

SDI LIMITED

Risk Management Policy

1 Introduction

1.1 SDI views risk management as integral to its objective of creating and maintaining shareholder value and to the achievement of SDI's business objectives. As a consequence, SDI is committed to having an effective risk management framework to assess the key risks that may impact SDI's business.

1.2 The objectives of SDI's Risk Management Framework include:

- assisting SDI to achieve its business objectives, so SDI:
 - is properly informed of the key risks associated with its business, and
 - is not taking unacceptable risks
- raising the profile of risk within SDI's management, staff and processes and helping to embed a risk-aware culture within SDI
- assisting SDI's management and Board to ensure that SDI has a sound risk management framework, as expected by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Recommendation 7.2)
- supporting the declarations by SDI's Managing Director and COO/CFO that their opinions on SDI's financial statements are based on a "sound system of risk management and internal control which is operating effectively" (ASX Recommendation 4.2), and
- where appropriate, having controls, policies and procedures to manage certain specific business risks – e.g. an insurance program, regular financial budgeting and reporting, business plans, strategic plans etc.

2 Responsibilities for managing risk

2.1 Board

The Board of SDI is responsible for overseeing the implementation, monitoring and review of SDI's Risk Management Framework.

2.2 Audit Committee

In this context, the Board has delegated certain responsibilities to SDI's Audit Committee, including:

- monitoring and reviewing the effectiveness of SDI's Risk Management Framework
- bringing to the Board's attention details regarding SDI's key strategic, financial, operational and compliance risks, and
- keeping the Board up-to-date regarding the above.

In particular, the Audit Committee is responsible for reviewing SDI's Risk Management Framework at least annually to satisfy itself that it continues to be sound, as expected by ASX Recommendation 7.2.

2.3 Management

SDI's management has responsibility for:

- monitoring and reviewing the effectiveness of SDI's Risk Management Framework, and its underlying Risk Management Process
- operating SDI's Risk Management Process, which sets out SDI's methodology for identifying, analysing and evaluating SDI's key strategic, financial, operational and compliance risks, and
- reporting key risks to the Audit Committee including:
 - the likelihood of the risks arising and the potential consequences
 - whether the key risks are acceptable or not, and
 - where applicable, the associated Risk Treatment Plans to help mitigate those risks, which may include existing and/or proposed controls.

2.4 Employees

All employees must be vigilant and promptly report new risks or changes to risks to their managers.

2.5 External auditor

In addition to providing an independent opinion on SDI's financial statements, the external auditor also provides comments on new or existing risks that it may observe.

3 Resources

- 3.1 SDI will make the necessary resources available to assist those accountable and responsible for managing risk.

4 Approval, release & review

- 4.1 This Risk Management Policy has been approved by the Board of SDI.
- 4.2 The Board has also authorised the release of this Policy on SDI's website and the Policy being communicated within SDI.
- 4.3 The Board will periodically review this Policy to ensure that it remains effective, especially when there is a change in SDI's circumstances.

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