Blue Sky Alternative Investments Limited

ACN 136 866 236

Risk and Compliance Committee Charter

This Policy was reviewed and adopted by the Board on 29 September 2016.
1. Introduction

Blue Sky Alternative Investments Limited (‘Company’) is a public company which is listed on the Australian Securities Exchange (‘ASX’).

2. Purpose

2.1 This Charter has been approved by the board of directors of the Company (‘Board’) and governs the operations of the Risk and Compliance Committee (‘Committee’).

2.2 The Committee is a mechanism for focusing on issues relevant to the integrity of the Company’s risk management. This Charter sets out the scope of the Committee’s responsibilities in relation to the Company.

2.3 The purpose of the Committee is to:

2.3.1 assist the Board in achieving its objectives in relation to:

(a) risk management;
(b) business policies and practices;
(c) legal and regulatory compliance; and
(d) internal control and risk management systems;

2.3.2 assist the Board in the Company’s governance and exercising due care, diligence and skill in relation to risk assessment, treatment strategies and monitoring;

2.3.3 assist the Board to understand risks which may (but are not limited to those that may):

(a) impede the Company from achieving its goals and objectives;
(b) impact the Company’s performance; and
(c) threaten compliance with the Company’s regulatory and legal obligations; and
(d) impact the Company’s reputation, or that of its employees.

3. Composition

3.1 The Committee shall be comprised of at least three Directors appointed by the Board from time to time.

3.2 The Company Secretary is to be the Secretary of the Committee.

3.3 The Board will ensure that the Committee is of sufficient size and technical expertise to effectively discharge its mandate.

3.4 With regard to technical expertise:

3.4.1 members should have a sound understanding of risk management principles and standards;

3.4.2 at least one member of the Committee should be a qualified accountant or
other financial professional with experience of financial and accounting matters;

3.4.3 some members of the Committee should have an understanding of the industry in which the Company operates; and

3.4.4 membership of the Committee will be reviewed annually and members are eligible for reappointment.

4. **Committee meetings**

4.1 The Committee will meet as often as it considers necessary to undertake its role effectively, but not less than twice each year.

4.2 A quorum for a Committee meeting is two Director Committee members.

4.3 Committee meetings may be held by any technological means allowing its members to participate in discussions even if all of them are not physically present in the same place. A member who is not physically present but participating by technological means is taken to be present.

4.4 The Committee may pass or approve a resolution without holding a meeting in accordance with the procedures (so far as they are appropriate) in section 248A of the *Corporations Act 2001* (Cth) (‘Act’).

4.5 The Committee may invite other persons it regards appropriate to attend Committee meetings.

5. **Minutes of Committee meetings**

5.1 The Committee must keep minutes of its meetings.

5.2 Minutes of each Committee meeting must be included in the papers for the next full Board meeting after a meeting of the Committee.

5.3 Minutes must be distributed to all Committee members, after the Committee Chairperson has approved them.

5.4 Minutes, agenda and supporting papers are available to Directors upon request to Company Secretary.

6. **Risk management and internal control**

The Committee is responsible for:

6.1 **Risk management and internal compliance and control systems**

6.1.1 overseeing the establishment and implementation of risk management and internal compliance and control systems and ensuring there is a mechanism for assessing the efficiency and effectiveness of those systems;

6.1.2 approving and recommending to the Board for adoption policies and procedures on risk oversight and management to establish an effective and efficient system for:

(a) identifying, assessing, monitoring and managing risk; and

(b) disclosing any material change to the risk profile;
6.1.3 regularly reviewing and updating the risk profile;
6.1.4 assessing the adequacy of the internal risk control system with management and internal and external auditors;
6.1.5 monitoring the effectiveness of the internal risk control system;
6.1.6 ensuring the risk management system takes into account all material risks, including risks arising from:
   (a) implementing strategies (strategic risk);
   (b) operations or external events (operational risk);
   (c) legal and regulatory compliance (legal risk);
   (d) changes in community expectation of corporate behavior (reputation risk);
   (e) a counterparty's financial obligations within a contract (credit risk);
   (f) changes in financial and physical market prices (market risk); and
   (g) being unable to fund operations or convert assets into cash (liquidity risk); and
6.1.7 assessing if management has controls in place for unusual transactions and any potential transactions that may carry more than an acceptable degree of risk.

