RISK MANAGEMENT POLICY

1.1 Introduction and Purpose

Zip Co Limited (**Company**) considers risk management fundamental to maintaining efficient and effective operations and generating and protecting Shareholder value. A sound framework of risk oversight, risk management and internal control is fundamental to supporting a high standard of governance. This enables management to undertake prudent risk-taking activities. It underpins reliable financial reporting, compliance with relevant laws and regulations, and effective and efficient operations.

Managing material business risks is the responsibility of everyone in the Company, however specific accountability is reflected in the Company's structure and organisational chart and these accountabilities are clearly defined in this document.

1.2 Policy Objectives and Outcomes

The Board of Directors of the Company (**Board**) determines the Company's tolerance for risk and is committed to a risk management system that facilitates a culture of innovation. The Company's risk management system is designed to assist the Company to achieve its strategic and operational objectives. It aligns with the vision, strategy, processes, technology and governance of the Company and provides for:

(a) appropriate levels of risk taking;

(b) an effective system for the management of risk across the Company;

(c) protection against incidents causing personal injury and property damage;

(d) development of risk management and control plans to reduce or minimise unforeseen or unexpected costs;

(e) an ability to identify, prioritise and respond to risk in a manner that maximises opportunities;

(f) reliable financial reporting and compliance with laws, regulations and standards; sound insurance management practice;

(g) protection of assets from planned and unplanned events.

Understanding and managing risk provides greater certainty and confidence for shareholders, employees, customers and suppliers, and for the community in which we operate.

Risk management assists to maximise the value from our business and to assist in encouraging enterprise and innovation.

Risk management is a critical business activity. Risk understanding and our tolerance for risk are key considerations in the decision making process.

The risk management function is supported by both the Audit and Risk committees of the Board (**Audit Committee and Risk Committee**).

1.3 Risk Management Framework

The risk management framework is the set of processes and activities that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the Company in its the day to day practices.

The risk framework is designed to enable the Company to understand and communicate its risk profile, ensure that risks remain at acceptable levels, assess how risks are likely to evolve as a result of new activities or changes in the operating environment, and assist in the quick recovery from a risk event.

1.3.1 Risk Accountability

Given its responsibility for representing the interests of shareholders, the Board is responsible for approving and reviewing the Company's risk management strategy and policy and determining the Company's tolerance for risk.

Management are responsible for ensuring that systems, processes and controls are in place to minimise identified risk to an acceptable level.

All employees must report new risks or changes to existing risks to their managers or supervisors as soon as they become aware of the risk.

The risk accountability standards are:

(a) Risk management processes are applied throughout all aspects of the Company's business.

(b) Managers demonstrate a commitment to risk management by ensuring risk management is part of the

Company's business activities, functions and processes.

(c) Risk management roles and responsibilities are documented, understood and applied.

(d) Systems are in place to ensure that risk reporting criteria are established and implemented.

(e) Risks are considered in decision-making throughout the business.

(f) Systems are in place to ensure reporting of risks to the appropriate level of management.

For specific material business risks, accountability is assigned to appropriate individuals who will report on the status and management of these risks.

These accountabilities are as follows:

(a) Audit Committee – responsible for the oversight of all financial risks including compliance with financial reporting standards and relevant legislation. The Committee is also responsible for reporting to the Board on these accountabilities.

(b) Risk Committee - responsible for the oversight of material business risks and the implementation of a sound system of risk management. The Committee is also responsible for reporting to the Board on these accountabilities.

(c) Chief Executive Officer – responsible for all business risks in conjunction with his direct reports and for reporting to the Board.

(d) General Manager (Operations) – responsible for operations and human resources risks.

(e) Director Business Development – marketing and customer relationships risks.

(f) CFO – responsible for the risk management process, financial, technology and compliance risks. The CFO is also responsible for reporting financial risks to the Audit Committee.

1.3.2 Risk Assessment

The aim of this process is to identify, analyse and evaluate risks and develop a risk register with a list of material business risks based on those events that might enhance, prevent, degrade or delay the achievement of the corporate objectives. It is equally important to identify the risks associated with not pursuing an opportunity.

Material business risks should be identified at the most senior level within the Company and be documented

in the context of the Company's strategy and objectives.

Both the sources of risks and their potential consequences should be identified. Material business risks should be validated with the Board to ensure their perspective on business vulnerabilities is taken into account.

The risk assessment standards are:

(a) Systems are in place to ensure that all risk issues with the potential to impact the achievement of the corporate objectives are identified, analysed and evaluated.

(b) Risks are recorded and maintained in the Company's risk register.

(c) Risk registers include sufficient detail to describe the basis of risk ratings.

(d) Risks are reviewed and updated as necessary or at least annually.

1.3.3 Risk Control

The risk control standards are:

(a) Controls address the key causes and impacts of the risk.

(b) Controls are designed and implemented consistent with the achievement of the corporate objectives and performance targets.

(c) Managers review control design and control effectiveness at least annually to ensure that those controls continue to be applicable, relevant and effective in achieving the corporate objectives.

The main techniques for controlling the risks are:

(a) Transfer of the risk, through the use of contracts such as insurance.

(b) Reduce the risk, by adopting alternative approaches to achieving the same objective.

(c) Accept the risk, and develop contingency plans to minimise the impact should the risk eventuate. For the risks accepted to be managed, it is necessary to identify an individual responsible for establishing a monitoring process that captures the likelihood of the risk occurring and the treatment strategies to be applied should the risk eventuate. Consideration should be given to continuous disclosure requirements under the ASX Listing Rules.

1.3.4 Risk Management and Monitoring

Formalising and implementing risk management within the Company is not a one-off event. The effective management of risk is a process of continuous improvement, requiring regular review and evaluation mechanisms. Ongoing reporting and discussion of the management of material business risks at the board level is a crucial step in the process. Management must report new risks or changes to existing risks to the Chief Executive Officer as soon as practicable after becoming aware of the risk.

The intended outcomes of the risk management program include:

(a) the establishment of a robust risk management framework and internal control system that

enhances the Company's ability to meet its strategic objectives;

(b) improved operating performance and reliable internal and external reporting;

(c) increased awareness and management of risk; and

(d) compliance with policies and procedures and applicable laws and regulations.

1.4 Review of Policy

The Board will periodically review this Policy. External reviews may be undertaken of this Policy at the request of the Board.

This Policy may be amended by resolution of the Board. Date of last review: 1 July 2020