Risk Management Policy

Keybridge Capital Limited

ACN 088 267 190 **(Keybridge)**

Risk Management Policy

1. Executive Summary

This Risk Management Policy is approved by the Board of directors (**Board**) of Keybridge Capital Limited (**Keybridge**) to govern the management of risk in Keybridge and its controlled entities (**Keybridge Group**). The policy addresses the key risks encountered by the Keybridge Group, namely:

- Strategic risk
- Operational risk
- Legal and regulatory compliance risk
- Reputation risk
- Credit risk
- Market risk
- Investment risk
- Liquidity risk

The definitions of and responsibilities for managing these risks are considered in more detail in paragraph 3 below.

Keybridge's Board has ultimate responsibility for risk management. To assist the Board in discharging its corporate governance obligations in respect of overall risk management and control, the Board has established an Audit, Finance and Risk Committee (**AFRC**) and an Investment Committee (**IC**). A copy of the AFRC charter is located on the Keybridge website. The charter and authority levels of the IC are set out in paragraph 2 below.

The primary responsibility for risk management rests with Keybridge's Managing Director and other senior management.

As an investor in equity, debt and other financial instruments, risk is an integral part of the Keybridge Group's business. Management of the risks associated with the Keybridge Group businesses and Keybridge's investment portfolio is fundamental to the success of Keybridge.

The Board and management are committed to the following risk management principles:

- a culture and set of processes that appropriately balance risk and reward;
- wherever possible, risk is to be managed on a proactive rather than reactive basis;
- Keybridge will carefully identify, quantify and assess material risks faced by each Keybridge Group business and any investments in which it has influence;
- continuous review of transactional, portfolio and strategic risks will be undertaken and adverse developments promptly reported to the Board;
- risk management tasks will be allocated to the parties best able to manage them; and
- to the extent possible, investment risks will be quarantined within special purpose entities.

By managing risk according to the above principles each Keybridge Group business will be able to take opportunities as they are presented while endeavouring to maximise value to shareholders.

2. Risk Management Responsibilities

The following list provides set delegation levels for the approval of any investment by Keybridge. It also highlights the analysis and reporting required to be prepared by Keybridge management prior to making investments, and defines who is responsible for managing these risks.

The Board will establish and maintain an Investment Committee (**IC**). The IC initially comprises the Managing Director, the Executive Director and the Chairman of the Board until such time as the Board resolves to change the membership of the IC.

Investment approval authority is delegated to the IC as follows until such time as the Board resolves to change the approval authority levels:

a) approval of investments of capital of up to $1 million is delegated to Keybridge management, requiring approval of a majority of the IC;

b) approval of investments of capital greater than $1 million and less than $5 million is to be approved by unanimous decision of the IC, or a majority of the Board;

c) approval of investments or divestments of capital greater than $5 million requires unanimous approval of the IC and a majority approval of the Board; and

d) approval of any investment considered by management to be strategic in nature is to be approved by a majority of the Board.

Approvals for any investment greater than $1 million are subject to an investment paper being presented to the IC or Board, respectively. The investment paper must consider each of the categories of risk outlined in paragraph 3 below.

All investments will be continuously monitored and reviewed by Keybridge management. A report is to be provided to the Board on a regular basis by the Managing Director, which considers and highlights any potentially material changes to any of the risks outlined below on any investment.

Whare and for so long as a separate board of directors of any wholly owned subsidiary of Keybridge (**Subsidiary Board**) exists, for example in Aurora Funds Management Limited (**AFML**), which has a different set of directors to that of the Board, that Subsidiary Board is primarily responsible for managing risk associated with the business of that subsidiary.

In the case of AFML, which acts as a Responsible Entity under an Australian Financial Services License (**AFSL**), the Subsidiary Board must also appoint a Compliance Committee and a Chief Compliance Officer to ensure that it is managing the risks associated with acting as Responsible Entity under the AFSL.

The Subsidiary Board, and in the case of AFML each member of the Compliance Committee, shall be provided with, and have due consideration of, this Risk Management Policy in determining and managing the risks of the subsidiary.

3. Risks to be Considered

Strategic Risk

Strategic risk is defined as the risk of incurring a loss which may arise from the implementation of a change in strategic direction for Keybridge or any of its investments or Keybridge Group businesses.

Strategic risk is mitigated to the extent possible by the Board retaining the authority to approve investments larger than $5 million, and in considering any business activities that management expresses as being strategic in nature.

The Board will receive regular reports from management concerning anticipated changes in the business and investment activities of the Keybridge Group and each of Keybridge's investments in order to assess strategic risks.

Operational Risk

Operational risk is defined as the possibility of incurring a direct or indirect loss arising from inadequate or failed internal processes, people, systems or external events.

Primary responsibility rests with the Managing Director and the senior management team to consider risks associated with a lack of, or any changes to, the internal processes, people or systems or that might be caused by external events. Potential or actual losses are to be reported promptly to the Board.

Operational risks within Keybridge and in relation to investments and Keybridge Group businesses must always to be considered as part of the analysis prior to entering a new investment or business.

For internal operational risk assessment, Keybridge:

a) will maintain a separation of duties to minimise the risk of fraud and theft, and maximise the ability to detect any fraud and theft quickly;
b) is to have a culture of controlling operating expenses, both within the constraints of annual budgets and also within the constraints of professional reasonableness;
c) will seek to continuously improve its systems and processes for determining and managing operational risks;
d) does not expect to eliminate all operational risks, but aims to minimise loss based on sound risk/reward analysis; has, and for some time into the future, is expected to maintain a small number of executive staff, and the Board is responsible for employing staff with the technical skill and experience suitable to manage strategic risks; and
e) employment practices are also to be maintained such that continuity of employment of key executives and Board members to meet strategic imperatives are encouraged and supported by the Board.

