

Appendix 4G

Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity:

Blue Sky Alternative Investments Limited

ABN / ARBN:

73 136 866 236

Financial year ended:

30 June 2018

Our corporate governance statement² for the above period above can be found at:³

- These pages of our annual report:
- This URL on our website: <http://www.blueskyfunds.com.au/investors/corporate-governance/>

The Corporate Governance Statement is accurate and up to date as at 28 August 2018 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date: 30 August 2018

Name of Director or Secretary authorising lodgement: Leyya Taylor

¹ Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

² "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

³ Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location] ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): <input checked="" type="checkbox"/> at http://www.blueskyfunds.com.au/investors/corporate-governance/	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable

⁴ If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
<p>1.5 A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	<p>... the fact that we have a diversity policy that complies with paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at</p> <p>... and a copy of our diversity policy or a summary of it:</p> <p><input checked="" type="checkbox"/> at http://www.blueskyfunds.com.au/investors/corporate-governance/</p> <p>... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location]</p> <p>... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
<p>1.6 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location]</p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
<p>1.7 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location]</p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴	
PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE			
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at http://www.blueskyfunds.com.au/investors/corporate-governance/</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a nomination committee and the processes we employ to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
2.2	<p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>... our board skills matrix:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	... the names of the directors considered by the board to be independent directors: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location] ... and, where applicable, the information referred to in paragraph (b): <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location] ... and the length of service of each director: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
2.4	A majority of the board of a listed entity should be independent directors.	... the fact that we follow this recommendation: <input type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location]	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	... the fact that we follow this recommendation: <input type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location]	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	... our code of conduct or a summary of it: <input type="checkbox"/> in our Corporate Governance Statement OR <input checked="" type="checkbox"/> at http://www.blueskyfunds.com.au/shareholder_centre/corporate-governance/	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴	
PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING			
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at http://www.blueskyfunds.com.au/shareholder-centre/corporate-governance/</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
4.2	<p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	<p>... our continuous disclosure compliance policy or a summary of it:</p> <input type="checkbox"/> in our Corporate Governance Statement OR <input checked="" type="checkbox"/> at http://www.blueskyfunds.com.au/shareholder-centre/corporate-governance/	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	<p>... information about us and our governance on our website:</p> <input checked="" type="checkbox"/> at http://www.blueskyfunds.com.au/shareholder-centre/corporate-governance/	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	<p>... our policies and processes for facilitating and encouraging participation at meetings of security holders:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴	
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK			
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at http://www.blueskyfunds.com.au/shareholder-centre/corporate-governance/</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and that such a review has taken place in the reporting period covered by this Appendix 4G:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>[If the entity complies with paragraph (a):] ... how our internal audit function is structured and what role it performs:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):] ... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.4	<p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴	
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY			
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a remuneration committee that complies with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location]</p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at [insert location]</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location]</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location]</p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.2	<p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input checked="" type="checkbox"/> in the Remuneration Report contained in the Annual Consolidated Financial Statements for the period ending 30 June 2017</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>... our policy on this issue or a summary of it:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input checked="" type="checkbox"/> in the Remuneration Report contained in the Annual Consolidated Financial Statements for the period ending 30 June 2017</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Blue Sky Alternative Investments Limited

ACN 136 866 236

Corporate Governance Statement

This Statement was reviewed and adopted by the Board on **30 August 2018**.

Introduction

The Board of Directors and management of Blue Sky Alternative Investments Limited ACN 136 866 236 ('**Company**') recognise the importance of, and are committed to, achieving high corporate governance standards. The Board considers there to be an unambiguous and positive relationship between the creation and delivery of long-term shareholder value and high-quality corporate governance. Accordingly, in pursuing its objective, the Board has committed to corporate governance arrangements that strive to foster the values of integrity, respect, trust and openness among and between the Board, management, employees, customers and suppliers.

