



LI-S ENERGY LIMITED
ACN 634 839 857

RISK OVERSIGHT AND MANAGEMENT FRAMEWORK

1. STATEMENT OF BOARD COMMITMENT

- 1.1 The Board of the Company recognises that effective management of risk is an integral part of good management and vital to the continued growth, sustainability and success of the Company.
- 1.2 This Risk Oversight and Management Framework sets out the Company's commitment and approach in relation to risk management. It outlines the risk framework that has been adopted by the Board to allow the Company to identify, manage and report on all material risks.

2. RISK MANAGEMENT FRAMEWORK

- 2.1 This Risk Oversight and Management Framework:
 - 2.1.1 incorporates the maintenance of appropriate policies, procedures and guidelines which address the unique operating environment of the Company; and
 - 2.1.2 is utilised by the Audit and Risk Committee as a means of identifying to the management and Board:
 - (a) the strengths, weaknesses, opportunities and threats influencing, or having the potential to influence, the business of the Company; and
 - (b) appropriate oversight strategies in respect of the key risks confronting the business of the Company.

3. RESPONSIBILITY FOR RISK OVERSIGHT AND MANAGEMENT

- 3.1 While the Board of the Company remains ultimately responsible for the operation of the Company's risk management and control framework, the Company has developed a suitable structure to ensure that appropriate oversight and accountability in all areas of risk management is appropriately spread throughout the business.
- 3.2 Under this approach, all personnel of the Company have a role to play in the identification, management and mitigation of risk with the following core areas of accountability.

Board

The Board has implemented a policy framework designed to ensure that the Company's risks are identified, analysed, evaluated, monitored, and communicated within the organisation on an on-going basis, and that adequate controls are in place and functioning effectively. Under the decentralised structure, the Board is responsible for:

- (a) issuing a statement of risk appetite and ensuring that statement remains current;
- (b) managing all material risks that may impact or prevent the Company from achieving its strategic objectives;
- (c) overseeing the implementation of a sound system of risk oversight, including approving amendments to this Risk Oversight and Management Framework; and
- (d) monitoring the performance of the Audit and Risk Committee and approving any amendments to the Audit and Risk Committee Charter or the composition or powers of that Committee.

Audit and Risk Committee

In accordance with the Audit and Risk Committee Charter, the Audit and Risk Committee was established by the Board with the following key duties:

- (a) causing policies on risk oversight and management to be created and implemented;
- (b) causing a risk register to be created and maintained;
- (c) allocating management responsibility for all environment, social, sustainability and governance matters, in consultation with the Group Chief Risk Officer;
- (d) allocating management responsibility for certain items on the risk register and ensuring appropriate management accountability, in consultation with the Group Chief Risk Officer;
- (e) tracking the duration of open risk items and closing those that have been addressed; and
- (f) escalating audit and risk matters to the Board of the Company where necessary and appropriate.

Management

The Chief Executive Officer has ultimate responsibility for control and management of operational risk and the implementation of avoidance or mitigation measures within the Company.

The Board has delegated day-to-day control of these duties to the Group Chief Risk Officer, being the executive management sponsor. The Group Chief Risk Officer operates as an interface between management and the Audit and Risk Committee.

2. MONITORING OF RISK MANAGEMENT

- 2.1 The Board conducts a detailed consideration of the significant business risks applicable to the Company and its on-going operations twice annually, pursuant to the meetings of the Audit and Risk Committee (ordinarily in February and August each year).
- 2.2 The Board's focus is on current, future and emerging risks. Current risks are monitored by the Audit and Risk Committee in consultation with the Group Chief Risk Officer. Emerging and future risks are the responsibility of all personnel of the Company and are raised with the Board through the interface of the Group Chief Risk Officer and the Audit and Risk Committee. The Board considers that risk profiles are an integral part of any strategic review

and business planning process.

- 2.3 Additional risk arrangements put in place by the Board to monitor general operational risk include:
- 2.3.1 a report is regularly presented to the Board by the Chief Financial Officer which encompasses matters including sales, costs and profitability against budget and other key performance measures, together with information relating to industry developments, the progress of investments or proposals regarding major customers;
 - 2.3.2 reports are regularly prepared and submitted to the Board by the Chief Financial Officer in relation to the overall financial position of the Company, together with statements regarding workplace safety, compliance with tax and superannuation legislation and environmental conformance;
 - 2.3.3 regular briefings to the Board by the Chief Executive Officer, Executive Directors and/or senior management on market and operational factors which may impact on the performance of the Company; and
 - 2.3.4 the implementation of internal control systems designed to promote effective financial risk control mechanisms by the delegation of certain responsibilities to key senior management executives, and a requirement for monthly reporting of action taken within these approved areas, including:
 - (a) hedging of foreign currency exposure;
 - (b) authorising payments;
 - (c) execution of contracts, finance agreements and other legally binding arrangements; or
 - (d) imposition of capital expenditure limits for designated senior management and established approval processes.
- 2.4 The Board has also adopted reporting and other procedures which allow it to monitor:
- 2.4.1 compliance by the Company with the continuous disclosure requirements and with laws relating to the trading in company securities; and
 - 2.4.2 the maintenance of ethical practices within the Company, including compliance with the Bribery and Corruption Policy and similar applicable laws and regulations.

3. COMPLIANCE, CONTROL & ASSESSMENT OF EFFECTIVENESS

- 3.1 The Board will review the effectiveness of this Risk Oversight and Management Framework (including the underlying systems and strategies) on an annual basis.
- 3.2 In doing so, the Board:
- 3.2.1 considers and assesses the appropriateness and effectiveness of management information and other systems of internal control, including a review of the external (and/or internal) auditor's reports to management on internal controls (including information technology controls) and action taken or proposed resulting from such reports;

- 3.2.2 relies on the Audit and Risk Committee to bring to its attention any significant matters in the areas of audit and risk, including activities occurring outside of its stated risk appetite; and
 - 3.2.3 may in its discretion appoint (or direct the Audit and Risk Committee to appoint) internal or external auditors to undertake an assessment of the risk posture of the Company and to provide a report, or seek clarification, on the findings of such a review.
- 3.3 The Board and the Audit and Risk Committee have:
- 3.3.1 full, free and unrestricted access to all company records, documentation and physical property of the Company as may be required to fulfil its responsibilities at law, under the Board Charter and under the Audit and Risk Committee Charter; and
 - 3.3.2 authority to seek any information they require to fulfil their respective responsibilities from any officer, employee, consultant or contractor of the Company and any related company.

Dated: February 2022