

11 July 2017

### **Corporate Governance Statement**

In accordance with ASX Listing Rule 1.1 *Condition 16*, Pyrolyx AG (**Pyrolyx** or **Company**), in seeking to be admitted to the Official List of ASX, provides this Corporate Governance summary which discloses the extent to which Pyrolyx will follow the recommendations set by the ASX Corporate Governance Council in its publication "Corporate Governance Principles and Recommendations (the Third Edition)", *ASX Corporate Governance Council*, as revised on 27 March 2014 (**Recommendations**). The Recommendations are not mandatory, however the Recommendations that will not be followed by Pyrolyx have been identified and reasons have been provided for not following them.

Pyrolyx is a German stock corporation with its headquarters in Germany. In accordance with German law, Pyrolyx has both a Supervisory Board and a Management Board. These Boards are separate; an individual may not be a member of both. The Supervisory Board appoints the members of the Management Board and supervises the activities of the Management Board. The Management Board represents Pyrolyx and is responsible for its affairs.

Accordingly, as set out in this Corporate Governance summary, Pyrolyx follows the Recommendations to the extent possible for Pyrolyx, given Pyrolyx is also subject to, and must comply with, German law and corporate governance requirements, including, with respect to the separate operations of the Supervisory Board and the Management Board.

Pyrolyx's corporate governance policies and charters have been posted on Pyrolyx's website at [www.pyrolyx.com](http://www.pyrolyx.com).

**Principle / Recommendations****How Pyrolyx Complies****Principle 1: Lay solid foundations for management and oversight**

*A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated*

**Recommendation 1.1**

A listed entity should disclose:

- (a) the respective roles and responsibilities of its board and management; and
- (b) those matters expressly reserved to the board and those delegated to management.

In accordance with the Supervisory Board Charter, the Supervisory Board has reserved to itself the following specific responsibilities:

- appointing the Chairperson and any deputy Chairperson;
- appointing, and if necessary replacing, the chief executive officer and other members of the Management Board;
- overseeing the Management Board's implementation of the Company's strategic objectives and its performance generally;
- overseeing the integrity of the Company's accounting and corporate reporting systems, including the external audit;
- overseeing the Company's general process for making timely and balanced disclosure to the ASX or the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) of all material information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities;
- overseeing that the Company has in place an appropriate risk management framework;
- overseeing the Company's compliance with its disclosure obligations and the Disclosure and Communication Policy, and considering whether any revisions to the Disclosure and Communication Policy are required;
- overseeing the Company's compliance with the Trading Policy and considering whether any revisions to the Trading Policy are required; and
- overseeing the effectiveness of the Company's governance practices.

The Management Board has the overall responsibility for the management of Pyrolyx, as provided by the German Stock Corporation Act, and represents the Company vis-à-vis third parties. The Management Board focuses in particular on day-to-day business,

Principle / Recommendations	How Pyrolyx Complies
	<p>strategic management, finance, resource allocation, risk management and control, and acts in accordance with the "Rules of Procedure" that are enacted by the Supervisory Board.</p> <p>The Chief Executive Officer of the Company, Mr Niels Raeder, is a member of the Management Board.</p> <p>The Supervisory Board Charter is available on the Pyrolyx website: <a href="http://www.pyrolyx.com">www.pyrolyx.com</a></p>
<p><b>Recommendation 1.2:</b></p> <p>A listed entity should:</p> <p>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</p> <p>(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.</p>	<p>One of the responsibilities of the Nomination and Remuneration Committee is to identify and make recommendations to the Supervisory Board for the appointment of new Supervisory Board candidates, having regard to their skills, experience and expertise.</p> <p>In doing so, the Supervisory Board intends for appropriate checks to be undertaken in relation to that potential Supervisory Board candidate. Any material information concerning that Supervisory Board candidate will subsequently be disclosed to Pyrolyx securityholders as part of the election or re-election process of that Supervisory Board candidate.</p> <p>The Nomination and Remuneration Committee Charter is available on Pyrolyx's website: <a href="http://www.pyrolyx.com.au">www.pyrolyx.com.au</a>.</p>
<p><b>Recommendation 1.3</b></p> <p>A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p>	<p>In accordance with German law requirements and the Pyrolyx Articles of Association:</p> <ul style="list-style-type: none"> <li>• each Member of the Supervisory Board agreed to be nominated and was elected at a general meeting of the Company, in accordance with the terms and conditions as set out in the Pyrolyx Articles of Association; and</li> <li>• the Members of the Management Board, and other senior executives of Pyrolyx have entered into service contracts, setting out the terms and conditions of their employment.</li> </ul>
<p><b>Recommendation 1.4:</b></p> <p>The company secretary should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.</p>	<p>Not applicable.</p> <p>There is no such concept of "Company Secretary" under German law. Accordingly, Pyrolyx does not currently have a company secretary.</p> <p>Should Pyrolyx determine to appoint a company secretary in the future, then Pyrolyx will make appropriate disclosure in this regard.</p>