6.2 **Key financial risk**

6.2.1 assessing and prioritising the areas of greatest potential financial risk, including:
   (a) safeguarding assets;
   (b) litigation and claims;
   (c) non-compliance with laws, regulations, standards and best practice guidelines that may result in significant financial loss;
   (d) important judgments and accounting estimates; and
   (e) maintenance of proper accounting records;

6.2.2 assessing the internal process for determining areas of greatest potential financial risk;
6.2.3 assessing and monitoring the management of areas of greatest potential financial risk; and
6.2.4 reporting to the Board on the adequacy of the financial risk management.

6.3 **Legal and regulatory risk**

6.3.1 assessing and prioritising the areas of greatest legal and regulatory risk;
6.3.2 assessing the internal process for determining, monitoring and managing...
areas of greatest legal and regulatory risk;

6.3.3 monitoring compliance with legal and regulatory obligations;

6.3.4 reporting and making recommendations to the Board regarding:

(a) the management of areas of greatest legal and regulatory risk (including fraud and theft); and

(b) compliance with legal and regulatory obligations; and

6.3.5 receiving and reviewing reports from the compliance officer.

6.4 Disclosure and reporting

6.4.1 ensuring management establishes a comprehensive process to capture information that must be disclosed to the ASX;

6.4.2 reviewing management's processes for ensuring and monitoring compliance with laws, regulations and other requirements relating to the external reporting of financial and non-financial information (including, among other things, preliminary announcements, interim reporting, open or one-on-one briefings and continuous disclosure);

6.4.3 assessing management's processes for ensuring non-financial information in documents (both public and internal) does not conflict inappropriately with financial reports and other documents;

6.4.4 assessing internal control systems relating to the release of potentially adverse information; and

6.4.5 reviewing for completeness and accuracy the reporting of corporate governance practices in accordance with the ASX Listing Rules.

7. Committee’s responsibility

The Committee is responsible for:

7.1 reviewing and approving the charter of any committee (including this Charter) dealing with risk management and compliance within the Company; and

7.2 receiving and reviewing reports from any such committee.

8. Other responsibilities

The Committee is responsible for:

8.1 overseeing the implementation of the Company’s corporate Code of Conduct and assessing compliance with it;

8.2 assessing and recommending to the Board for adoption the scope, cover and cost of insurance, including insurance relating to directors and officers liability, company reimbursement, professional indemnity, crime, special accident and trustees liability;

8.3 if it considers appropriate, investigating any complaint or allegation made to it;

8.4 reporting to the Board on any industry development affecting the control environment;

8.5 reviewing and monitoring any related party transaction and recommending its
8.6 ensuring the risk management and compliance policies and procedures are adequately documented and that those documents are reviewed and updated for any legal and regulatory developments.

9. Reporting to the Board

9.1 The Committee Chairperson must report the Committee's findings to the Board after each Committee meeting.

9.2 The report to the Board should contain all matters relevant to the Committee’s role and responsibilities outlined in this Charter including:

9.2.1 assessment of whether external reporting is consistent with Committee members’ information and knowledge and is adequate for shareholders needs;

9.2.2 assessment of the management processes supporting external reporting; and

9.2.3 the results of the Committee's review of risk management and internal control systems.

10. Access to information and independent advice

10.1 The Committee may seek any information it considers necessary to fulfil its responsibilities.

10.2 The Committee has:

10.2.1 access to management to seek explanations and information from management; and

10.2.2 rights to seek explanations and additional information.

10.3 The Committee may seek professional advice from employees of the Company and from appropriate external advisers, at the Company's cost. The Committee may meet with these external advisers without management being present.

11. Charter review

The Committee must review its performance and this Charter annually, and make recommendations to the Board as necessary, to ensure it is operating effectively and in accordance with all relevant other policies of the Company.

12. ASX Corporate Governance Principles

This Charter is consistent with the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations (3rd Edition)\(^1\).

\(^1\) ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations (3rd Edition) principles 4.1, 4.2 and 4.3.