The Board is responsible for the Company's overall corporate governance, including adopting the appropriate policies and procedures designed to ensure that the Company is properly managed to protect and enhance shareholder interests and that Directors, management and employees fulfill their functions effectively and responsibly.

The Board has created a framework for managing the Company, including adopting relevant internal controls and a risk management process which it believes are appropriate for the Company's business. The Board, in establishing its corporate governance framework, had regard to the ASX Corporate Governance Principles and Recommendations 3rd Edition ('**ASX Recommendations**'), and unless disclosed below all of the Recommendations have been applied.

The following table indicates where specific ASX Recommendations are dealt with in this Corporate Governance Statement:

PRINCIPLES AND RECOMMENDATIONS		Comply?	Reference
PRINCIPLE 1 – Lay solid foundations for management and oversight			
A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its Board and management; and (b) those matters expressly reserved to the Board and those delegated to management.	Yes	Page 7
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director.	Yes	Page 7
1.3	A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.	Yes	Page 7
1.4	The company secretary of a listed entity should be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.	Yes	Page 10
1.5	A listed entity should: (a) have a diversity policy which includes requirements for the Board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the Board in accordance with the entity's diversity policy and its progress towards achieving them, and either: (1) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	Yes	Page 13

1.6	<p>A listed entity should:</p> <ul style="list-style-type: none"> (a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	Yes	Page 9
1.7	<p>A listed entity should:</p> <ul style="list-style-type: none"> (a) have and disclose a process for periodically evaluating the performance of its senior executives: and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	Yes	Page 9

PRINCIPLE 2 – Structure the Board to add value

A listed entity should have a Board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

2.1	<p>The Board of a listed entity should:</p> <ul style="list-style-type: none"> (a) have a nomination committee which: <ul style="list-style-type: none"> (1) has at least three members, a majority of whom are independent Directors; and (2) is chaired by an independent Director and disclose: <ul style="list-style-type: none"> (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members of those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the Board has the appropriate balance 	No	Page 10
2.2	<p>A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.</p>	Yes	Page 7
2.3	<p>A listed entity should disclose:</p> <ul style="list-style-type: none"> (a) the names of the Directors considered by the Board to be independent Directors; (b) if a Director has an interest, position, association or relationship of the type described in Box 2.3 (generally relating to non-independent activity within the prior three years, a material contract or a substantial security holding) but the Board is of the opinion that it does not compromise the independence of the Director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and (c) the length of service of each Director. 	Yes	Page 9
2.4	<p>A majority of the Board of a listed entity should be independent Directors.</p>	No	Page 9
2.5	<p>The Chair of the Board of a listed entity should be an independent Director and, in particular, should not be the same person as the CEO of the entity.</p>	No	Page 9
2.6	<p>A listed entity should have a program for inducting new Directors and provide appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.</p>	Yes	Page 7

PRINCIPLE 3 – Act ethically and responsibly

A listed entity should act ethically and responsibly.

3.1	<p>A listed entity should:</p> <ul style="list-style-type: none"> (a) have a code of conduct for its Directors, senior executives and employees: and (b) disclose that code or a summary of it. 	Yes	Page 12
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PRINCIPLE 4 – Safeguard integrity in corporate reporting

A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

4.1	A Board of a listed entity should: <ul style="list-style-type: none"> (a) have an audit committee which: <ul style="list-style-type: none"> (1) has at least three members, all of whom are non-executive Directors and a majority of whom are independent Directors; and (2) is chaired by an independent Director, who is not the chair of the Board, and disclose <ul style="list-style-type: none"> (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes 	No	Page 11
4.2	The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Yes	Page 11
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Yes	Page 11

PRINCIPLE 5 – Make timely and balanced disclosure

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

5.1	A listed entity should: <ul style="list-style-type: none"> (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it. 	Yes	Page 12
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PRINCIPLE 6 – Respect the rights of security holders

A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

6.1	A listed entity should provide information about itself and its governance to investors via its website.	Yes	Page 14
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Yes	Page 14
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Yes	Page 14
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Yes	Page 14