## Principle / Recommendations

## How Pyrolyx Complies

### Recommendation 1.5

A listed entity should:

- (a) have a diversity policy which includes requirements for the board or a relevant committee of the board for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;
- (b) disclose that policy or a summary of it; and
- (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:
  - (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or
  - (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under the Act.

Pyrolyx has adopted a Diversity Policy, which is available on the Pyrolyx website: [www.pyrolyx.com](http://www.pyrolyx.com).

The Diversity Policy is underpinned and supported by a suite of policies and practices that are applicable to all who work at Pyrolyx and which promote an environment that attracts and retains well qualified employees, senior management and Board candidates regardless of gender.

In accordance with the Diversity Policy, the Management Board will:

- (a) review and approve measurable objectives for achieving diversity, including gender diversity across, and at various levels of, the Pyrolyx organisation;
- (b) annually assess these objectives and the progress in achieving them; and
- (c) review and monitor the effectiveness of Pyrolyx's Diversity Policy.

Principle / Recommendations	How Pyrolyx Complies
<p><b>Recommendation 1.6</b></p> <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>In accordance with the Supervisory Board Charter, the Supervisor Board will periodically review and evaluate:</p> <p>(a) its own performance, including against the requirements of the Supervisory Board Charter;</p> <p>(b) the performance of its committees (that is, the Audit and Risk Committee, and the Nomination and Remuneration Committee);</p> <p>(c) the performance of individual members of the Supervisory Board; and</p> <p>(d) the performance of the Management Board.</p> <p>In addition, each of the Audit and Risk Committee Charter and Nomination and Remuneration Committee Charter sets out when such reviews are to take place with respect to each Committee. Specifically:</p> <p>(a) the Audit and Risk Committee will review its performance from time to time;</p> <p>(b) the Nomination and Remuneration Committee will review its performance at least annually, or earlier if circumstances dictate; and</p> <p>(c) both Committees will review their performance whenever there are major changes to the Pyrolyx Management Board.</p>
<p><b>Recommendation 1.7</b></p> <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>The performance of the Members of the Management Board, including the Chief Executive Officer, is considered by the Supervisory Board.</p> <p>The Management Board undertakes assessments of other senior executives of Pyrolyx. In assessing the performance of the individual executives, the review includes consideration of the senior executive's function, individual targets, group targets, and the overall performance of the Company.</p>

## Principle 2: Structure the board to add value

*A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively*

### Recommendation 2.1

The board of a listed entity should:

(a) have a nomination committee which:

(1) has at least three members, a majority of whom are independent directors; and

(2) is chaired by an independent director;

and disclose

(3) the charter of the committee;

(4) the members of the committee; and

(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The Supervisory Board has established a Nomination and Remuneration Committee, which has authority and power to exercise the roles and responsibilities granted to it under the Nomination and Remuneration Committee Charter, and any other resolutions of the Supervisory Board from time to time.

The Committee is currently comprised of all of the Members of the Supervisory Board, each of which are considered non-executive Directors, for the purposes of the Recommendations.

