

# Audit and Risk Committee Charter

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**Carbon Revolution Public Limited  
Company (the Company)**

Adopted by the Board on 6<sup>th</sup> November 2023

# Audit and Risk Committee Charter

## 1 Membership of the Committee

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The Audit and Risk Committee (**Committee**) of the Board of Directors of the Company (**Board**) must consist of:

- only Independent Directors; and
- a minimum of 3 members of the Board.

The Board may appoint additional Independent Directors to the Committee or remove and replace members of the Committee by resolution with or without cause. Members may withdraw from membership by written notification to the Board.

With respect to independence, each Committee member, each of whom must be a member of the Board must: (1) be "independent" as defined in Rule 5605(a)(2) under the Listing Rules of The Nasdaq Stock Market LLC; (2) meet the criteria for independence set forth in Rule 10A-3(b)(1) promulgated under Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), subject to the exemptions provided in Rule 10A-3(c) under the Exchange Act; and (3) not have participated in the preparation of the financial statements of the Company or a current subsidiary of the Company at any time during the past three years. See provisions set out in Attachment 3.

A member of the Committee may not, other than as a member of the Committee, the Board or any other committee established by the Board, receive directly or indirectly any consulting, advisory or other compensatory fee from the Company.

All non-executive directors have a standing invitation to attend Committee meetings and have access to Committee papers, subject to conflicts. Other non-committee members, including members of management and the external auditor may attend meetings of the Committee at the invitation of the Committee Chair.

It is intended that all members of the Committee must be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement and cash flow statement. At least one member of the Committee must have past employment experience in finance or accounting, requisite professional certification in accounting or other comparable experience or background that leads to financial sophistication. At least one member of the Committee must be an "audit committee financial expert" as defined in Item 407(d)(5)(ii) of Regulation S-K. A person who satisfies this definition of audit committee financial expert will also be presumed to have financial sophistication.

## 2 Role and responsibilities

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### 2.1 Overview

The Committee's key responsibilities and functions are to oversee the Company's:

- (a) financial and other periodic corporate reporting;
- (b) relationship with the independent registered public accounting firm<sup>1</sup> ("external auditor") and the external audit function generally;
- (c) relationship with the internal auditor and the internal audit function generally

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<sup>1</sup> Such firm must be registered with the U.S. Public Company Accounting Oversight Board (PCAOB).

- (where an internal audit function exists);
- (d) internal controls and systems;
  - (e) processes for monitoring compliance with laws and regulations; and
  - (f) processes for identifying and managing financial and non-financial risk.

## **2.2 Financial and other periodic corporate reporting**

The responsibilities of the Committee in relation to financial reporting are as follows:

- (a) Review the Company's corporate and financial reporting and disclosure processes and make recommendations to the Board in relation to the adequacy of those processes.
- (b) Review the Company's financial statements with the Company's management and independent auditor, as a basis for recommendation to and adoption by the Board.
- (c) Review and determine appropriateness of the accounting policies, judgements and choices adopted by management in preparing the Company's financial reports, including significant changes in the selection or application of accounting principles.
- (d) The Committee shall review and discuss with management and with the external auditor the Company's annual audited financial statements, including (a) all critical accounting policies and practices used or to be used by the Company, (b) the Company's disclosures under "Operating and Financial Review and Prospects" before the filing of the Company's Annual Report on SEC Form 20-F, and (c) any significant financial reporting issues that have arisen in connection with the preparation of the audited financial statements. The Committee shall also review and discuss with the external auditor the nature of each identified key audit matter, the auditor's basis for identifying a matter as a key audit matter and how each such identified matter will be described in the auditor's report.
- (e) Review any analyses prepared by management, the internal auditors, if any, and/or the external auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative IFRS methods on the financial statements. The Committee may consider the ramifications of the use of such alternative disclosures and treatments on the financial statements, and the treatment preferred by the external auditor. The Committee may also consider other material written communications between the external auditor and management, such as any management letter or schedule of unadjusted differences.
- (f) Review the Company's policies and procedures for reviewing and approving or ratifying "related party transactions" (as described in the disclosure requirements of SEC Form 20-F) and make any changes necessary. The Committee shall review all "related party transactions" on an ongoing basis, and all such transactions must be approved by the Committee.
- (g) Review drafts of the CEO and CFO declarations which are to be provided to the Board relating to the Company's financial statements.
- (h) Review any proposed payment of a dividend to shareholders.

## **2.3 Audit**

The responsibilities of the Committee in relation to the audit function are as follows:

- (a) Conduct the responsibilities set forth in Attachment 2, including selecting and retaining an independent registered public accounting firm to act as the Company's independent auditors for the purpose of auditing the Company's financial statements, books, records, accounts and internal control over financial reporting.

