

PM CAPITAL ASIAN OPPORTUNITIES FUND LIMITED
ACN 168 666 171

RISK MANAGEMENT POLICY

- 1 PM CAPITAL Asian Opportunities Fund Limited ACN 168 666 171 (**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.
- 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.

RISK MANAGEMENT PROGRAM

- 3 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.
- 4 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, while conferring responsibility and authority on the Company's management to develop and maintain the risk management program in light of the day-to-day needs of the Company. 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.
- 5 The key elements of the Company's risk management program are set out below.

Risk identification

- 6 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.
- 7 The Company presently focuses on the following types of material risks:

Administrative risk

- 7.1 The Company has outsourced the following functions to service providers, Morgan Stanley UK (custody), PM Capital Limited ACN 083 644 731 (**PM Capital**) (accounting, administrative and company secretarial) and PM Capital (investment management) accordingly risk issues associated with these activities are handled in accordance with the service providers policies and procedures.
- 7.2 The Chief Executive Officer will provide a declaration to the Board twice annually, to certify that the Company's financial statements and notes present

a true and fair view, in all material respects, of the Company's financial condition and operational results and that they have been prepared and maintained in accordance with relevant Accounting Standards and the Corporations Act 2001.

- 7.3 In addition, PM Capital 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.

Market related risks

- 7.4 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 which are not risk free. However, the Company seeks to reduce this investment risk by a policy of diversification of investments across industries and companies operating in various sectors of the market.
- 7.5 PM Capital (the Company's Investment Manager), is required to act in accordance with the Board approved investment management agreement (IMA) and reports to the Board quarterly on the portfolio's performance, material actions of the Investment Manager during that quarter and an explanation of the Investment Manager's material proposed actions for the upcoming quarter. In addition, the Investment Manager is required to report half-yearly that it has invested the Company's assets in accordance with the approved investment mandate and complied with the requirements of the IMA during the reporting period.
- 7.6 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.

OVERSIGHT AND MANAGEMENT

Board

- 8 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.
- 9 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 Committee. However, the Audit Committee or management may also refer particular risk management issues to the Board for final consideration and direction.
- 10 The Board will review the effectiveness of the Company's risk management and internal control system annually.

Audit Committee

- 11 The day-to-day oversight and management of the Company's risk management program has been conferred upon the Audit Committee. The Audit 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 Committee Charter, the Audit Committee is responsible for:
- 11.1 managing and monitoring the implementation of action plans developed to address material business risks within the Company and regularly reviewing the progress of action plans;
 - 11.2 setting up internal processes and systems to control the implementation of action plans;
 - 11.3 regularly monitoring and evaluating the performance of management in managing risk;
 - 11.4 reviewing the external audit of internal controls and liaising with the Company's external auditor;
 - 11.5 providing management with the necessary tools and resources to identify and manage risks;
 - 11.6 regularly reviewing and updating the current list of material business risks;
 - 11.7 requiring management to report annually on the operation of the Company's internal controls;
 - 11.8 regularly reporting to the Board on the status of material business risks; and
 - 11.9 ensuring compliance with regulatory requirements and best practices with respect to risk management.

Management

- 12 The Company's management will be responsible for designing and implementing risk management and internal control systems which identify material risks for the Company and aim to provide the Company with warnings of risks before they escalate. Management must implement the action plans developed to address material business risks across the Company.
- 13 Management should regularly monitor and evaluate the effectiveness of the action plans. In addition, management should promote and monitor the culture of risk management within the Company and compliance with the internal risk control systems and processes. Management should report regularly to the Board regarding the status and effectiveness of the risk management program.

REVIEW OF RISK MANAGEMENT PROGRAM

- 14 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.
- 15 The division of responsibility between the Board, Audit Committee and management aims to ensure that specific responsibilities for risk management are clearly communicated and understood. The reporting obligations of management and the Audit Committee ensure that the Board is regularly informed of material risk management issues and actions. This is supplemented by:
- 15.1 the evaluation of the performance of the risk management program; and
 - 15.2 the results of the internal audit.