The Chairperson of the Committee is Michael Triguboff.

In accordance with the Nomination and Remuneration Committee Charter, the Committee will meet as frequently as required to perform its functions. In addition, The chairperson of the Committee must call a meeting of the Committee if requested by any member of the Committee, or the chairperson of the Supervisory Board.

The Nomination and Remuneration Committee Charter is available on the Pyrolyx website: [www.pyrolyx.com.au](http://www.pyrolyx.com.au).

### Recommendation 2.2

A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

The Supervisory Board does not currently have a board skills matrix. However, in accordance with the Supervisory Board Charter, if the Supervisory Board believes it to be appropriate, it may adopt a Supervisory Board skills matrix.

In any case, the Supervisory Board is currently made up of Members with a broad range of skills, expertise and experience and from a diverse range of background, which is appropriate to achieve the Company's objective.

### Recommendation 2.3

A listed entity should disclose:

(a) the names of the directors considered by the board to be independent directors;

(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise

Not applicable to Pyrolyx.

However, each Member of the Supervisory Board is considered a non-executive director for the purposes of the Recommendations.

In addition, the Supervisory Board is currently made up of Members with a broad range of skills, expertise and experience and from a diverse range of background, which is

<p>the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	<p>appropriate to achieve the Company's objective.</p> <p>In any future determination by the Supervisory Board of the independence of any particular Member of the Supervisory Board, the Supervisory Board will have regard to the guidelines provided by Principle 2 of the Recommendations, and in particular, <i>Box 2.3: Factors relevant to assessing the independence of a director.</i></p>
<p><b>Recommendation 2.4:</b></p> <p>A majority of the board of a listed entity should be independent directors.</p>	<p>Not applicable to Pyrolyx.</p> <p>However, please see response to Recommendation 2.3 above.</p>
<p><b>Recommendation 2.5:</b></p> <p>The chair should be an independent director and, in particular, should not be the CEO.</p>	<p>Not applicable to Pyrolyx.</p> <p>In addition, the Supervisory Board and the Management Board are separate; an individual may not be a member of both. Accordingly, the Chair of the Supervisory Board cannot also be the Chief Executive Officer of the Company; the Chief Executive Officer of the Company is a member of the Management Board.</p>
<p><b>Recommendation 2.6</b></p> <p>A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.</p>	<p>All Members of the Supervisory Board are well informed as to the Company's values and each member possesses the appropriate knowledge and skills appropriate to their role.</p> <p>Should the Supervisory Board determine it to be appropriate, then relevant training (including, any induction program for future Members of the Supervisory Board) and professional education programs will be made available to the Members in order to enhance skills and knowledge, and in addition, presentations will be given on relevant developments impacting the Company.</p>
<p><b>Principle 3: Act ethically and responsibly</b></p> <p><i>A listed entity should act ethically and responsibly</i></p>	
<p><b>Recommendation 3.1</b></p> <p>A listed entity should:</p> <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p>	<p>The Management Board has adopted a Code of Conduct, which has also been approved by the Supervisory Board, which sets out the values, commitments, ethical standards and policies of Pyrolyx and outlines the standards of conduct expected of Pyrolyx's business and people, taking into account Pyrolyx's legal and other obligations to its stakeholders</p> <p>The Code of Conduct applies to all Members of the Management Board, Members of the Supervisory Board, as well as all other officers, employees, contractors, and all other persons that act on behalf of Pyrolyx, and associates of Pyrolyx.</p> <p>The Code of Conduct is available on Pyrolyx's website: <a href="http://www.pyrolyx.com.au">www.pyrolyx.com.au</a>.</p>

#### **Principle 4: Safeguard integrity in corporate reporting**

*A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.*

##### **Recommendation 4.1**

The board of a listed entity should:

(a) have an audit committee which:

(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and

(2) is chaired by an independent director, who is not the chair of the board, and disclose:

(3) the charter of the committee;

(4) the relevant qualifications and experience of the members of the committee; and

(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The Supervisory Board has established an Audit and Risk Committee to assist the Supervisory Board in carrying out its accounting, auditing and financial reporting responsibilities.

