



LI-S ENERGY LIMITED
ACN 634 839 857
("Li-S Energy" or "Company")

2022 SUSTAINABILITY REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

LIS is committed to:

- the effective management of environmental issues having the potential to impact on its business; and
- minimising the consumption of resources utilised by its operations.

The Company has otherwise complied with all government legislation and regulations with respect to disposal of waste and other materials and has not received any notices of breach of environmental laws and/or regulations.

LIS is pleased to set out its inaugural sustainability report.

Visibility of environmental, social and governance metrics is becoming of ever-increasing importance to investors and stakeholders. LIS welcomes the opportunity to contribute to these discussions and sets out the key measurements against which it has assessed its performance this financial year. LIS has had particular regard to the UN's Sustainable Development Goals framework and envisages that this inaugural report will set the baseline against which further future improvements can be measured. The following sections on Environmental, Social and Governance describe the progress we have made to date and what further actions we intend to take in the future.

Environmental

Li-S Energy is headquartered in an office in Brisbane with a small direct environmental footprint. The Company's current environmental focus is on minimising energy consumption and non-essential business travel. This is a particular focus as the Board and senior management are spread across Melbourne, Geelong, Gold Coast and Brisbane.

Lowering climate change and carbon emissions

Ultimately, the core mission of Li-S Energy is to develop and commercialise cutting edge battery technology to assist the global economy to decarbonise and move to Net Zero.

We are committed to continually reducing our on-premise energy consumption by:

- using cloud technology for our information and platform services where practical;
- using Microsoft Azure as our platform partner and seeking other services we can use from Microsoft. Microsoft has been carbon neutral since 2012 and is committed to becoming carbon negative by 2030; and
- using office space in a building with a 5-star NABERS (excellent) energy rating for energy, water, waste, and indoor environment and 5-star green star rating.

We are committed to reducing emissions associated with our business travel by:

- booking online meetings where practical and possible. Where travel is necessary, we combine meetings and extend the time away so that more can be achieved to avoid repetitive trips; and
- providing flexibility for our employees to work from home where business needs allow. While this was originally initiated as part of our COVID-19 response, we have continued the practice which we consider is likely to have had the effect of reducing carbon emissions from employees commuting to/from the office.

Waste management

We are committed to further improving our recycling methods by:

- recycling paper, cardboard, glass, hard plastic, aluminium and tin cans through the services provided by our landlord;
- recycling IT equipment and printer cartridges using recycling companies that seek to recycle responsibly; and
- re-using IT equipment and parts, where possible.

Deakin University's Waurn Ponds Campus

LIS seeks to ensure that its important business relationships are with partners that have sustainability plans in place, where practical. One of LIS's key relationships is with Deakin University, particularly the Waurn Ponds Campus in Geelong, Victoria where the laboratory and manufacturing facilities are located.

The campus was established as a 'living laboratory' for sustainable development and has a number of commitments to be achieved by 2025 for procurement and supply, travel and transport, energy and emissions, waste management, water, built environment and natural environment. For example, Deakin University are working to achieve carbon neutrality with 100% of its electricity supply coming from renewable sources. All strategic suppliers will also need to meet Deakin's sustainable procurement principles.

Social

LIS seeks to attract, employ, and retain people with a diverse background of culture, gender, experience, and age. Our business model requires people to be agile, curious and roll their sleeves up to work together to get the job done. Diversity, inclusion, and equality – our objective is to promote equal employment opportunities and increase female representation across the group, including at the board level.

This year

- Reviewed salary equity for all new hires
- Female representation of 33% of all employees
- 25% women on the board

Thriving people – our objective is to ensure people can perform to their potential and we manage the employee performance lifecycle

This year

- Integration of people risks into the risk management process and reports to board
- Flexible working arrangements

Next year

- Implement a HR information system to record and manage performance objectives, talent and succession planning
- Support staff ongoing development

Strengthen cyber foundations – we acknowledge the cyber threat landscape is ever changing and we have a responsibility to educate and protect our people, partners and data.