- (b) Review and make recommendations to the Board in relation to the scope and adequacy of the external audit.
- (c) Review the overall audit plan (both internal and external) with the external auditor and the members of management responsible for preparing the Company's financial statements, including the Company's Chief Financial Officer and/or principal accounting officer or principal financial officer (the Chief Financial Officer and such other officer or officers are referred to collectively as the "Senior Accounting Executive").
- (d) Review and discuss with the Company's independent auditors (1) the auditors' responsibilities under PCAOB standards and the responsibilities of management in the audit process, (2) the overall audit strategy, (3) the scope and timing of the annual audit, (4) any significant risks identified during the auditors' risk assessment procedures and (5) when completed, the results, including significant findings, of the annual audit, and monitor whether any issues are being managed and rectified in an appropriate and timely manner.
- (e) Separately from management, discuss with the external auditor matters relating to the conduct of the audit, including the timeliness of its reporting, any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information, significant disagreements with management (if any) and adequacy of management's response, and responsibilities, budget, and staffing of the Company's internal audit function.
- (f) Review the performance, independence and objectivity of the external auditor at least annually.
- (g) Develop and oversee the implementation of, and compliance with, the Company's policy on the engagement of the external auditor to supply non-audit services.
- (h) Provide advice to the Board as to whether the Committee is satisfied that the provision of non-audit services is compatible with the general standard of independence, and an explanation of why those non-audit services do not compromise audit independence.
- (a) Oversee the coordination of the internal and external audit (where an internal audit function exists).
- (b) Review and make recommendations to the Board on the structure of the internal audit function (as appropriate).
- (c) Where an internal audit function exists:
  - (1) review the scope and adequacy of any applicable internal audit program, and approve the internal audit program annually;
  - (2) review the outcomes of the internal audit program;
  - (3) review the performance and objectivity of the internal audit function, including whether the internal audit function is adequately resourced;
  - (4) monitor the independence of any applicable internal audit programs from the external auditor and management;
  - (5) evaluate management's responsiveness to any applicable internal auditor's findings and recommendations; and
  - (6) review and approve the appointment and dismissal of the head of the internal audit function.

## 2.4 Risk management and internal control

The Committee's primary role with respect to risk management and internal control are as follows:

- (a) Oversee and advise the Board on high-level risk related matters, including risk appetite and tolerance in determining strategy, as well as management of key financial and non-financial risks, including new and emerging risks.

- (b) Review and make recommendations to the Board in relation to the risk appetite within which the Board expects management to operate, and whether any changes should be made.
- (c) Review the Company's risk management framework and make a recommendation to the Board about whether it continues to be sound and whether the Company is operating with due regard to the risk appetite set by the Board.
- (d) Oversee management's implementation of the risk management framework, including that management has appropriate processes for identifying, assessing and responding to risks and that those processes are operating effectively.
- (e) Review the trends in the Company's risk profile and report to the Board on key risks.
- (f) Review and make recommendations to the Board in relation to the risk disclosures in the Company's periodic reporting documents, including the operating and financial review in its Annual Report.
- (g) Consider whether the Company has any material exposure to environmental or social risks, and how it manages any risks identified.
- (h) Evaluate the structure and adequacy of the Group's business continuity plans.
- (i) Monitor whether management is communicating the importance of internal control and management of risk throughout the organisation and therefore setting up an appropriate 'control culture'.
- (j) Review the adequacy and effectiveness of the Company's internal control framework.
- (k) Review any material incident involving fraud, or a break-down of the Company's internal controls and the "lessons learned".
- (l) At least annually, evaluate and make recommendations to the Board in relation to the structure and adequacy of the Group's insurance program having regard to the Group's business and the insurable risks associated with its business.

## 2.5 Compliance

The responsibilities of the Committee in relation to compliance are as follows:

- (a) Review the procedures the Company has in place to ensure compliance with laws and regulations (particularly those which have a major potential impact on the Company).
- (b) Consider with management (and if required the internal and/or external auditor):
  - (1) the overall adequacy and effectiveness of the Company's legal, regulatory and ethical compliance programs; and
  - (2) the Company's main corporate governance policies and practices and compliance with those policies.
- (c) Review the Company's Code of Conduct, and ensure arrangements are in place for dissemination to all employees, including communicating the importance of the Code of Conduct.
- (d) Review the Company's Speak Up policy and procedures and recommend to the Board any necessary changes.
- (e) Review the Company's Foreign Corrupt Practices Act and Anti-Corruption Policy and recommend to the Board any necessary changes.
- (f) Take reasonable steps to monitor compliance with and receive information regarding material breaches of the Code of Conduct and Foreign Corrupt Practices Act and Anti-Corruption Policy, and reports of material incidents under the Company's Speak Up Policy and, when appropriate, impose and enforce appropriate disciplinary measures.

- (g) Review the Company's modern slavery statement and recommend to the Board any necessary changes.

