

## **VELOCYS PLC**

*(Registered (England) 5712187)*

### **Terms of Reference for the Risk & Sustainability Committee**

*(adopted by Board resolution on 22 September 2021)*

Reference to the "**Committee**" shall mean the Risk & Sustainability Committee. Reference to the "Board" shall mean the Board of Directors.

#### **1. Membership**

- 1.1 The committee shall comprise at least three members, all of whom shall be independent non-executive directors. The committee shall include the Chair of the audit committee and the Chair of the remuneration committee. Members shall have appropriate knowledge, skills and expertise to fully understand risk appetite and strategy.
- 1.2 Members of the committee shall be appointed by the board, on the recommendation of the nomination committee in consultation with the chairman of the risk and sustainability committee. Appointments to the committee shall be for a period of up to three years which may be extended for up to two additional three-year periods, provided the director still meets the criteria for membership of the committee.
- 1.3 Only members of the committee have the right to attend committee meetings. However, the Chief Executive Officer, the Chief Financial Officer and the Head of Communications & Sustainability shall be expected to attend meetings of the committee on a regular basis and other individuals may be invited to attend all or part of any meeting as and when appropriate.
- 1.4 The board shall appoint the committee chair. In the absence of the committee chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

#### **2. Secretary**

The company secretary, or their nominee, shall act as the secretary of the committee and will ensure that the committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

#### **3. Quorum**

The quorum necessary for the transaction of business shall be two members.

#### **4. Frequency of meetings**

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The committee shall meet at least four times a year at appropriate times and otherwise as required.

## **5. Notice of meetings**

- 5.1 Meetings of the committee shall be convened by the secretary of the committee at the request of the committee chair or any of its members (or at the request of the CRO (or other head of risk) if they consider it necessary.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date of the meeting together with an agenda of items to be discussed, shall be forwarded to each member of the committee and any other person required to attend no later than five working days before the date of the meeting. Supporting papers shall be sent to committee members and to other attendees as appropriate, at the same time.

## **6. Minutes of meetings**

- 6.1 The secretary shall minute the proceedings and decisions of all meetings of the committee, including recording the names of those present and in attendance.
- 6.2 Draft minutes of committee meetings shall be circulated to all members of the committee. Once approved, minutes should be circulated to all members of the board unless, exceptionally, it would be inappropriate to do so.

## **7. Engagement with shareholders**

The committee chair should attend the annual general meeting to answer any shareholder questions on the committee's activities. In addition, the committee chair should seek engagement with shareholders on significant matters related to the committee's areas of responsibility.

## **8. Duties**

The committee members are reminded of the over-arching duties that they have as directors of the company under the Companies Act 2006. In addition, the committee shall have oversight of the group as a whole and carry out the duties below for the parent company, major subsidiary undertakings and the group as a whole, as appropriate.

### **8.1 Risk appetite, tolerance and strategy**

The committee shall:

- 8.1.1 Advise the board on the company's overall risk appetite, tolerance and strategy, and on the principal and emerging risks the company is willing to take in order to achieve its long-term strategic objectives.
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8.1.2 Seek assurance on the risks the company identifies as those to which the business may be exposed. The risks will be specific to the company's circumstances as identified from time to time and include but not be limited to the following:

- Financial \*\*
  - Solvency
  - Liquidity
  - Access to Capital
  - Reference project funding risk
  - Financial reporting risks
  - Transactional risk, including financial systems and FX
  - Counterparty risk
  - Business continuity plans, related to financial operations / systems
  - Insurance risk
  - Fraud
  - Tax
  - Bribery & Corruption
- Health & Safety
  - Risks to health of staff arising from work environment and activity
  - Accident, injury and lost time risk
  - Pandemic risk
  - Terrorism
  - Major accident
- Geo and local political and economic risk
  - Policy risk including risk to financial subsidies on which the Company is dependent
  - Global policy trend and economic conditions
- Growth
  - Business development, targeted territories / clients / use of resources
- Strategy
  - Takeover defense strategy
- Technology
  - FT and reactor technology
  - Performance and Integration risk
  - Counterparty / subcontractor risk
  - Research and development
  - Threats to the business model or future performance
- Operational risk
  - Reference Projects execution risk
  - IT operations, including cyber risk
  - Manufacturing and supply chains
- Business Continuity
- Environmental and climate change
  - Business compliance with environmental regulation
  - Effects of climate change on projects using our technology
  - Own operations and those of suppliers / subcontractors are in scope

- Legal & Statutory
  - Intellectual Property risk
  - Alternative technologies risk
  - Material litigation
  - Regulatory and legal risks
  - Regulatory stress testing
- Social
  - Supply chain exposure to modern day slavery
- Human Resources
  - Key Person Risk
  - Risk of inability to recruit
  - Reputation risk arising from employment practices including diversity and pay gaps
  - Ethical codes
  - Reputational risk
  - Conduct risk

**\*\*Note:** The Audit Committee is responsible for the Financial risks set out above.

8.1.3 Advise the board on the likelihood and the impact of principal risks materialising, and the management and mitigation of principal risks to reduce the likelihood of their incidence or their impact.

8.1.4 Advise the board on the risk aspects of proposed changes to strategy and strategic transactions including acquisitions or disposals, ensuring that a due diligence appraisal of the proposition is undertaken, focussing in particular on implications for the risk appetite, tolerance and strategy of the company, and taking independent external advice where appropriate and available.

## **8.2 Sustainability strategy, policy and performance**

The committee shall:

8.2.1 Oversee Velocys' sustainability strategy, consider and approve proposals from management on the content of that strategy and recommend its adoption by the Board.

