



**ENVIRONMENTAL CLEAN
TECHNOLOGIES LIMITED**

Audit & Risk Committee Charter

Version 3

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1 Overview

The Audit and Risk Committee (“Committee”) or (“Audit Committee”) oversees and monitors the company’s audit and risk management processes, including the company’s internal control activities.

2 Role and responsibilities

The Audit & Risk Committee is appointed by the Board and will be responsible to the Board for the development and implementation of the company’s governance program and exercising of due care, diligence and skill in relation to:

- application of accounting policies
- financial management
- the internal control system
- the risk management system
- the performance management system
- protection of the company’s assets
- compliance with applicable laws, regulations, standards and best practice guidelines.

Other committee objectives include:

- improving the credibility and objectivity of the accountability process, including financial reporting
- overseeing the effectiveness of the external audit functions and providing a forum for communication between the Board and external auditors
- ensuring the independence of the external auditor
- assuring the quality of internal and external reporting of financial and non-financial information.

3 Composition

The Audit & Risk Committee will comprise at least two [preferably three] members of the Board.

Membership of the Committee is reviewed periodically (and at least annually), and members are eligible for reappointment. Membership of the Committee is to be confirmed annually by the Board in alignment with the Annual General Meeting.

Each Audit Committee member will be financially literate and ideally, at least one member of the Audit Committee will have relevant qualifications (accounting or finance) and experience.

The Chair of the Audit Committee must be non-executive and cannot be the Chair of the Board.

Other persons may attend meetings of the audit committee by invitation. Persons who may commonly be invited to attend include:

- the chief executive officer
- the chief financial officer
- the company secretary
- the external audit provider
- any specialist advisors (e.g., ESG)

These people may take part in the business of, and discussions at, the meeting but have no voting rights.

4 Duties and Responsibilities of the Committee

Review of Financial Reports

- a) Review the appropriateness of the accounting principles adopted by management in the financial reports and the integrity of the Company's financial reporting.
- b) Oversee the results of the external audits of those reports.
- c) Assess whether external reporting is adequate for shareholder needs.
- d) Assess management processes supporting external reporting.
- e) Establish procedures for treatment of accounting complaints.
- f) Review the impact of any proposed changes in accounting policies on the financial statements.
- g) Review the quarterly, half yearly and annual results.
- h) Establish procedures for verifying the integrity of the Company's periodic reports which are not audited or reviewed by an external auditor, to satisfy the Board that each periodic report is materially accurate, balanced and provides investors with appropriate information to make informed investment decisions.
- i) Ensure that, before the Board approves the Company's financial statements for a financial period, the Chief Executive Officer and Chief Financial Officer (or, if none, the person(s) fulfilling those functions) have declared that, in their opinion, the financial records of the Company 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 Company and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Relationship with External Auditors

- a) Recommend to the Board procedures for the selection and appointment of external auditors and for the rotation of external auditor partners.
- b) Review performance, succession plans and rotation of lead engagement partner.
- c) Approve the external audit plan and fees proposed for audit work to be performed.
- d) Discuss any necessary recommendations to the Board for the approval of half yearly or Annual Reports.
- e) Review the adequacy of accounting and financial controls together with the implementation of any recommendations of the external auditor in relation thereto.
- f) Meet with the external auditors at least twice in each financial year and at any other time the committee considers appropriate.
- g) Provide pre-approval of audit and non-audit services that are to be undertaken by the external auditor.
- h) Ensure adequate disclosure as may be required by law of the committee's approval of all non-audit services provided by the external auditor.
- i) Ensure that the external auditor prepares and delivers an annual statement as to their independence which includes details of all relationships with the Company.

- j) Receive from the external auditor their report on, among other things, critical accounting policies and alternative accounting treatment, prior to the filing of their audit report in compliance with the *Corporations Act 2001* (Cth).
- k) Ensure that the external auditor attends the Company's Annual General Meeting and is available to answer questions from security holders relevant to the audit.