The Committee is currently comprised of all of the Members of the Supervisory Board, each of which are considered non-executive Directors, for the purposes of the Recommendations.

The chair of the Audit and Risk Committee is Robert Machinist (Robert Machinist is not also the chair of the Supervisory Board)

The qualifications and experience of the members of the Audit and Risk Committee (being, all of the Members of the Supervisory Board) are set out in Section 9 of the Prospectus.

The Audit and Risk Committee has a formal charter which sets out the Committee's responsibilities and functions. The key roles and of the Committee are also summarised in Sector 9 of the Prospectus. A copy of the Audit and Risk Committee Charter is available on the Pyrolyx website: [www.pyrolyx.com](http://www.pyrolyx.com).

The Audit and Risk Committee will meet as frequently as required to undertake its role effectively. In addition, the chair of the Committee must call a meeting of the Committee if requested by and member of the Committee, the external auditor, or the chairperson of the Supervisory Board.

##### **Recommendation 4.2:**

The board of a listed entity should, before it approves the entity's financial statements, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity (as required by section 295A of the Corporations Act) and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Not applicable.

Pyrolyx is a German stock corporation, that is registered with the Australian Securities and Investments Commission as a foreign company. Accordingly, Pyrolyx is not subject to certain aspects of Australian company law, including, without limitation, the financial reporting requirements as set out in Chapter 2M of the Corporations Act 2001 (Cth).

However, as part of the financial audit process and auditor's review opinion, the Chief Executive Officer and Chief Financial Officer of Pyrolyx must declare, that in their opinion, the financial records of Pyrolyx have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true



	and fair view of the financial position and performance of Pyrolyx. The Pyrolyx audited financial statements are then presented to the Supervisory Board for its approval.
<p><b>Recommendation 4.3:</b></p> <p>A listed entity that has an AGM should ensure that its external auditor attends and is available to answer questions from security holders relevant to the audit.</p>	<p>In accordance with the Pyrolyx Disclosure and Communication Policy, there is a requirement that the external auditor attend the annual general meeting of Pyrolyx. The Pyrolyx general meetings will be conducted in accordance with applicable law, in particular, in accordance with the Pyrolyx Articles of Association and the German Stock Corporation Act.</p> <p>The Disclosure and Communication Policy is available on the Pyrolyx website: <a href="http://www.pyrolyx.com">www.pyrolyx.com</a>.</p>
<p><b>Principle 5: Make timely and balanced disclosure</b></p> <p><i>A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities</i></p>	
<p><b>Recommendation 5.1:</b></p> <p>A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>The Management Board has adopted a Disclosure and Communication Policy, which has also been approved by the Supervisory Board, which sets out Pyrolyx's commitment to the objective of promoting investor confidence and the rights of security holders by:</p> <p>(a) complying with the continuous disclosure obligations imposed by applicable law;</p> <p>(b) ensuring that company announcements are presented in a factual, clear and balanced way;</p> <p>(c) ensuring that within the limits of applicable law, all security holders have equal and timely access to material information concerning Pyrolyx; and</p> <p>(d) communicating openly and honestly with securityholders and making it easy for the shareholders to participate in general meetings.</p> <p>The Disclosure and Communication Policy is available on the Pyrolyx website: <a href="http://www.pyrolyx.com">www.pyrolyx.com</a>.</p>
<p><b>Principle 6: Respect the rights of security holders</b></p> <p><i>A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.</i></p>	
<p><b>Recommendation 6.1:</b></p> <p>A listed entity should provide information about itself and its governance to</p>	<p>The Management Board has adopted a Disclosure and Communication Policy, which has also been approved by the Supervisory Board.</p>