## **2.6 Complaints**

The responsibilities of the Committee in relation to complaints are to establish and oversee procedures for:

- (a) The receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters.
- (b) The confidential, anonymous submission by employees of the listed issuer of concerns regarding questionable accounting or auditing matters.

## **3 Rights of access and authority**

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The Committee has unrestricted access to information it considers relevant to its responsibilities. The Committee has rights of access to management and to auditors (external and internal) without management present, and rights to seek explanations and additional information from both management and auditors.

## **4 Review of Charter**

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The Board will, at least once in each year, review the membership of the Committee and Charter of the Committee to determine its adequacy for current circumstances and the Committee may make recommendations to the Board in relation to the Committee's membership, responsibilities, functions or otherwise.

## **5 Administrative matters and procedures**

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The proceedings of the Committee will be conducted in accordance with provisions set out in Attachment 1.

## Administrative matters and procedures

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### **Meetings**

The Committee will meet as often as the Committee members deem necessary in order to fulfil their role. However, it is intended that the Committee will normally meet at least 4 times each year. The Committee may also act by unanimous written consent.

### **Quorum**

The quorum is at least 2 members.

### **Secretary and Minutes**

The Company Secretary, or his or her delegate, must attend all Committee meetings as minute secretary. All minutes of the Committee must be entered into a minute book maintained for that purpose and be open at all times for inspection by any Director.

### **Convening and notice of meeting**

Any member may, and the Company Secretary must upon request from any member, convene a meeting of the Committee. Notice will be given to every member of the Committee of every meeting of the Committee. However, there is no minimum notice period and acknowledgement of receipt of notice by all members is not required before the meeting may be validly held.

### **Independent advice**

The Committee may, in its sole discretion, retain and obtain the advice and assistance of the Company's auditors, solicitors or such other advisers, consultants or specialists as to any matter pertaining to the powers or duties of the Committee or the responsibilities of the Committee, as the Committee may require. The Committee shall set the compensation, and oversee the work, of any such advisors.

### **Funding**

The Company shall provide for appropriate funding, as determined by the Committee, in its capacity as a committee of the Board, for payment of (i) compensation to any external auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company; (ii) compensation to any advisers employed by the Committee; and (iii) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

### **Delegation of Authority**

The Committee shall have the authority to delegate any of its responsibilities, along with the authority to take action in relation to such responsibilities, to one or more subcommittees as the Committee may deem appropriate in its sole discretion.

### **Reporting**

The Committee chair will provide a brief oral report to the Board as to any material matters arising out of Committee meetings. All Directors may, within the Board meeting, request information of members of the Committee.

A copy of the minutes of the Committee meeting will also be provided to the Board with the Board papers.

The Committee will also consider if any material matters arising out of Committee meetings should be advised to any other Committee and, if so, ensure that this occurs.



## External Audit Policy

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### **Appointment and Replacement**

The Audit and Risk Committee (**Committee**) has the responsibility and authority for the appointment, reappointment or replacement and remuneration of any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company (**external auditor**), as well as evaluating its effectiveness and independence. The Committee will review the appointment of the external auditor annually based on its assessment of the auditor's performance. The Committee shall be directly responsible for overseeing the work of the external auditors engaged (including resolving disagreements between management and the external auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, and each such external auditor must report directly to the Committee.

### **Remuneration**

The Committee has the responsibility to approve all audit engagement fees and terms; and to pre-approve all audit and permitted non-audit and tax services that may be provided by the external auditor or other registered public accounting firms, and establish policies and procedures for the Committee's pre-approval of permitted services by the Company's external auditor or other registered public accounting firms on an on-going basis.

### **Assessment of External Auditor**

The Committee will review the qualifications and performance of the external auditor on an annual basis after completion of the year-end audit. In evaluating the effectiveness of external audit, the Committee will assess the effectiveness of the external auditor based on a number of criteria, including but not restricted to:

- the overall comprehensiveness of the external audit plan;
- the timeliness and quality of communications promised under the plan and delivered during the audit;
- the competency and industry knowledge of external audit staff; and
- the adequacy of resources to achieve the scope as outlined in the plan.

The Committee will seek feedback from management and the internal auditors during the assessment process and consider whether, to assure continuing auditor independence, the external auditor engaged by the Company to serve as external auditor should be regularly changed.

### **Independence**

The Committee will review and assess the independence of the external auditor, including, but not limited to, any relationships with the Company or any other entity that may impair or appear to impair the external auditor's judgement or independence in respect of the Company. The review and assessment will be carried out annually at the time the external auditor presents its annual audit plan.

Prior to this review, the Committee will request a formal written report from the external auditor which sets out all relationships between the auditor and the Company, including the provision of non-audit services, financial relationships, employment and other relationships and any other matters, and will actively engage with the external auditor with respect to any disclosed relationship or services that may impact the external auditor's objectivity and independence. The written statement should outline any safeguards that the external auditor has in place to reduce any threat to independence to an acceptable level.