PRINCIPLE 7 – Recognise and manage risk

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

7.1	The Board of a listed entity should: <ul style="list-style-type: none"> (a) have a committee or committees to oversee risk, each of which: <ul style="list-style-type: none"> (1) has at least three members, a majority of whom are independent Directors; and (2) is chaired by an independent Director; and disclose: <ul style="list-style-type: none"> (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework 	No	Page 11
7.2	The Board or a committee of the Board should: <ul style="list-style-type: none"> (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place. 	Yes	Page 12
7.3	A listed entity should disclose: <ul style="list-style-type: none"> (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluation and continually improving the effectiveness of its risk management and internal control 	Yes	Page 11
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Yes	Page 12

PRINCIPLE 8 – Remunerate fairly and responsibly

A listed entity should pay Director remuneration sufficient to attract and retain high quality Directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.

8.1	The Board of a listed entity should: <ul style="list-style-type: none"> (a) have a remuneration committee which: <ul style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent Director, and disclose <ul style="list-style-type: none"> (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive. 	No	Page 10
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive Directors and other senior executives.	Yes	Page 10

8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	Yes	Page 13
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Part 1 — Board and management

1.1 Roles and responsibilities of the Board

The Board has adopted a Charter to provide a framework for its effective operation. The Charter sets out the matters specifically reserved for the Board and the powers delegated to each of its Committees and to the Managing Director.

The Board's role and responsibilities, as set out in its Charter, include to:

- take and fulfill an effective leadership role in relation to the Company;
- oversee the development and implementation of an appropriate strategy for the Company;
- ensure corporate accountability to the shareholders of the Company;
- oversee the Company's control and accountability systems;
- ensure robust and effective risk management, compliance and control are in place and operating effectively; and
- appoint and oversee the performance of, and determine the remuneration of, the Managing Director.

A copy of the Board Charter is available on the Company's website at www.blueskyfunds.com.au.

1.2 Appointment, induction and training

The Board has established a Nomination and Remuneration Committee which comprises three members, a majority of whom are non-executive directors, with a non-executive Chair. The Committee does not have a majority of independent directors. The Nomination and Remuneration Committee assists the Board with the selection and appointment of Directors. The Board is in the process of recruiting additional non-executive directors and anticipates that the Board and all Committees will be entirely comprised of non-executive directors by the time of the 2018 AGM.

The Company:

- undertakes appropriate checks before appointing a person or putting forward to shareholders a candidate for election, as a director; and
- provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director in the relevant Notice of Meeting.

Upon appointment, each Director and member of senior management receives a formal letter of appointment setting out the key terms, conditions and expectations of the engagement.

Directors are given an induction briefing by the Company Secretary and an induction pack containing information about the Company and its business, Board and Committee charters and Group policies. New Directors also meet with the senior management team to gain an insight into the Company's business, operations and the Group structure.

Directors are encouraged to attend appropriate training and professional development courses to update and enhance their skills and knowledge and the Company Secretary organises governance and other continuing education sessions for the Board.

1.3 Board skills and experience

The Board is committed to implementing the most appropriate Board structure and governance practices to deliver top quartile returns to its investors and clients, which in turn will deliver returns to its shareholders and over time grow the Company. The Board has adopted a skills matrix to ensure that there is an appropriate mix of skills and experience on its Board and Committees that enable the Board to deliver those outcomes, and to allow the Board to effectively discharge its corporate governance and oversight responsibilities.

