

# RISK MANAGEMENT FRAMEWORK

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## 1. GENERAL PRINCIPLES

Botanix Pharmaceuticals Limited (**Company**) views risk management is an integral part of good management practice and supports sound and effective corporate governance. This Risk Management Framework (**'Framework'**) is the overarching document to guide the Company's management and staff through its risk management processes. A core feature of the framework is simplicity and clarity at the strategic and operational levels.

The framework is intended to provide guidance in relation to effective risk management practice including policy considerations, structure, accountabilities, monitoring and reporting requirements across all of the Company's operations.

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## 2. DEFINITION OF RISK

The Company defines risk as 'the chance of something happening that will have an impact on its business objectives'. Risk is about uncertainty: it is about managing the 'upside' (opportunities) as well as 'downside' (negative events). Risk is generally measured in terms of likelihood and consequence.

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## 3. PURPOSE OF RISK MANAGEMENT

The purpose of risk management is to minimise risk and maximise opportunity to achieve or exceed business objectives. Risk management techniques will assist management in the setting of priorities, allocating resources and implementing actions and processes that effectively reduces risk and enhances ability to capture opportunities as part of good business management.

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## 4. SCOPE OF THIS FRAMEWORK

This Framework applies to the management of all types of risk, financial and non financial throughout the Company.

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## 5. RISK MANAGEMENT STRATEGY

Risk management strategy is integral to the achievement of the Company's overall strategy. The risk management strategy will align risk management actions with the business strategy to maximise organisational effectiveness.

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## **6. RISK MANAGEMENT CONTEXT AND ACCOUNTABILITIES**

The context within which we manage our risks and the key focus of accountability for this is as follows:

### **6.1 Strategic risk**

Strategy is focussed on the goals associated with the achievement of long-term sustainability and value objectives. Accountability for managing the Company's strategic risks rests with the Board and the Executive Directors.

### **6.2 Operational risk**

Operational risks are inherent in the ongoing activities within the Company including financial risks. Accountability for managing operational risks rests with the Board and the Executive Directors.

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## **7. ORGANISATIONAL ROLES AND RESPONSIBILITIES**

### **7.1 The Board**

The Board determines the Company's "risk appetite" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.

### **7.2 Senior Management**

Senior Management is responsible for ensuring effective risk management is being undertaken within the Company and on any projects including:

- (a) have a diverse and appropriate range of skills, experience and expertise;
- (b) identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;
- (c) analyse identified risks based on the following:
  - (i) probability of the risk occurring;
  - (ii) impact of the risk if it did occur;
  - (iii) ascertaining what level of controls and maintenance are currently being employed;
  - (iv) formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls; and

- (v) monitoring the performance of, and improving the effectiveness of, risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.
  - (d) To this end, Management should ensure comprehensive practises are in place that are directed towards achieving the following objectives:
    - (i) compliance with applicable laws and regulations:
    - (ii) preparation of reliable published financial information; and
    - (iii) implementation of risk transfer strategies where appropriate e.g. insurance
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## **8. REPORTING**

The Company will disclose if it has any material exposure to economic, environmental and/or social sustainability risks (as those terms are defined in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations) and, if it does, how it manages, or intends to manage, those risks.

The Company must disclose at least annually whether the Board (or a committee of the Board) has completed a review of the Company's Risk Management Framework to satisfy itself that it continues to be sound and applicable to the Company's activities