



Risk Management Policy (Summary)

1. Overview

The Board of Directors (Board) of Carbon Energy Limited (Carbon Energy) has adopted a Risk Management Policy and Framework. Under the Policy, the Board has ultimate accountability for the risk management and control environment and delegates day-to-day monitoring and management of key business risk and opportunities to the Managing Director & Chief Executive Officer (MD & CEO). The Policy and Framework set out the role and accountabilities of the Board, MD & CEO, Management Team and employees. It also contains the Company's risk profile and describes some of the policies and practices that the Company has in place to manage specific business risks.

The Risk Management Policy and Framework apply to Carbon Energy and each of its subsidiaries. The framework provides a formal process for management of risks and opportunities that may impact (negatively and positively) on corporate objectives. This includes risk management processes which are tailored and appropriate for application at the strategic/corporate level, as well as at the tactical level (projects/new business and technology risk), and operational level (day-to-day management of routine activities).

Risk is any event or situation that has the potential for loss, or failure to meet business objectives. In the context of the Carbon Energy Risk Management Framework, it also includes assessment and management of opportunities which will enhance the achievement of business objectives.

2. Risk Management Policy

Carbon Energy understands that effective management of risk is critical to the achievement of its business objectives, and undertakes to manage risk in a manner that maximises opportunities, protects against harm and minimises loss events.

As a company reliant on its unique technological advantage, Carbon Energy will anticipate and consider risk in everything it does and in every decision made in order to create and protect value for shareholders. Carbon Energy is committed to embedding robust risk management processes across all levels and functions of the Company, built around the principles and practices described in the COSO Enterprise Risk Management Integrated Framework and AS/NZS ISO 31000.

Our objective is to:

- protect the health and safety of our people, contractors and members of the public affected by the activities of our business;
- minimise potential impacts of our activities on the environment;
- proactively identify and rigorously assess opportunities and threats to optimise opportunities and protect against downside risk;



- balance risk and return in line with risk appetite and risk capacity, to improve competitive advantage, gain opportunity from uncertainty and variability, and enhance value for our shareholders;
- increase understanding of uncertainty and variability, leading to fewer surprises and increased confidence in decision making and planning;
- manage volatility around business and financial results;
- enhance awareness, ownership and management of risk as an integral part of our employees' responsibilities;
- improve operational performance, governance, decision-making, planning and prioritisation of actions contributing to more efficient allocation of capital and resources;
- comply with all statutory and regulatory requirements relating to the Company's business activities;
- protect and enhance Company reputation, and stakeholder confidence and trust;
- safeguard Carbon Energy and partners' assets; and
- strengthen resilience to risk exposures to underpin business continuity.

To this end, Carbon Energy:

- defines risk appetite aligned with the Company's objectives, strategies and risk capacity;
- provides a common risk management framework and language, and a systematic, structured process to prioritise and manage risk across the organisation;
- clearly defines and assigns roles, responsibilities and authorities for risk management, embeds risk management as a core competency and responsibility of all personnel, led by Executive Management, and establishes associated risk management performance objectives;
- consistently anticipates, analyses and effectively treat risks in line with risk appetite, risk capacity, risk tolerances and changes in the business environment;
- recognises areas where there is a high degree of uncertainty, and implements appropriate responses such as risk sharing, transfer or avoidance, and robust emergency and business continuity planning;
- focuses on risk mitigation as well as anticipating and responding to potential opportunities
- improves captures and communicates risk and opportunity information, and confidence in decision-making around risks; and
- has implemented rigorous risk monitoring and reporting processes.

3. Risk Management Framework

A sound framework of risk management, monitoring and internal control is:

- fundamental to good corporate governance;
- a central component of the strategic, tactical and operational management across the Company;
- required to ensure compliance with ASX Revised Principle 7: Recognise and Manage Risk, which reflects the increasing expectations of stakeholders as to how listed companies should manage risk; the purpose of Principle 7 is to ensure that there is:



- appropriate disclosure and communication to stakeholders on matters of risk; and
- an enterprise-wide focus on effectively managing material business risks.

The Risk Management Framework is a structured and disciplined approach of identifying and responding to risks in a way that provides reasonable assurance of achievement of the Company's objectives, creating and preserving value for the Company and its shareholders. It is intended to align risk appetite, strategy, processes, technology and knowledge with the purpose of evaluating and managing the uncertainties that the Company faces as it creates value.

The Framework fosters a holistic, integrated, forward-looking, and process-oriented approach to managing all key business risks and opportunities.

4. Review, Monitoring and Reporting

A workshop involving Board representatives and Executive and Senior Management is conducted annually to review the Company's Risk Management Framework, incorporating the Corporate Risk [and Opportunity] Register, in order to satisfy the Board that the Risk Management Framework continues to be sound, to determine whether there have been any changes in the material business risks and opportunities and to ensure that the risks remain with the risk appetite set.

A review of progress, with implementation of actions identified in the Corporate Risk [and Opportunity] Register, is a standing item on the Management Team meeting agenda. A record of the status of all actions recorded in the Corporate Risk Register is kept. The Chief Financial Officer prepares a status report on the High and Extreme residual risk rating which is included in each Board report further providing a regular means for the Board to monitor changes to business risks and opportunities.