For operational risk assessments in relation any investment, Keybridge:

a) does not expect to make a return on its investments without taking any risks, but aims to generate a return suitable for the risks taken and will act to minimise any losses based on sound ongoing risk/reward analysis;
b) will ensure that there is adequate processes, people and systems in any investment vehicle in which it participates, or assist in putting them into place; and
c) will also ensure its investments are socially responsible and reflect sound environmental practices.

For operational risk assessment in relation to any Keybridge Group business which has a Subsidiary Board, that Subsidiary Board and senior management of that subsidiary:

a) will maintain a separation of duties to minimise the risk of fraud and theft, and maximise the ability to detect any fraud and theft quickly;
b) is to have a culture of controlling operating expenses, both within the constraints of annual budgets and also within the constraints of professional reasonableness;
c) will seek to continuously improve its systems and processes for determining and managing operational risks;
d) does not expect to eliminate all operational risks, but aims to minimise loss based on sound risk/reward analysis;
e) has, and for some time into the future, is expected to maintain a small number of executive staff, and the Subsidiary Board is responsible for employing staff with the technical skill and experience suitable to manage strategic risks; and

f) employment practices are also to be maintained such that continuity of employment of key executives and Subsidiary Board members to meet strategic imperatives are encouraged and supported by the Board.

Legal and Regulatory Compliance Risk

Legal and regulatory compliance risk includes the risk of breaches of laws and regulatory requirements applicable to Keybridge, any actual or perceived breaches of obligations to its partners, clients or counterparties, and the unenforceability of any counterparty obligations.

The Managing Director and the senior management team are responsible for developing and monitoring Keybridge's legal and regulatory compliance procedures. External advisors are used as necessary.

The Compliance Officer of any wholly owned subsidiary of Keybridge which is a responsible entity under an AFSL or the chairman of the Board of any other wholly owned subsidiary which holds an AFSL, will provide copies of Quarterly and Annual Compliance Reports to the Keybridge Audit Finance and Risk Committee (**AFRC**).

Keybridge and its controlled entities will at all times:

- comply with relevant laws and regulations;
- follow processes that minimise the risk of litigation and claims against the group;
- maintain a policy of equal employment opportunity, avoiding unlawful discrimination and having no tolerance for sexual or other harassment in the workplace; and
- comply with the provisions of the Privacy Act.

Reputation Risk

Reputation risk is defined as events that could damage Keybridge's reputation, which might lead to short or long term damage to Keybridge's market value.

Keybridge views reputation risk as one of the key risks faced by the group, and ethical and compliance issues will remain paramount and at the forefront to Keybridge's decision making process.

Keybridge may consider making donations of a charitable, community, cultural or political nature, where approved by the Board and deemed in the best interest of Keybridge.

Professional judgment should be exercised by Keybridge employees in incurring entertainment and gift expenses. At all times, such expenditure should be kept within bounds that would be deemed reasonable for a company of the size and nature of Keybridge. In the same way, judgment should be exercised in receiving gifts and entertainment. Any such receipt should, again, be deemed reasonable in the circumstances and should never constitute an inducement for Keybridge to give value in return.

Credit Risk

Credit risk is defined as the potential of loss arising from failure of a debtor or counterparty to meet their contractual obligations.

Credit risk in Keybridge's business arises from its lending and other investment activities, including where it takes out a hedging contract or other supply arrangements.

Counterparty risk will be considered for each investment opportunity by Board or the IC, as appropriate for the level of the investment.

Market Risk

Market risk in Keybridge's business arises from potential changes in the value of its investments as a result of changes in market value or volatility.

Keybridge will consider whether it will implement appropriate hedging strategies, where practicable. In particular, Keybridge will consider hedging interest rate and currency risks. There is no obligation on Keybridge to put such hedging policies in place, but Keybridge will actively make a decision as to whether it is to be part of the overall investment proposal.

Investment Risks

Keybridge will diversify its holdings to ensure that no single investment loss will be sufficient to put Keybridge's other assets at risk.

To the extent possible, Keybridge will ensure that any debt borrowed by Keybridge will be maintained in a special purpose entity and recourse will only to the individual assets contained within that special purpose entity.

Liquidity Risk

Keybridge's internal funding liquidity is to be managed by the Chief Financial Officer (**CFO**). The CFO is responsible for managing the day-to-day and forward-looking cash position of the Keybridge Group, ensuring funding is available for all commitments.

Keybridge's liquidity position is to be reported to the Board regularly.

Keybridge will consider the liquidity of each investment to ensure that it is in a position to exit or liquidate investments in a timely and effective manner.

Accountability

The Managing Director and management team are accountable for the implementation, management, and regular review of this policy at all times and to bring any exceptions to or breaches of this policy to the immediate attention of the AFRC and Board.

The Managing Director will also report to the scheduled AFRC meetings on overall compliance with the policy. This report will include a description of, and status report on, the major risks faced by Keybridge.

4. Approved and adopted

This risk management policy was reviewed and adopted by the board on 25 June 2015.

Date 25 June 2015

Signed

Chairperson of the board of directors
of Keybridge Capital Limited