<p>investors via its website.</p>	<p>The Company intends to provide all relevant information about itself and the governance of the Company at <a href="http://www.pyrolyx.com">www.pyrolyx.com</a>, as required by the Recommendations, the Listing Rules, and other applicable law to Pyrolyx.</p> <p>Please also refer to Section 9 of the Prospectus for summaries of the various governance policies applicable to Pyrolyx.</p>
<p><b>Recommendation 6.2:</b></p> <p>A listed entity should design and implement an investor relation program to facilitate effective two-way communication with investors.</p>	<p>The Management Board has adopted a Disclosure and Communication Policy, which has also been approved by the Supervisory Board, which supports Pyrolyx's commitment to effective communication with its security holders. In addition, Pyrolyx intends to communicate with its security holders:</p> <ul style="list-style-type: none"> <li>(a) by making timely market announcements;</li> <li>(b) by posting relevant information on to its website;</li> <li>(c) by inviting shareholders to make direct inquiries to Pyrolyx; and</li> <li>(d) through the use of general meetings (in accordance with applicable law, and the Pyrolyx Articles of Association).</li> </ul> <p>The Disclosure and Communication Policy is available on the Pyrolyx website: <a href="http://www.pyrolyx.com">www.pyrolyx.com</a>.</p>
<p><b>Recommendation 6.3:</b></p> <p>A listed entity should have and disclose the policies and procedures it has in place to facilitate and encourage participation at meetings of security holders.</p>	<p>The Pyrolyx Articles of Association and Disclosure and Communication Policy are available on the Pyrolyx website: <a href="http://www.pyrolyx.com">www.pyrolyx.com</a>.</p>
<p><b>Recommendation 6.4:</b></p> <p>A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</p>	<p>In accordance with the Disclosure and Communication Policy, security holders may, within the limits of applicable law, elect to receive information electronically as it is posted on the Pyrolyx website. Within the limits of applicable law, Pyrolyx will communicate by post with security holders who have not elected to receive information electronically.</p>
<p><b>Principle 7: Recognise the manage risk</b></p> <p><i>A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.</i></p>	
<p><b>Recommendation 7.1:</b></p> <p>The board of a listed entity should:</p>	<p>The Supervisory Board has established the Audit and Risk Committee to assist the Supervisory Board in overseeing and reviewing the effectiveness of the Company's risk management framework.</p>

<p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>The Audit and Risk Committee is currently comprised of all of the Members of the Supervisory Board, each of which are considered non-executive Directors, for the purposes of the Recommendations. In addition, the chair of the Audit and Risk Committee is Robert Machinist (who is not also the chair of the Supervisory Board of the Company).</p> <p>The Board has adopted a formal charter setting out the main responsibilities and functions of the Audit and Risk Committee. A copy of the Audit and Risk Committee Charter is available on the Pyrolyx website: <a href="http://www.pyrolyx.com">www.pyrolyx.com</a>.</p> <p>The Audit and Risk Committee's specific responsibilities relating to risk management include:</p> <ul style="list-style-type: none"> <li>• preparing a risk profile which describes the key risks facing the Company including financial and non-financial matters;</li> <li>• regularly reviewing and updating the key risk profile facing the Company;</li> <li>• overseeing and reviewing the effectiveness of the risk management framework at least annually;</li> <li>• assessing and overseeing internal controls for determining and managing key risks, and any new and emerging risks, and receiving and reviewing related risk reports; and</li> <li>• assessing existing controls that the Management Board has in place for unusual transactions or transactions with more than accepted levels of risk.</li> </ul> <p>The Audit and Risk Committee will meet as frequently as required to undertake its role effectively. In addition, the chair of the Committee must call a meeting of the Committee if requested by and member of the Committee, the external auditor, or the chairperson of the Supervisory Board.</p>
<p><b>Recommendation 7.2</b></p> <p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>The Audit and Risk Committee will oversee and review the effectiveness of the Company's risk management framework at least annually. Additionally, the Supervisory Board must review the Audit and Risk Committee Charter annually to ensure it remains relevant to the current needs of Pyrolyx.</p>