The following table sets out the key skills and experience that the Board considers to be most relevant and which are represented on the Board:

Core Board Skills
<p>Risk and Compliance Experience in risk management through risk roles and responsibilities and/or previous membership of risk committees. Ability to understand risk metrics and to analyse risk. Ability and willingness to engender and promote an appropriate risk culture both by example and by leadership</p>
<p>Financial and Audit Experience in accounting and finance to analyse statements, assess financial viability, contribute to financial planning, oversee budgets, and oversee funding arrangements. Ability to evaluate financial control environment.</p>

<p>Strategy Ability to identify and critically assess strategic opportunities and threats to the organisation. Develop strategies in context to our policies and business objectives.</p>
<p>Technology Knowledge of IT Governance including privacy, data management and security.</p>
<p>Executive Management Experience in evaluating performance of senior management and oversee strategic human capital planning. Experience in industrial relations and organisational change management programs.</p>
<p>Shareholder Management Experience in managing a diverse and sophisticated shareholder base in a listed environment, including through managing shareholder proxy and other representatives.</p>
<p>Blue Sky Specific Skills</p>
<p>Funds Management Knowledge of, and experience in, the funds management industry with an understanding of the peculiarities of alternative asset management within the broader funds management industry.</p>
<p>Growing a Global Business Experience in growing and governing a global business with integrated operations across multiple continents, preferably with experience in North America, Europe and Asia.</p>
<p>Public/Government Affairs Working with Government and their regulatory agencies in multiple jurisdictions in regulated industry.</p>
<p>Access to/credibility in Capital Markets Experience and/or reputation in global capital markets (preferably funds management rather than ECM) which will help open doors to allow AUM growth targets to be achieved.</p>
<p>Diversity & Other Aspects to Assess</p>
<p>Diversity An appreciation and genuine understanding of all facets of diversity including gender, race, experience, ethnicity and perspective. Experience in organisations and other parts of society where diversity is understood and practiced to the benefit of the entity.</p>
<p>Gender Diversity Experience in gender diverse organisations and a record of having managed gender diversity successfully.</p>
<p>Age Diversity The Board seeks to have membership with a range of tenure in business.</p>
<p>Previous Executive Experience The Board's directors should bring extensive executive/operational experience (in addition to any governance and consulting experience).</p>
<p>Previous Board Experience The Board's directors should have extensive director experience, preferably in diverse environments, and have completed formal training in governance and risk.</p>
<p>Geographic Diversity Geographic diversity should be considered to bring different perspectives to board discussions.</p>

In addition to the skills and experience outlined in the table above, the Board considers that each Director has the following skills:

- leadership skills;
- ethics and integrity;
- ability to constructively contribute;
- negotiation skills;
- interpersonal skills; and
- ability to constructively manage a crisis.

The Nomination and Remuneration Committee regularly reviews the skills matrix, Board performance and composition and reports to the Board.

1.4 Performance reviews

The Board recognises that regular reviews of its effectiveness and performance are key to the improvement of the governance of the Company. The Board reviews and evaluates:

- its own performance, including against the requirements of the Board Charter;
- the performance of its Committees;
- the performance of individual Directors; and
- the performance of the Managing Director

on an annual basis against both measurable and qualitative indicators. The annual performance evaluations, due to be undertaken in May 2018, were deferred to 1H FY2018 to be undertaken as part of the broader Board recruitment intended to be completed by the time of the 2018 AGM.

1.5 Independence of the Board

The Board assesses the independence of non-executive Directors upon appointment. When appointing an independent Director or reviewing the independence of its Directors, the Board will have regard to the definition of independent Director and the factors set out in Box 2.3 of the ASX Corporate Governance Principles and Recommendations.

The Board's assessment of the independence of each current Director is set out below:

Director Name	Independent Yes/No	Reason if No	Length of Service (Date Appointed)
John Kain	No	Director tenure	1 July 2011
Philip Hennessy	Yes		17 February 2017
Tim Wilson	No	Executive Director	23 September 2011
Kim Morison	No	Executive Director	31 March 2016

As at the date of this statement, 1 of the 4 Directors are independent.

During the course of the year there were a number of changes made to the Board:

- On 23 April 2018, the former Managing Director Robert Shand resigned from his executive role, and with that also resigned from the Board.
- On 23 April 2018, Nick Dignam and Elaine Stead both resigned from the Board, whilst remaining with the Company in their executive roles.
- On 7 May 2018, the former Chief Investment Officer Alex McNab retired from his executive role, and with that also retired from the Board.
- On 14 May 2018, Michael Gordon resigned as an independent non-executive director due to health reasons.