This year

- Renewed focus on our cyber insurance policy
- External cyber penetration test and intelligence report
- Implemented Mimecast for email phishing protection
- Leveraged Yammer to share cyber insights, examples, hints and tips

Next year

- Deploy new endpoint and cloud protection solutions
- Implement data loss prevention controls

- Internal awareness campaign and phishing test
- Work with key third party suppliers on how we share cyber insights and processes

Governance

The Company has structured its approach to corporate governance around the principles of ensuring effective contributions by the Board that adds value.

Risk

LIS identified a number of specific risks in its Prospectus and has made substantial progress to mitigate these risks during the financial year. In summary:

- (a) Enhancement of its risk management framework:
 - the Board resolved to expand the existing Audit Committee to encompass audit and risk and an updated charter was made available on the company's website; and
 - acquired an internal risk function, pursuant to its management services agreement with PPK, to categorise, manage and mitigate risks across the Company. As well as the support of the PPK Group COO and Chief Risk Officer, Marc Fenton, LIS is using a market leading Software-as-a-Service risk platform aligned to the ISO 31000 framework. The platform provides a single integrated view of risk with heatmaps, control library and action tracking.
- (b) pilot phase research and technology scale up:
 - the appointment of Steve Rowlands, Chief Technology Officer, with 10 years experience in lithium sulphur battery research and development provided substantial insights with the scale up plans and valuable introductions into European companies that operate in this specialty area and have provided expertise and advice.
- (c) Evolving technologies:
 - meetings by Lee Finniear, Chief Executive Officer, and Steve Rowlands, Chief Technology Officer, with international research companies, battery manufacturers, industry specialists and attendance at international battery conferences have provided important insights into customer requirements, competitors, general battery technology issues to get a better understanding of the risks evolving technologies present and what LIS has to do to manage these risks.
- (d) Protection of Intellectual Property
 - continued monitoring of our technology mitigates this risk.
- (e) Patent protection
 - continued lodgements of new patents in a wide range of countries and developing monitoring tools to manage infringement.
- (f) Reliance on Research Framework Agreement
 - closer working relationships with Deakin's scientists and improvements to contractual terms reduces this risk.
- (g) Reliance on key personnel
 - outsourcing agreements with industry specialists for specific development programs and seeking employment of additional key resources reduces this risk.
- (h) Future funding requirements
 - obtained up to \$5.000 million of federal government funding through the Deakin Trailblazer program over the next four years and will continue to seek opportunities to participate in future funding programs as appropriate.
- (i) Information technology/privacy concerns
 - continue to enhance the LIS technology framework and integrate our requirements with Deakin's infrastructure.

LIS continues to identify its risks, develop plans and monitors its actions to mitigate risks and reports regularly to the Audit & Risk Committee.

Remuneration

LIS is committed to fair and responsible remuneration practices sufficient to attract, retain and motivate suitably qualified individuals. Dr Finniear has taken considerable care when building out his team to ensure that appropriate remuneration practices are adopted and that gender pay equity is achieved.

The Chair of LIS is currently designing an appropriate long-term incentive plan for executives, with the current expectation that this will be put to shareholders at the next annual general meeting. LIS is committed to ensuring that any such long-term incentives are fair and responsible in nature. The Board of LIS currently expects to create a

Remuneration and Nomination sub-committee when it is appropriate to do so.

Gender equality

LIS has a Diversity Policy that states it “is committed to an inclusive workplace that embraces and promotes diversity”. A critical component of this is to promote gender equality.

Since listing in September 2021, 25% of the composition of the Board of four is female. This is slightly below the Company’s target of 30% (based on our Board charter allowing up to 12 Directors).

As Dr Finniear has built out his team, gender equality has remained a key consideration. Currently, 33% of all employees are female and this number is also maintained at the senior leadership level.