<p><b>Recommendation 7.3:</b></p> <p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, the listed entity should disclose the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>Pyrolyx does not at this time, have an internal audit function. However, as set out in the Audit and Risk Committee Charter, the Committee has responsibility to ensure that Pyrolyx has appropriate internal audit systems and controls in place, and for overseeing the effectiveness of these internal controls. The Committee is also responsible for conducting, after having consulted with the Management Board, investigations of breaches or potential breaches of these internal controls.</p> <p>In addition, the Audit and Risk Committee is responsible for preparing a risk profile which describes the material risks facing Pyrolyx, regularly reviewing and updating this risk profile and assessing and ensuring that there are internal controls in place for determining and managing key risks. The Committee continues to assess and develop the Company's risk appetite as part of the Company's strategy going forward.</p>
<p><b>Recommendation 7.4:</b></p> <p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>Pyrolyx is exposed to certain economic and environmental risks. Refer to Section 5 of the Prospectus for more information in respect of those risks, and risks associated with holding securities generally in Pyrolyx.</p> <p>In this regard, the Audit and Risk Committee assists the Supervisory Board by overseeing that the Company has an effective risk management system and reviewing the risk management system to ensure that it continues to be sound, to determine whether there have been any changes in the key risks the Company faces and to ensure that such risks remain within the risk appetite considered appropriate by the Company.</p>
<p><b>Principle 8: Remunerate fairly and responsibly</b></p> <p><i>A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives to align their interests with the creation of value for security holders.</i></p>	
<p><b>Recommendation 8.1:</b></p> <p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p>	<p>The Supervisory Board has established a Nomination and Remuneration Committee. The Committee is responsible for developing, reviewing and making recommendations to the Supervisory Board on:</p> <p>(a) the Company's remuneration framework for members;</p> <p>(b) the remuneration packages to be awarded to members of the Management Board;</p> <p>(c) incentive compensation, including, equity based remuneration plans for members of the Management Board; and</p> <p>(d) superannuation arrangements for members of the Management Board.</p> <p>The Nomination and Remuneration Committee is currently comprised of all of the Members of the Supervisory Board, each of which are considered non-executive</p>

<p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>Directors, for the purposes of the Recommendations.</p> <p>The Chairperson of the Nomination and Remuneration Committee is Michael Triguboff.</p> <p>In accordance with the Committee Charter, the Nomination and Remuneration Committee will meet as frequently as required to undertake its role effectively. In addition, the chairperson of the Committee must call a meeting of the Committee if requested by any member of the Committee, or the chairperson of the Supervisory Board.</p> <p>The Nomination and Remuneration Committee Charter is available on the Pyrolyx website: <a href="http://www.pyrolyx.com">www.pyrolyx.com</a>.</p>
<p><b>Recommendation 8.2:</b></p> <p>A listed entity should disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>Section 9.2 of the Prospectus sets out the fees payable to the executives and other senior management of Pyrolyx (please refer to, respectively, Section 9.23 and 9.24 of the Prospectus).</p> <p>In addition, section 9.2.2 of the Prospectus sets out the remuneration payable to the Members of the Supervisory Board in accordance with the Articles of Association of Pyrolyx. A summary of the Articles of Association of Pyrolyx is also contained in Section 11.2 of the Prospectus.</p>
<p><b>Recommendation 8.3:</b></p> <p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>Under Pyrolyx's Trading Policy, certain designated persons are prohibited from entering into transactions or arrangements with anyone which could have the effect of limiting their exposure to risk relating to an element of their remuneration that:</p> <p>(a) has not vested; or</p> <p>(b) has vested but remains subject to a holding lock.</p> <p>In addition, in accordance with Pyrolyx's Trading Policy, certain designated persons are prohibited from entering into margin lending arrangements relating to Pyrolyx's securities, prohibiting short term or speculative trading in Pyrolyx's securities or in financial products associated with Pyrolyx's securities and prohibiting dealing in financial products associated with Pyrolyx's securities.</p> <p>The Pyrolyx Trading Policy is available on the Pyrolyx website: <a href="http://www.pyrolyx.com.au">www.pyrolyx.com.au</a>.</p>