



Risk Management Policy

Adopted by:

**Infigen Energy Limited
Infigen Energy (Bermuda) Limited
Infigen Energy RE Limited in its capacity as
Responsible Entity of Infigen Energy Trust**

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Risk Management Policy

1. BACKGROUND

Infigen Energy (**Infigen**) is listed on the Australian Securities Exchange (**ASX**). Infigen is a triple stapled structure whereby units in Infigen Energy Trust (**IET**) are stapled to shares in Infigen Energy Limited (**IEL**) and shares in Infigen Energy (Bermuda) Limited (**IEBL**), so that none of the securities (unit and shares) can be dealt with separately.

Infigen Energy RE Limited (**IERL**) is the responsible entity of IET. The Boards of IEL, IEBL and IERL are collectively referred to as the '**IFN Boards**'.

Infigen is committed to ensuring that its culture, processes and structures enable the achievement of its business objectives and are directed towards the effective management of opportunities and potential adverse risks, whilst preserving capital. Infigen recognises that many forms of risk are inherent in the electricity and renewable energy markets within which it operates. Effective risk management is an integral part of Infigen's overall business philosophy and governance framework. Infigen seeks to embed risk management across the group such that it is part of its daily processes and decision-making.

2. SCOPE OF POLICY

Management of risk continues to be a strategic objective of Infigen in all its business activities. The Risk Management Policy sets the minimum standard for risk management as it applies to Infigen's business and operations. The policy extends to subsidiaries, material associates and joint ventures over which significant influence or control is exercisable.

Infigen has implemented an Enterprise Risk Management framework (ERM framework) covering all functions, levels and activities for the entire organisation. This multi layered framework provides a coordinated approach to direct and control Infigen's identified business risks as recorded within functional risk registers, project specific risk registers (e.g. development projects) and site specific risk registers.

Risk management considers not only the risks inherent in the business, but all risks which may impact the achievement of business objectives.

The purpose of this policy, the ERM framework and the risk management process is to facilitate the achievement of business objectives by ensuring appropriate responses to all potential risks.

It is the responsibility of **all individuals** within the Infigen business to ensure effective risk identification and management.

3. DEFINITIONS

Term	Definition
Risk	The effect of uncertainty on objectives.
Inherent Risk	The gross risk position based on the potential of something happening (i.e. Likelihood) that will have an impact (i.e. Consequences) upon objectives in the absence of any control processes or other risk mitigation procedures, processes or strategies.
Residual Risk	The risk exposure remaining after the implementation of risk treatment/mitigation measures.
Control	An action taken to reduce the impact or likelihood of a negative risk or to enhance a positive opportunity.

Term	Definition
Risk Management	Coordinated activities to direct and control an organisation with regard to risk ¹ .
Enterprise Risk Management (ERM) framework	A framework consisting of a set of components that: <ul style="list-style-type: none"> • articulates the objectives and risk appetite of the organisation; • identifies and assesses the risks; • establishes controls and responses; • centrally monitors and facilitates the risk management process; and • provide assurance on the effectiveness with which risks are managed.
Risk Appetite	The level of risk that the IFN Boards and management have agreed is acceptable within the organisation.
Enterprise Risk Management Committee (ERMC)	The management committee primarily responsible for the implementation of the ERM framework and risk management process.

4. RISK MANAGEMENT - LEGAL AND REPORTING OBLIGATIONS

Infigen is committed to maintaining a sound system of corporate governance that operates in the best interests of securityholders whilst also addressing the interests of other key stakeholders. Infigen is also committed to stay abreast of good governance practices as they evolve in the context of developments both in Australia and overseas.

In addition to Infigen meeting high standards in relation to the management of risks, there are legal and reporting obligations on Infigen regarding risk management, including:

- Corporations Act section 912A(1)(h) which requires all holders of an Australian Financial Services Licence (AFSL) to have adequate risk management systems in place;
- ASX Corporate Governance Principles and Recommendations – Principles 4 and 7 relate to designing and implementing a risk management and internal control system (refer below); and
- ASIC Regulatory Guide 104 which provides guidance on how AFSL licensees should meet their general obligations as set out in section 912A(1) of the Corporations Act.

Furthermore, the ERM framework has also been developed in accordance with leading industry risk management standards, including International Standard ISO 31000 (based on AS/NZS 4360:2004).