At the date of the 2017 Corporate Governance Statement, John Kain was an independent, non-executive Director. Whilst he remains a non-executive Director, as from 12 September 2017 he is no longer considered to be independent. John was appointed a director of Blue Sky Water Partners Pty Ltd on 12 September 2007 and subsequently of the Company on 1 July 2011. Blue Sky Water Partners became a wholly owned subsidiary of the Company on 5 October 2011. Consequently, as from 12 September 2017, John ceased to be deemed independent (within the meaning of the ASX CGC Corporate Governance Principles & Recommendations – Recommendation 2.3) as his continuous tenure as a director of group companies exceeded 10 years.

On 7 May 2018, the Company announced that, because John was deemed to no longer be independent, he would stand down as Chairman by the time of the AGM, pending appointment of a new Chairman. This is expected to occur at the Company's 2018 AGM.

The Board is committed to having the Chair of each Committee (detailed below under sub-heading 1.10) as an independent and non-executive Director, with the majority of each Committee being independent and non-executive

Directors, and in the case of the Audit Committee, all being non-executive Directors. This commitment was met during FY2017, however, with the resignation of one independent director (Michael Gordon) during FY2018 and the reclassification of another director (John Kain) from independent to non-independent during FY2018, these commitments are not met at the date of this report. The Board is in the process of recruiting additional non-executive directors and anticipates that the Board and all Committees will be entirely comprised of non-executive directors by the time of the 2018 AGM.

1.6 The Chairman

The Board separates the roles of Chairman and Managing Director. The non-executive Chairman provides leadership to the Board in relation to all Board matters and is responsible for ensuring that the Board meets its responsibilities under the Board Charter.

1.7 Company Secretary

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. The Directors have access to the Company Secretary for all Board and governance-related issues and the appointment and removal of the Company Secretary is determined by the Board.

1.8 Senior executives

The Board delegates functions to the Company's Managing Director and senior management to deliver the strategic direction and goals determined by the Board. Senior management are responsible for providing the Board with the information it needs to discharge its responsibilities effectively.

Directors have direct access to, and may rely upon, the Managing Director and senior management as well as external advisers. Directors and Board Committees may seek independent professional advice at the Company's expense in the performance of their duties.

The Managing Director sets performance objectives for each member of the senior management team at the beginning of each financial year. The Managing Director carries out the performance review of each member of the senior management team against their objectives with input from appropriate stakeholders including Board members.

1.9 Remuneration

The Board has established a Nomination and Remuneration Committee which comprises three members, a majority of whom are non-executive directors and a non-executive Chair. The Board is in the process of recruiting additional non-executive directors and anticipates that the Board and all Committees will be entirely comprised of non-executive directors by the time of the 2018 AGM.

The Nomination and Remuneration Committee is responsible for determining the appropriate remuneration of the executive Directors. The non-executive Director's remuneration is also reviewed on an annual basis based on the anticipated extent of services to be rendered and independent remuneration advice.

The Board's Remuneration Policy has been developed to ensure that remuneration packages properly reflect each person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. Historically, including during FY2018, the Board has adopted a five tier remuneration structure to achieve this. Those tiers are:

- First - a fixed remuneration package reflecting the person's duties and responsibilities.
- Secondly – shares and dividends. The Board and senior management are shareholders in the Company.
- Thirdly – performance bonuses for investment management. The Board has endorsed a policy of contributing 25% of all performance fees realised by individual investment management entities to a performance bonus pool for its respective staff with the physical payment being made when the performance fees are realised. The Board has discretion on the amount of bonus to be paid, if any. There is no constructive obligation to pay these amounts.
- Fourthly – discretionary performance bonuses for capital raising.
- Finally - discretionary performance bonuses for other contribution to the business. The Company has implemented an Employee Share Option Plan ('ESOP') participation to facilitate broader shareholding across the business. Options under the plan are typically offered to team members that have delivered meaningful outcomes for our business, demonstrated that they 'live' our values and committed to being with our business for a long period of time.

