ARGO INVESTMENTS LIMITED

RISK MANAGEMENT POLICY

1. INTRODUCTION

This Policy outlines the approach of Argo Investments Limited (Argo) to risk and its risk management framework which is consistent with AS/NZS ISO 31000:2009 (Standard) and complies with the ASX Corporate Governance Principles and Recommendations.

2. RISK APPETITE STATEMENT

Argo has a generally conservative attitude to risk. Although it invests in the Australian equity market, which is an inherently risky asset class, it seeks to mitigate this market risk with diversification, active portfolio management and a conservative investment philosophy.

3. RISK MANAGEMENT FRAMEWORK

A. Identify risks

What is a risk?

The Standard defines risk as the 'effect of uncertainty on objectives'. An effect is a deviation, negative or positive, from the expected. If the effect is negative, the risk is called a threat. If the effect is positive, the risk is called an opportunity. A risk may be financial or non-financial.

Identification

The business risks to which the Company is exposed are continually monitored and the business environment is regularly reviewed for new risks. Risks identified as material are captured in the Company's Risk Register and originate from a range of areas such as strategic, investment and operational.

B. Analyse, measure & evaluate risks

A deep understanding of each risk is developed, including its likelihood of occurrence after taking into account the effectiveness of existing controls and its potential consequences after taking into account mitigating strategies. The level of each risk is rated using Argo's risk matrix and a residual risk identified – this is the level of risk that remains after the application of existing controls.

C. Manage risks

The Board assesses residual risk in light of its risk tolerance for a particular category and its overall risk appetite. It may determine a risk to be acceptable or may require further mitigation measures to be added.

D. Monitor and review

The Company's Risk Register is a dynamic document that is adapted and modified as changes occur in the business environment. Management actively monitors and reviews the risk framework throughout the year including ensuring that controls are in place and remain effective.

4. RESPONSIBILITIES

A. The Board

The Board is responsible for setting Argo's risk appetite and ensuring that the Company maintains an effective risk management framework. Specifically, the Board reviews the investment risk of the Company's portfolio on a regular basis and oversees the operational risk of the Company with the assistance of recommendations from the Audit & Risk Committee.

B. Audit & Risk Committee

The Board has delegated responsibilities to the Audit & Risk Committee in relation to financial reporting, internal financial controls and facilitating the external audit function. In addition, the Committee considers and reports to the Board on operational risk matters.

C. Management

Management has designed and implemented the risk management framework and regularly reports to the Audit & Risk Committee as to its effectiveness and discusses any relevant events.

The Managing Director and the Chief Financial Officer provide assurance to the Board that the declaration made in accordance with s295A of the Corporations Act regarding the Company's financial statements is founded on a sound system of risk management and internal control.

D. Subsidiary company

Argo Service Company Pty Ltd (ASCO) has developed its own risk management framework with respect to its Australian Financial Services Licence compliance obligations, which is overseen by the ASCO Board.

5. REVIEW

This Policy, Argo's risk appetite and its risk management framework are reviewed annually by the Board.