ASX Corporate Governance Requirements

The ASX Corporate Governance Council (**ASX CGC**) has issued a set of corporate governance Principles and Recommendations. The ASX Listing Rules require listed entities to publicly report the extent to which they have followed the ASX CGC Principles and Recommendations during each financial year reporting period. Principle 4 (Safeguard integrity in corporate reporting) and Principle 7 (Recognise and manage risk) of the ASX Principles and Recommendations specifically relate to a company's risk management framework.

The ASX Principles and Recommendations state that companies should implement a risk management framework that is able to identify and manage risks on an ongoing basis. Specific recommendations include that companies should establish a Board Committee to oversee and review the risk management framework; establish an Internal Audit function; disclose its material risk exposures to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those

¹ International Standard ISO 31000 (based on AS/NZS 4360:2004). ISO 31000 provides a generic framework for establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risk.

risks; and the Board should receive declarations from the CEO and CFO that the risk management and internal control systems are operating effectively.

It is Infigen's objective to comply with each of the ASX CGC's Principles and Recommendations.

5. RISK MANAGEMENT PRINCIPLES

The broad principles under which Infigen's risk management policy operates are set out below:

- Risk management is the responsibility of all Infigen employees to identify and proactively manage risks associated with their role in accordance with risk policies and procedures.
- Risk management creates value whilst minimising the risk of loss and contributes to the demonstrable achievement of objectives.
- Risk management improves strategic planning and is dynamic, iterative and includes successfully responding to a changing business environment.
- Infigen, through its agreed risk appetite, will identify its degree of willingness to accept various risks to achieve its strategic business objectives.
- Risk management improves stakeholder confidence and trust through effective consideration, management and transparent reporting of all material risks.
- All material risks within Infigen have clear, personal ownership, and the risk owners confirm that they have the skills, authority and resources to manage that risk.
- Risk management enables prioritisation of the risks facing the business, promotes informed decision making and ensures the taking of appropriate actions to deliver growth, productivity and competitiveness.
- Risk management is an integral part of Infigen's organisational arrangements and is not a stand-alone activity which is separate from the main activities and processes.
- Risk management explicitly addresses uncertainty and deals with those aspects of decision making that are uncertain, the nature of that uncertainty and how it can be addressed in a systematic, structured and timely manner.

Together these principles underpin the basis of Infigen's ERM framework.

Further information regarding risk management principles can be found within the International Standard ISO 31000.

6. RISK APPETITE

An agreed and clearly articulated risk appetite is a key element of an effective ERM framework as it sets the boundaries within which management are expected to operate as they seek to deliver Infigen's strategic objectives. Infigen aims to achieve an appropriate balance between the risks the business takes and the value created (or protected) by accepting these risks based on Infigen's agreed risk appetite.

The key determinants of Infigen's risk appetite are as follows:

- the health, safety and welfare of all people in Infigen's workplaces;
- Investor/Securityholder preferences and expectations;
- Preservation of Infigen's brand and reputation;
- Expected business performance and longer term strategic priorities;
- Capital required to manage the business and support risk taking;
- Culture of the organisation; and
- Management skill and experience.

Infigen's risk appetite statement is regularly reviewed by management and the Board.

7. RISK CATEGORIES

The ERM framework within Infigen groups the various risks facing the business into the following broad risk categories:

- Safety & Environment;
- Strategic;
- Operational;
- Financial; and
- Reputational.

A comprehensive list of the risk management categories within Infigen's risk 'universe' is included in Infigen's Risk Management Process documentation.

8. RISK MANAGEMENT ACCOUNTABILITIES

The management of risks within Infigen is the responsibility of everyone working in the business. The **IFN Boards** have primary responsibility for risk oversight with active review of the risk-reward balance within strategic plans, Infigen's risk appetite and the group's Top Risks. The respective **Audit, Risk & Compliance Committees** (ARCC) are delegated responsibility by the Boards to oversee management's risk management practices.

Specifically, the ARCC will:

- monitor Infigen's significant business risks, including ensuring that the effectiveness of the ERM framework is reviewed;
- ensure the Boards are informed of these risks and of the performance of the ERM framework; and
- rely on the resources and expertise of management to implement and report upon the ERM framework as outlined in this policy.

Notwithstanding, responsibility and accountability for risk begins with the business units or functions that originate the risk.

There are three lines of assurance to monitor the effectiveness of the ERM framework within Infigen:

Line	Who is responsible	Responsibilities
First Line	Corporate / Business Functions	<ul style="list-style-type: none">• Provides assurance across all areas of the business to the Enterprise Risk Management Committee (ERMC) as to the effective implementation of the ERM framework and Risk Management Policy.• Accountability for managing the risks associated with their activities within the approved risk appetite, policy and process (i.e. as described by risk registers).