The remuneration model for our investment teams, and in particular our Investment Company Bonus Policy, will change in FY2019. Details of these changes are explained in the FY2018 Remuneration Report.

1.10 Board committees

The Board has the following three committees:

- Audit Committee;
- Risk and Compliance Committee; and
- Nomination and Remuneration Committee.

Each Committee has adopted a formal, Board approved Charter that details its role, authority, responsibilities, membership and operations. The Committee Charters are reviewed annually and are available on the Company's website at www.blueskyfunds.com.au.

The Chair of each Committee is a non-executive Director, with the Chair of the Audit Committee and the Chair of the Risk & Compliance Committee, being an independent director who is not Board Chair. The majority of each Committee are non-executive Directors. The Board is in the process of recruiting additional non-executive directors and anticipates that the Board and all Committees will be entirely comprised of non-executive directors by the time of the 2018 AGM.

Each Committee regularly reports to the Board on the matters relevant to the Committee's role and responsibilities and the minutes of each Committee meeting are made available to each Director unless the Director is otherwise precluded due to a potential conflict. Each Committee conducts an assessment of its performance in accordance with its Charter on an annual basis.

Part 2 — Corporate reporting and risk management

2.1 Group CEO and Group CFO declaration

The Board receives assurances from the Group Chief Executive Officer and the Group Chief Financial Officer that the declarations provided in relation to the annual and half-yearly financial statements, in accordance with sections 295A and 303(4) of the Corporations Act are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

2.2 Audit Committee

The Board has established an Audit Committee which comprises three members, a majority of whom are non-executive directors, with an independent and non-executive Chair.

The primary role of the Audit Committee is to:

- oversee the process of financial reporting, internal control and external audit;
- appoint and encourage effective relationships with, and communication between, the Board, senior management and the Company's external auditor in order to ensure the integrity of the audit process; and
- oversee the independence of the external auditors.

Members of senior management and the external auditors attend meetings of the Audit Committee by invitation.

2.3 External auditor

The Company has a policy that its external auditing firm must be independent. The Audit Committee reviews and assesses the independence of the external auditor on an ongoing basis. EY has been the company's auditor since listing in 2012. The audit partner was rotated in FY2018 to maintain that independence.

EY also provides occupancy services to the Group. All transactions with EY were conducted on an arm's length basis in the ordinary course of business.

The Company's external auditor attends the Company's AGM and is available to answer any question which shareholders may have about the conduct of the external audit for the relevant financial year and the content of the Financial Report.

2.4 Internal audit

The Company does not have an internal audit function. The Company continually reviews and refines processes and policies to enhance efficiencies and the internal control environment. Any identified control and process issues are formally advised to the Audit Committee and formalised action plans are put in place to address these.

2.5 Risk management

The Board has established a Risk and Compliance Committee which comprises three members, a majority of whom are non-executive directors, with an independent and non-executive Chair.

The role of the Risk and Compliance Committee is to assist the Board with oversight of the establishment and implementation of risk management and internal compliance and controls systems.

The Risk and Compliance Committee:

- has identified the key risks faced by the Company;
- constantly seeks to identify, monitor and mitigate risk;
- has identified all regulatory obligations with which the Group must comply;
- constantly monitors those regulatory obligations; and
- implements and monitors internal risk and compliance controls on a continuous basis and, wherever possible, improves those controls.

The Risk and Compliance Committee recommends a Risk and Compliance Management Policy to the Board, which is adopted by the Board. The Board reviews the Risk and Compliance Management Policy at least once a year. The Risk and Compliance Committee also provides a quarterly written report to the Board summarising the effectiveness of the Company's risk and compliance management.

