

# MARLIN GLOBAL LIMITED

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## RISK MANAGEMENT POLICY



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## THE OBJECTIVES OF RISK MANAGEMENT

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“Risk management is the systematic process of managing an organisation's risk exposures to achieve its objectives in a manner consistent with public interest, human safety, environmental factors, and the law. It consists of the planning, organising, leading, coordinating, and controlling activities undertaken with the intent of providing an efficient pre-loss plan that minimises the adverse impact of risk on the organisation's resources, earnings, and cash flows.”

The Marlin Global Risk Management Policy will be incorporated within the normal management and governance processes and will focus on the following:

- Effective and efficient continuity of operations;
- Safeguarding of shareholders' investments and the Company's assets;
- Maintenance of a positive reputation;
- Reliability of internal and external reporting;
- Compliance with applicable laws and regulations.

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## WHOSE RESPONSIBILITY IS RISK MANAGEMENT?

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The ultimate responsibility for risk management rests with the Board.

The Board in conjunction with the Corporate Manager, implements and operates risk identification measures, risk mitigation plans and key controls. In fulfilling their responsibilities, the Chief Executive Officer and Chief Financial Officer of Fisher Funds Management Limited (“Fisher Funds or the Manager”) and the Corporate Manager should identify and evaluate the risks faced by the Company for consideration by the Board and design, operate and monitor a suitable system of risk management.

Everyone involved with the business must take personal responsibility for managing risk to the business in their area of influence and take positive action when risk is identified.

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## RISK MANAGEMENT TOOLS

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***The risk management tools used by Marlin Global include:***

1. Strong corporate governance;
2. Audit and Risk Committee;
3. Outsourcing of certain functions to experts;
4. Internal controls, procedures and processes;
5. Reporting systems to monitor risk;
6. Business continuity planning;
7. Insurance; and
8. Acceptance of the risk.

Some risks will be identified, assessed and accepted as risks without any active mitigation of the risk. This is the most appropriate strategy where the net cost of mitigating the risk is greater than the risk of loss. Acceptance of any risk must be a conscious, active decision rather than a passive acceptance of the risk.

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## 1. CORPORATE GOVERNANCE

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The Company retains a Board of Directors to ensure best practice corporate governance and to ensure that shareholder interests are held paramount. The majority of the Board will be independent. The minimum number of directors is three and the maximum number is seven.

The Board must be kept informed of key risks to the business on a continuing basis (see Risk Reporting Systems below).

The Board meets a minimum of six times a year and is provided with accurate timely information on all aspects of the Company's operations.

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## 2. AUDIT AND RISK COMMITTEE

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An Audit and Risk Committee has been established to provide assistance to the Board in fulfilling its responsibilities in relation to financial reporting, internal controls structure, risk management systems and the external audit function.

The Committee operates under a Charter. The Committee shall maintain direct lines of communication with the external auditors, the Corporate Manager including those responsible for non-financial risk management.

The Corporate Manager shall be responsible for drawing to the Committee's immediate attention any material matter that relates to the financial condition of the company, any material breakdown in internal controls, and any material event of fraud or malpractice.

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## 3. OUTSOURCING

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Marlin Global's policy is to minimise risk and to ensure independence and separation from the Manager by seeking specialist help from experts whenever best practice skills are not retained within the business:

**Key areas where Marlin Global engages specialist help include:**

- Investment Management
- Legal advice
- Tax planning and review of tax calculations
- Custody Services and Investment Accounting services
- Registry Services
- Independent actuarial review of the performance returns and performance fee calculations
- External auditor review of the performance fee calculations

Outsourcing offers protection to reduce the risk of either not identifying a major risk, making a significant error in key processes, not being able to provide adequate segregation of duties or making uninformed decisions where we do not retain specialist expertise in-house. Additional protection is provided through the ability to take legal action against any suppliers who provide services or advice that is inadequate.

Suppliers will be selected on the basis that they use best practice, are experienced, skilled and have substance behind them to support any claim Marlin Global may make.

A Service Level Agreement between Marlin Global and its custody services provider has been established and agreed covering the detailed level of service and internal controls that exist in relation to custody services and investment accounting.

Marlin Global requires its Custodian to conduct a six monthly assessment of their internal control processes (known as 'negative assurance' work) in addition to the annual year end external audit process. The Custodian's auditor provides negative assurance opinions, which describe any weaknesses in internal controls and systems that may have come to the attention of the auditor in the conduct of their review of accounting records and systems of internal control.

The Corporate Manager is responsible for monitoring supplier relationships and updating the Board on any issues.