Line	Who is responsible	Responsibilities
Second Line	1. Risk experts in the following areas within Infigen: <ul style="list-style-type: none"> • Risk & Compliance • Safety & Sustainability • Energy Markets • Treasury • Operations 2. Committees: <ul style="list-style-type: none"> • ERM • Safety & Sustainability • Energy Risk Committee 	<ul style="list-style-type: none"> • Risk experts establish and maintain the ERM framework and provide advice to the first line on the management of risk. • Verification and oversight of the first line, that risks are being managed against agreed processes and controls. • Provide transparent reporting on the management of risk. • ERM oversees and advises on the development and design of risk appetite statements, risk frameworks and policies. • ERM monitors risk registers for alignment with approved risk appetite and strategy.
Third Line	Internal and External Audit	<ul style="list-style-type: none"> • Provide independent review, monitoring and testing that Corporate and Business Functions comply with risk policies and procedures. • Independent evaluation of the design, adequacy and effectiveness of the ERM framework and internal control framework.

A complete outline of the roles and accountabilities within the ERM framework is included in Infigen’s Risk Management Process document.

9. RISK MANAGEMENT PROCESS

Infigen’s Risk Management Process documentation is tailored to the business processes of the organisation and comprises the following activities:

9.1. Risk Management Communication

The Risk Management Policy is to be communicated internally to ensure all employees have an understanding of the policy and their individual responsibilities.

The Risk Management Policy is to be communicated to new employees and contractors as part of the induction process and a copy of the policy is to be made available to all staff.

The Risk & Compliance Manager (R&CM) will ensure that a summary of the Risk Management Policy is publicly available via Infigen’s website.

Communication and consultation are fundamental at all stages during the risk management process, with both external and internal stakeholders as applicable.

9.2. Risk Assessment

The risk management process entails:

- On a regular basis, identifying, analysing, evaluating and confirming all risks for the business, including:
 - Assessing the consequence of the risks of the business;
 - Assessing the likelihood of the risks occurring;
 - Calculating the inherent risk rating as indicated by the Likelihood and Consequence Matrix;
 - Considering the existing controls that address the inherent risk;

- Deriving the residual risk rating by assessing the residual consequences and likelihood of occurrence after implementation of all controls; and
- Evaluating which risks need treatment and the priority for treatment implementation based on risk materiality and the agreed risk appetite.
- Developing and maintaining a Risk Register by documenting all Low, Medium, High and Extreme residual risks which is updated regularly.
- Establishing a Top Risks register of all material risks.
- Developing an Action Plan for the management of Extreme and High residual risks with progress reports provided to the ERM and subsequently to the Boards via the ARCC.

Further detail on the risk assessment process is contained in Infigen’s Risk Management Process document.

9.3. Risk Treatment

Risk treatment involves undertaking the appropriate actions to mitigate risks.

A risk that carries a **“Low”** residual rating poses a minimal threat to Infigen’s business and would be considered acceptable, normally requiring no specific action. **“Medium”** risks pose a moderate threat and should be treated on a case-by-case basis although any risk where the identified consequence is major or catastrophic should be carefully and regularly reviewed. **“High”** and **“Extreme”** risk ratings are prima facie unacceptable/undesirable, and demand investigation and the preparation of defined Action Plans as well as ongoing monitoring.

The necessary level of management response to defined levels of residual risk is set out in the risk appetite statement attached at Annexure A.

Further detail on the selection of risk treatment options is contained in Infigen’s Risk Management Process document.

9.4. Risk Monitoring and Reporting

Management will:

- review their risk registers on a regular basis and when an event occurs which changes the risk level of an identified risk or creates a new risk;
- advise their immediate manager of any material changes to the level of an identified risk or if a new material risk arises; and
- be requested to provide a copy and / or present their respective risk registers to any of the ERM, CEO, ARCC or IFN Boards from time to time.

All staff will continue to monitor the risks of the business and actively review the progress of their identified action plans.

The ARCC, on behalf of the Boards, will:

- review and consider quarterly risk management reports from the R&CM including the Top Risks register;
- monitor and provide oversight of the ERM framework, including ensuring that the effectiveness of the ERM framework is reviewed;
- review the annual CEO and CFO management assurance and certification for both financial and relevant non-financial risks; and
- escalate any material risks to the Boards as and when appropriate.