The Group is not subject to any particular or significant single economic or social sustainability risk. The Group is subject to a range of economic risks. Changes in market sentiment can affect the Group's ability to raise capital and invest. Unfavourable economic movements (globally or locally) can impact the ability of the Group to raise capital as well as the returns on the funds that it manages. These risks include macro-economic risks, currency fluctuations, interest rates, government policy (including fiscal and monetary policy and taxation), changes in debt or equity markets and many other factors.

To the extent that these factors reduce a fund's investment performance or AUM, they may also reduce the Group's revenue, profitability and/or share value.

It is the responsibility of the Board, the Risk and Compliance Committee and senior management to constantly assess and monitor these risks and their potential impact on the Group and the funds it manages. These risks are managed through regular investment committee meetings within each asset class, regular reporting of historic and anticipated performance of the funds it manages as well as through the Group's regular board meetings. The Company's Compliance Officer and Legal Counsel are responsible for the overall implementations of and monitoring of internal controls.

Part 3 — Responsible and ethical behavior

3.1 Code of conduct

The Company has adopted a formal Code of Conduct to guide Directors, the senior Executive Team and employees in the performance of their duties. The Code of Conduct is available on the Company's website at www.blueskyfunds.com.au.

The Code of Conduct has been designed with a view to ensuring the highest ethical and professional standards, as well as compliance with legal obligations.

The Code of Conduct sets out standards to which each Director, senior management and employees will adhere whilst conducting his / her duties.

The Code of Conduct requires Directors, senior management and employees amongst other things, to:

- act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company and, where possible, to act in accordance with the interests of shareholders, staff, clients and all other stakeholders in the Company;
- perform the functions of office and exercise the powers attached to that office with a degree of care and diligence that a reasonable person would exercise if he or she were a Director, a member of senior management or an employee in the same circumstances; and
- not give preference to personal interests or to the interests of any associate or other person, where to do so would be in conflict with the interests of the Company.

The Code of Conduct requires all Directors, senior management and employees to at all times:

- act honestly and in good faith;
- exercise due care and diligence in fulfilling the functions of office;
- avoid conflicts and make full disclosure of any possible conflict of interest;
- comply with both the letter and spirit of the law;
- encourage the reporting and investigation of unlawful and unethical behaviour; and
- comply with the share trading policy outlined in the Code of Conduct.

Directors are obliged to be independent in judgement and ensure all reasonable steps are taken to ensure that the Board's core governance values are not compromised in any decisions the Board makes.

3.2 Continuous disclosure

The Company is committed to observing its disclosure obligations under the Corporation Act 2001 ('Act') and the Listing Rules of the ASX, to keep the market fully informed of information which is not generally available and which may have a material effect on the price or value of the Company's securities. The Company has adopted a Continuous Disclosure

Policy which establishes procedures and protocols aimed at ensuring that Directors and management are aware of and fulfill their obligations in relation to the timely disclosure of material price sensitive information.

Pursuant to the Continuous Disclosure Policy, the Company will immediately notify the market, by announcing to the ASX, any information concerning the business of the Company which a reasonable person would expect to have a material effect on the price or value of the Company's securities (subject to applicable exceptions).

The aims of the Continuous Disclosure Policy are to:

- assess new information and co-ordinate any disclosure or releases to the ASX, or any advice required in relation to that information, in a timely manner;
- provide an audit trail of the decisions regarding disclosure to substantiate compliance with the Company's continuous disclosure obligations;
- report to the Board on continuous disclosure matters; and
- ensure that employees, consultants, associated entities and advisers of the Company understand the obligations to bring material information to the attention of the Company secretary.

The Chairman, the Managing Director and the Company Secretary are responsible for communications with the ASX including responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing information going to the ASX, shareholders and other interested parties.

The Company's Continuous Disclosure Policy is available at the Company's website at www.blueskyfunds.com.au.

