agreement and reports to the Board quarterly on the portfolio's performance and material actions of the investment manager during that quarter. In addition, the Investment Manager reports quarterly that MAM Pty Limited part of Wilson Asset Management Limited have invested the Company's assets in accordance with the approved investment mandate and complied with the Investment Management Agreement requirements during the reporting period. In respect of the current financial year all necessary declarations have been submitted to the Board. 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 the ASX.

The Investment Manager monitors its compliance with respect to all relevant regulatory requirements. These compliance procedures are documented and are subject to regular monitoring and an independent auditor's opinion at financial year end. The Independent auditor's opinion at financial year end is provided to Century when completed. Changes to the Investment Manager's compliance procedures are notified to the Company's Board and remedial action is taken to effect changes, if necessary in procedures and practices of the Company.

The Audit Committee and the Board perform a risk review on an annual basis to ensure that adequate controls are in place to mitigate risk associated with investment manager performance, market risk, fraud, transaction reporting errors, material reporting risks and compliance risk. In relation to the current reporting period ended all reviews have taken place. These reviews are scheduled to be undertaken during August each year.

As a Listed Investment Company ("LIC"), the Company has no direct material exposure to environmental or social sustainability risks. There is potential for indirect material exposure to environmental, social and economic sustainability risks through the entities in which the Company invests. Overall risk within the investment portfolio is part of the Company's investment process and is reviewed regularly by the Investment Manager. The Company does not consider it has any material exposure to environmental or social sustainability risks under Recommendation 7.4.