

Risk Management Framework Overview



Hyperion Flagship Investments Limited (HIP) is a boutique Listed Investment Company providing investors with access to a diversified Australian equities investment portfolio and the management expertise of Hyperion Asset Management Limited ('Hyperion'). HIP has its own Board comprising a majority of Non-Executive Directors; it also has its own Audit and Compliance Committee.

Risk refers to anything that may undermine, or interfere with, the attainment of HIP's objectives. Risk management is defined in AS/NZS 4360:2004 as 'the culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects'.

Responsibility

The Board of the Company ("the Board") is responsible for ensuring that adequate controls are in place to identify, assess, monitor and manage risks that the Company is exposed to.

In addition, the Board has responsibility to ensure that internal controls and procedures are adequate for monitoring compliance with laws and regulations. The Board has mandated the Audit and Compliance Committee ("the Committee") with the responsibility of ensuring that an appropriate Risk Management Framework is in place to manage the range of risk exposures encountered by the Company in carry out its business activities.

An annual review of the Risk Management Framework is undertaken by the Board.

Risk Management Framework

This Risk Management Framework documents HIP's systematic application of management policies, procedures and practices to the tasks of identifying, analysing, evaluating, managing and monitoring risk.

The risk management process consists of:

1. establishing the context in which the risk management plan operates – identifying stakeholders and scope, criteria for analysing risks, and setting policy towards risk;
2. identifying and analysing the risk exposures of the business to determine their likelihood and consequences, so that risk management priorities can be determined;
3. determining specific risk response strategies and applying controls to prevent, reduce or transfer risk or reduce its consequences and putting them into practice; and
4. monitoring the implementation of the risk management plan and reviewing its overall effectiveness.

The framework has been developed on the following major risks:

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|--------------|---------------|---------------------------------|
| ⊗ Investment | ⊗ Performance | ⊗ Financial Control & Reporting |
| ⊗ Market | ⊗ Third Party | ⊗ Key Person |

It incorporates:

- ⊗ Systems and processes to identify, assess, mitigate and monitor risks.
- ⊗ Processes to ensure that management and staff are involved in the development and maintenance of the framework.
- ⊗ Process to ensure that the framework is reviewed at least annually.
- ⊗ Regular reporting to the Committee and to the Board.

Audit and Compliance Committee

The Committee is responsible for the oversight of the ongoing development and regular renewal of all Risk Management Framework elements to ensure that the framework considers the current and emerging risks of the Company, and that appropriate risk identification / assessment techniques and internal controls are established and effective in helping to manage these risks.