3.3 Share Trading Policy

The Company has adopted a Share Trading Policy for dealing in securities. The Share Trading Policy seeks to ensure that Directors and senior employees:

- are aware of the legal restrictions on securities trading (such as where they are aware of material price sensitive information that is not known to the market);
- cannot trade during certain closed periods, except in accordance with prior written clearance obtained in accordance with the policy; and
- report such dealings.

Directors and other shareholders are encouraged to be long term holders of the Company's shares. The Company has adopted a policy that imposes certain restrictions on Directors and employees trading in the securities of the Company. The restrictions have been imposed to prevent inadvertent contraventions of the insider trading provisions of the Act.

The key aspects of the Share Trading Policy are:

- trading whilst in the possession of material price sensitive information is prohibited;
- Directors and executive officers are not permitted to trade during closed periods (half year (31 December) and full year (30 June) balance dates until the date of release to the ASX of the Appendix 4D Half Year Report or the Appendix 4E Full Year Report (as applicable)) unless exceptional circumstances exist and the Director or executive officer has received prior written clearance; and
- Directors and executive officers may trade outside the closed periods provided they have prior written clearance.

The Share Trading Policy prohibits Directors and employees and their associates from entering into transactions designed to limit the economic risk of investing in the Company's securities.

The Company's Share Trading Policy is available at the Company's website at www.blueskyfunds.com.au.

Part 4 — Diversity

The Company has adopted a Diversity Policy which acts as a framework for the Group in building a diverse and inclusive workforce, and includes requirements for the Board to determine measurable objectives and procedures to implement and report against to achieve its diversity goals.

The Company recognises the value contributed to the organisation by employing people with varying skills, cultural backgrounds, gender, ethnicity and experience. The Company believes its diverse workforce contributes to its continued growth, improved productivity and performance. However, the Group's policy is to recruit and manage on the basis of competence and performance, regardless of age, cultural background, gender, ethnicity, sexuality or physical ability.

The Company values and embraces the diversity of its employees and is committed to creating an inclusive workplace where everyone is treated equally and fairly, and where discrimination, harassment and inequity are not tolerated. Despite its small size, the company has diversity in the nationality of its workforce, with 26% of employees from different countries and backgrounds.

The Board has specifically recognised the need for gender, age and geographic diversity in its Board Skill Matrix and has

careful regard to these considerations when formulating the composition of the Board.

In accordance with the Diversity Policy and the ASX Recommendations, the Board has established objectives in relation to gender diversity and is targeting 40% female representation across the Group. The position at 30 June 2018 is detailed as follows:

	Men	Women
Number of total employees	62	40
Percentage of total employees	61%	39%

As at 30 June 2018, the proportion of women in senior executive positions (which includes the Key Management Personnel) is 20% and the proportion of women on the Board is 0% (reducing from 11% in 2017 with the resignation of Elaine Stead).

The Company’s Diversity Policy is available at the Company’s website at www.blueskyfunds.com.au.

Part 5 — Respecting the rights of shareholders

The Board recognises the importance of communicating with shareholders regularly and clearly.

The Company has adopted a Shareholder Communications Policy. The Shareholder Communications Policy is designed to promote effective communication with Shareholders and to encourage them to attend and participate at general meetings. The Shareholder Communications Policy is available on the Company’s website www.blueskyfunds.com.au as are links to recent announcements, presentations (where applicable) and past and current reports to shareholders.

The Board aims to ensure that the shareholders, on behalf of whom they act, are informed of information necessary to assess the performance of the Directors. Information on major developments affecting the Company is communicated to the shareholders through the annual and half yearly reports, general meetings and notices of the general meetings, and by general correspondence from the Board.

Shareholders are encouraged to participate in the annual general meeting and other general meetings to ensure a high level of accountability and identification with the Company’s strategies and goals. Important issues are presented to shareholders as single resolutions.

Shareholders are given the opportunity to receive communications from, and send communications to, the Company and its share registry electronically and new shareholders are advised of this option in the Welcome Pack issued by the share registry to new shareholders.

The Directors and key management attend the Company’s AGMs and are available to answer questions.