Before the Directors approve the half year and full year financials, the external auditor will be asked to provide a declaration testifying to its independence in respect of the financial period in question. The external auditor will have a continuing obligation to notify the Committee, via the Company Secretary, of any new information it believes may be material to reviewing its independence.

The Committee has responsibility to develop and oversee the implementation of the Company's policy on the engagement of the external auditor to supply non-audit services and to ensure compliance with that policy.

### **Rotation of External Audit Engagement Partner**

The external audit engagement partner is generally required to rotate at least once every 5 years.

## Certain SEC and Nasdaq Independence Requirements

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### **Securities Exchange Act Rule 10A-3(b)(1) Required standards - Independence**

(i) Each member of the audit committee must be a member of the board of directors of the listed issuer, and must otherwise be independent; provided that, where a listed issuer is one of two dual holding companies, those companies may designate one audit committee for both companies so long as each member of the audit committee is a member of the board of directors of at least one of such dual holding companies.

(ii) Independence requirements for non-investment company issuers. In order to be considered to be independent for purposes of this paragraph (b)(1), a member of an audit committee of a listed issuer that is not an investment company may not, other than in his or her capacity as a member of the audit committee, the board of directors, or any other board committee:

(A) Accept directly or indirectly any consulting, advisory, or other compensatory fee from the issuer or any subsidiary thereof, provided that, unless the rules of the national securities exchange or national securities association provide otherwise, compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the listed issuer (provided that such compensation is not contingent in any way on continued service); or

(B) Be an affiliated person of the issuer or any subsidiary thereof.

### **Securities Exchange Act Rule 10A-3(b)(1)(iv) Required standards - Exemptions from the Independence requirements**

An employee of a foreign private issuer who is not an executive officer of the foreign private issuer is exempt from the requirements of paragraph (b)(1)(ii) if the employee is elected or named to the board of directors or audit committee of the foreign private issuer pursuant to the issuer's governing law or documents, an employee collective bargaining or similar agreement or other home country legal or listing requirements.

An audit committee member of a foreign private issuer may be exempt from the requirements of paragraph (b)(1)(ii)(B) if that member meets the following requirements:

(1) The member is an affiliate of the foreign private issuer or a representative of such an affiliate;

(2) The member has only observer status on, and is not a voting member or the chair of, the audit committee; and

(3) Neither the member nor the affiliate is an executive officer of the foreign private issuer.

An audit committee member of a foreign private issuer may be exempt from the requirements of paragraph (b)(1)(ii)(B) of this section if that member meets the following requirements:

(1) The member is a representative or designee of a foreign government or foreign governmental entity that is an affiliate of the foreign private issuer; and

(2) The member is not an executive officer of the foreign private issuer.

## Nasdaq Independent Director Definition

### Rule 5605(a)(2)

"Independent Director" means a person other than an Executive Officer or employee of the Company or any other individual having a relationship which, in the opinion of the Company's board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. For purposes of this rule, "Family Member" means a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person's home. The following persons shall not be considered independent:

(A) a director who is, or at any time during the past three years was, employed by the Company;

(B) a director who accepted or who has a Family Member who accepted any compensation from the Company in excess of \$120,000 during any period of twelve consecutive months within the three years preceding the determination of independence, other than the following:

(i) compensation for board or board committee service;

(ii) compensation paid to a Family Member who is an employee (other than an Executive Officer) of the Company; or

(iii) benefits under a tax-qualified retirement plan, or non-discretionary compensation.

Provided, however, that in addition to the requirements contained in this paragraph (B), audit committee members are also subject to additional, more stringent requirements under Rule 5605(c)(2).

(C) a director who is a Family Member of an individual who is, or at any time during the past three years was, employed by the Company as an Executive Officer;

(D) a director who is, or has a Family Member who is, a partner in, or a controlling Shareholder or an Executive Officer of, any organization to which the Company made, or from which the Company received, payments for property or services in the current or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenues for that year, or \$200,000, whichever is more, other than the following:

(i) payments arising solely from investments in the Company's securities; or

(ii) payments under non-discretionary charitable contribution matching programs.

(E) a director of the Company who is, or has a Family Member who is, employed as an Executive Officer of another entity where at any time during the past three years any of the Executive Officers of the Company serve on the compensation committee of such other entity; or

(F) a director who is, or has a Family Member who is, a current partner of the Company's outside auditor, or was a partner or employee of the Company's outside auditor who worked on the Company's audit at any time during any of the past three years.

(G) in the case of an investment company, in lieu of paragraphs (A)-(F), a director who is an "interested person" of the Company as defined in Section 2(a)(19) of the Investment Company Act of 1940, other than in his or her capacity as a member of the board of directors or any board committee.