8.2.2 Consider Velocys' position on relevant and emerging sustainability issues, including sustainable development issues as they relate to suppliers and supply chains, including modern slavery; and security (being the security of the group's people and assets, including business resilience, but excluding cyber security).

8.2.3 Oversee Velocys' plans on environment (including water management; air emissions, including dust; land stewardship and biodiversity; waste management; and closure and legacy management) and climate action, including the setting, disclosing and achievement of milestones and targets for the achievement of decarbonisation objectives.

8.2.4 Assess the group's exposure to managing risks from climate change and review actions to mitigate these risks in line with its assessment of other risks.

- 8.2.5 Review and monitor the group's decarbonisation and asset integrity activities, including reviewing the adequacy of the associated framework.
- 8.2.6 Oversee and assess Velocys' overall contribution to, impact on, and role in communities and social performance, (including human rights monitoring and issue management; community relations; cultural heritage management; economic and social development, including employment, training and development; and local supply chain development) in the countries where Velocys operates.

### **8.3 Narrative reporting**

The committee shall carry out the following duties to assist the board in fulfilling its reporting responsibilities in the annual report. It will work in conjunction with the Audit Committee so that both business and sustainability risks as well as Financial Risks are taken into account.

- 8.3.1 Monitor and review the effectiveness of the company's risk management and internal control systems.
- 8.3.2 Review the company's procedures to manage or mitigate principal risks and to identify emerging risks, to assist in the board's assessment of principal and emerging risks.
- 8.3.3 Review and assess the company's risk appetite and associated stress testing.
- 8.3.4 Evaluate the company's principal risks, to be taken into account by the board when assessing the company's prospects, and liaise with the Audit Committee in this regard.
- 8.3.5 Review and recommend for board approval, jointly with the Audit Committee, the statements to be included in the annual report concerning internal controls, risk management and sustainability.
- 8.3.6 Review compliance with and progress against priorities and objectives across Velocys' risk and sustainability. This shall include keeping under review the extent and effectiveness of Velocys's external reporting of sustainability performance and its participation in external benchmarking indices.
- 8.3.7 To the extent required by the board from time to time, develop and monitor the effectiveness of the risk management framework related to risk policies (including risk appetite), and sustainability.

### **8.4 Internal controls and risk management systems**

**Note:** References in this section to internal controls and risk management systems relate to business risk and sustainability exposures and compliance. Financial Risk (as set out in 8.1.2), and related internal financial controls, will continue to be the responsibility of the Audit Committee.

The committee shall oversee and seek suitable assurance regarding:

- 8.4.1 The risk exposures of the company, including risk to the company's business model and reputational risk arising from strategy and operations including their implications for sustainability.
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- 8.4.2 The adequacy and effectiveness of the company's processes and procedures to manage risk and sustainability and the internal control framework, including the design, implementation and effectiveness of those systems.
- 8.4.3 The ability of the company's risk management and internal control systems to identify the risks and sustainability issues facing the company, and enable a robust assessment of principal risks and issues.
- 8.4.4 The company's capability to identify and manage new and emerging risks and sustainability issues.
- 8.4.5 The effectiveness and relative costs and benefit of particular controls.
- 8.4.6 The effectiveness of management's processes for monitoring and reviewing the effectiveness of risk management, sustainability issues, and internal control systems and ensuring corrective action is taken when necessary.
- 8.4.7 The company's ability to reduce the likelihood of principal risks and sustainability issues materialising and the impact on the business of risks that do materialise.
- 8.4.8 The appropriateness of the company's values and culture and reward systems for managing risk, sustainability and internal controls, and the extent to which the culture and values are embedded at all levels of the company.
- 8.4.9 The right of direct access to the chairman of the board and to the committee of any member of Velocys staff responsible for matters relevant to the Duties of the Committee, including the Head of Communications & Sustainability and any Chief Risk Officer or employee with responsibility for any key risk.

## **9. Reporting responsibilities**

- 9.1 The committee chair shall report formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2 The committee shall provide advice to the remuneration committee on any risk weightings to be applied to performance objectives incorporated in the incentive structure for executive remuneration and make recommendations to the remuneration committee on clawback provisions.
- 9.3 The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.4 The committee shall compile a report of its activities to be included in the company's annual report, describing the work of the committee.

## **10. Other matters**

The committee shall:

- 10.1 Have access to sufficient resources in order to carry out its duties, including access to the company secretariat for advice and assistance as required.
- 10.2 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
- 10.3 Give due consideration to all relevant laws and regulations, the provisions of the Code and published guidance, the requirements of the FCA's Listing Rules, Prospectus Regulation Rules and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate.
- 10.4 Oversee any investigation of activities which are within its terms of reference.
- 10.5 Work and liaise as necessary with all other board committees ensuring interaction between committees and with the board is reviewed regularly, taking particular account of the impact of risk management and internal controls on the work of other committees.
- 10.6 Crossover issues identified under clause 10.5 will be discussed by the Committee chair with the chair of the Audit Committee (or, as appropriate, with the chair of any other committee) on a regular basis.
- 10.7 Ensure that a periodic evaluation of the committee's performance is carried out.
- 10.8 At least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.

## **11. Authority**

The committee is authorised to:

- 11.1 Request the attendance of any employee at a meeting of the committee and/or seek any information it requires from any employee of the company in order to perform its duties.
- 11.2 Delegate any matter or matters to another committee or person(s) as it deems appropriate.
- 11.3 Obtain, at the company's expense, independent legal or other professional advice on any matter within its terms of reference if it believes it necessary to do so.

Adopted by Resolution of the Board on 22 September 2021