Internal Audit Function

- a) Monitor and periodically review the need for a formal internal audit function and its scope.
- b) Assess the performance and objectivity of any internal audit procedures that may be in place.
- c) Ensure any formal internal audit function is headed by a suitably qualified person who shall have a direct reporting line to the Board or the committee, and bring the requisite degree of skill, independence and objectivity to the role.
- d) If the Company does any formal internal audit function, assess the performance and objectivity of the Company's processes for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes.
- e) Review risk management and internal compliance procedures.
- f) Monitor the quality of the accounting function.
- g) Review the internal controls of the Company via consideration of any comments from the Company's internal and/or external auditors and/or commissioning an independent report on the Company's internal controls.

Risk Management

- a) Oversee the Company's risk management systems, practices and procedures to ensure effective risk identification and management and compliance with internal guidelines and external requirements.
- b) Assess whether the Company has any potential or apparent exposure to environmental, social or governance risks and if it does, put in place management systems, practices and procedures to manage those risks.
- c) Where the Company does not have material exposure to environmental or social risks, report the basis for that determination to the Board and where appropriate, benchmark the Company's environmental or social risk profile against its peers.
- d) Assess whether the Company is required to publish an integrated report or a sustainability report in accordance with a recognised international standard.
- e) Consider whether the Company has a material exposure to climate change risk.
- f) Review the Company's risk management framework at least annually to satisfy itself that the framework:
 - a. continues to be sound;
 - b. ensures that the Company is operating with due regard to the risk appetite set by the Board; and
 - c. deals adequately with contemporary and emerging risks such as conduct risk, digital disruption, cyber-security, privacy and data breaches, sustainability and climate change.

- g) Review reports by management on the efficiency and effectiveness of the Company's risk management framework and associated internal compliance and control procedures.

Other

- a) The committee will oversee the Company's environmental risk management, social risk management and occupational health and safety processes.
- b) As contemplated by the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations – 4th Edition*, and to the extent that such deviation or waiver does not result in any breach of the law, the committee may approve any deviation or waiver from the "Corporate code of conduct". Any such waiver or deviation will be promptly disclosed where required by applicable law.
- c) Monitor related party transactions.

5 Meetings

The Audit Committee will meet at least two times a year and additionally as the committee considers necessary at appropriate points in the audit cycle. The internal or external auditors may request a meeting and such a request is to be met.

A quorum shall consist of two members of the committee. In the chair's absence from a meeting, the members present will select a chair for that particular meeting.

All Committee members are expected to attend each meeting in person or through other approved means such as teleconferencing or video conferencing.

The notice and agenda of a meeting will include relevant supporting papers.

The Audit Committee may invite other people to attend as it sees fit and consult with other people or seek any information it considers necessary to fulfil its responsibilities. The members may meet separately with auditors.

6 Conflicts of Interest

Committee members will be invited to disclose conflicts of interest at the commencement of each meeting. Ongoing conflicts of interest need not be disclosed at each meeting once acknowledged. Where members or invitees are deemed to have a real or perceived conflict of interest, they will be excused from committee discussions on the issue where a conflict exists.

7 Secretariat Duties

The company secretary (or other appropriate designated person) will act as secretary to the audit committee.

The secretary will assist the chair to develop and distribute agendas, papers, minutes and calendar.

8 Minutes

Minutes must be prepared, approved by the chair and circulated to the members within two weeks of a meeting. The minutes must be ratified at the next meeting of the committee and signed by the chair of that next meeting.

9 Reporting to the Board

The chair of the committee is to report to the Board following each committee meeting. The manner of reporting may be by distribution of a copy of the minutes supplemented by other necessary information, including recommendations requiring Board action and/or approval. The chair is to organise the supply of information regarding the audit committee which is to be included in the company's Annual Report.

Implementation of this charter

This charter was adopted and implemented by the Board of ECT 18 October 2022.

Availability of this charter

This charter is available on ECT's website.

Review of this charter

The Board will monitor and annually review the effectiveness of this charter.