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#### 4. KEY INTERNAL CONTROLS

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**Key controls are:**

- The definition of responsibilities and delegated authorities. These are contained in, The Management Agreement and Administration Services Agreement with the Manager and the Services Agreement and Service Level Agreement with the Custodian.
- The Board ensures that the Corporate Manager and other members of the Corporate Management team are properly qualified and experienced to enable them to effectively discharge their duties.
- The Company documents its internal controls and these are updated and reviewed by the Board at least annually and when changes to process and procedures occur.
- Review and approval by the Board of all significant business matters.

The Corporate Manager is responsible for monitoring and developing adequate control systems.

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#### 5. RISK REPORTING SYSTEMS

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***Reporting systems will remain in place at all times to:***

- Encourage focus on the identification of risks;
- Ensure a programme for managing compliance obligations is in place and monitored;
- Highlight mitigation plans required to manage risk on a regular basis;
- Ensure the Board is kept informed of business, operational and compliance risks.

***The following reports shall be provided to the Board to meet these objectives:***

- Compliance Plan; a list of all legal and regulatory compliance requirements for Marlin Global Limited;
- Reporting to the Board on current business risks, mitigation plans and likely impact on the business, including Financial Statements, budgets/forecasts and Performance Fee calculation.
- Monthly Manager's Report including Investment Mandate compliance and Directors Certificate in accordance with the Management Agreement.
- A review of the Company's internal controls and their effectiveness (bi-annually);
- Audit and Risk Committee report and Auditor's/Accountants' report from the external auditor bi-annually.

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## **6. BUSINESS CONTINUITY PLANNING**

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Fisher Funds will maintain adequate disaster recovery and continuity processes to ensure that their business is not severely adversely impacted by loss of access to premises, loss of computer systems or other technology.

Significant events that could cause such a loss have been categorised into four areas:

1. Man-made threats;
2. Loss of applications or technology;
3. Short-term loss of access to the premises (up to 3 days);
4. Long-term loss of access to the premises (more than 3 days).

Fisher Funds and Marlin Global would remain operational and not under serious threat if the technology was unavailable for a number of hours, or even days on the basis that significant functions such as Registry, Custody of assets and Investment Accounting are outsourced.

Custody and investment accounting is outsourced to the Company's Custodian, based in Wellington. As a result, loss of Marlin Global's technology capability would not create settlement default risk or operational risk. The Manager would still be able to effect transactions provided access to a phone was possible, settlements could occur and processing of registry transactions could be delayed (for up to seven days) if systems were unavailable.

The Corporate Manager has reviewed the Custodian's disaster recovery and business continuity plans and is comfortable that they provide adequate protection for their own recovery from a disaster. This has been confirmed by the Custodian's external auditors, as part of the audit of internal controls (see Outsourcing).

The maintenance of Marlin Global's Share and Warrant (from time to time) register is outsourced to the Company's Registrar, therefore any loss of Marlin Global's technology capability would not result in a risk to new and existing shareholders wishing to trade in Marlin Global shares. The Registrar's information technology systems, processes and controls, disaster recovery and business continuity, are subject to regular regional and global audit reviews.

The primary applications and technology that Marlin Global requires are:

1. Telephones, email and access to the internet
2. Access to the NZX MAP System
3. Access to portfolio spreadsheets and Marlin Global work papers
4. Access to Companies Office website (to update records on-line).

Protections against man-made threats (such as sabotage and cyber-terrorism) include:

- All computers are password protected, with authentication controlled by the file server.
- Nightly data backups are rotated off-site, so if equipment is stolen or vandalised we are able to re-establish the business with minimal loss of information.
- Physical security is in place to limit unauthorised access to the office.
- Anti-virus software is installed and regularly updated on all computers.
- Remote LAN access is password protected and restricted to senior personnel.
- If our website was compromised and/or altered, we take it down with no impact to the business.
- Certain key documents are also located with advisers off-site, including:
  - Legal records (Solicitor, Auckland)
  - Current portfolio data and all historic accounting records (Custodian, Wellington)
  - Audited annual accounts (Auditor, Auckland)
  - Audited annual accounts (Companies Office, Auckland)
- Marlin Global would rely on Fisher Funds to ensure alternative premises and technology was available in the event of extended business interruption. Fisher Funds has its own business continuity plan.

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## 7. INSURANCE

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Where a significant risk has been identified and other risk management tools prove to be too expensive or not as effective, we shall seek to mitigate that risk through insurance.

Insurance is not our key risk protection mechanism as we will firstly seek to avoid adverse events occurring, but it does play a part in our overall risk management strategy.

It is our policy to take advice from professional insurance brokers as to the type and level of cover that is considered best practice for organisations of our size and nature.

***Insurances held include:***

- Directors and officers; and
- Statutory Liability

It is policy to review Marlin Global insurance requirements at least every 18 months.