



Audit & Risk Committee Charter

Fluence Corporation Limited
ACN 127 734 196

Version: 2.0
19 July 2023

Document History

Version	Summary of Amendments	Approved by	Approval date
1.0	New Audit & Risk Committee Charter	Board of Directors	14 September 2017
2.0	Annual Review	Board of Directors	19 July 2023

Other Policy Details

Key Information	Details
Approval Body	Fluence Corporation Limited Board of Directors
Key Stakeholders	Fluence Corporation Limited Board of Directors Senior Executive Management Team Company Secretary
Responsibility for Implementation	Chief Executive Officer and Chief Financial Officer
Policy Custodian	Company Secretary
Next Review Date	19 July 2024
Reference Policies	External Audit Policy

Legislative and Regulatory Framework

Authority	Law, Resolution or Regulation
ASX Corporate Governance Council	ASX Corporate Governance Principles and Recommendation (2019) (“ ASX Principles ”)
Australian Government	Corporations Act 2001 (Cth) (“ Corporations Act ”)

1. Introduction

- 1.1 The Audit and Risk Committee (the “**Committee**”) is a committee of the Board of Directors (the “**Board**”) of Fluence Corporation Limited (referred to as the “**Company**”).
- 1.2 THE COMMITTEE HAS BEEN ESTABLISHED BY RESOLUTION OF THE BOARD.
- 1.3 The Committee will also undertake the role of the Audit and Risk Committee for the board of each subsidiary of the Company (“**Subsidiary**”) where required. In making decisions in relation to a Subsidiary, the Committee is acting as a committee of the board of that Subsidiary.
- 1.4 The Committee will assist the Board to fulfil its oversight responsibilities in respect of financial reporting, protection of capital, risk management, legal and regulatory compliance and associated internal controls.
- 1.5 The Committee will review the financial reporting process, the system of internal control and management of financial risks, and the process and coverage of external audit together with business risks including strategic risk, operation and regulatory risk and compliance with applicable laws, regulations and Company Policies.

2. Membership

- 2.1 IT IS INTENDED THAT THE Committee will consist of at least two independent Non-executive Directors and such other members as may be necessary from time to time.
- 2.2 It is intended that members of the Committee between them should have the accounting and financial expertise, and a sufficient understanding of the industry in which the Company operates, to be able to discharge the Committee’s responsibilities effectively.
- 2.3 The Committee Chair should not be the same person as the Chair of the Board. The full Board will nominate the Chairman of the Committee, who shall be an independent Non-executive Director where possible
- 2.4 The Board may appoint additional directors to the Committee or remove or replace members of the Committee by resolution. Members may withdraw from membership by written notification to the Board.
- 2.5 If a Committee member ceases to be a director of the Company, their appointment as a member of the Committee is automatically terminated with immediate effect.
- 2.6 Non-Committee members (including the external auditors, the CEO, CFO) may attend all or part of a meeting, subject to no conflict of interest on the matters being discussed.
- 2.7 Representatives of the external Auditor are invited to attend the Audit and Risk Committee at least twice each year; once in connection with the half year financial statements and once in connection with the full year financial statements.

- 2.8 The Company Secretary, or delegate, must attend all Committee meetings as minute secretary.

3. Meetings

- 3.1 The Committee will meet at least four times annually or as frequently as is required to undertake its role effectively. In addition, the Committee Secretary is required to call a meeting of the Committee if requested to do so by any member of the Committee, the CEO or the external Auditor
- 3.2 The Committee will disclose at the end of each reporting period the number of times the Committee met throughout that period and the individual attendances of members at those meetings.
- 3.3 Notice will be given to every member 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.
- 3.4 The Company Secretary will distribute in advance of the meeting the agenda and related papers to each of the Committee members or any other persons determined by the Committee.
- 3.5 A quorum for any meeting will be at least two Committee members, either in person or via telephone, video conference or any other technology as considered appropriate by the Committee Chair.
- 3.6 Minutes of the meetings of the Committee must be kept by the Company Secretary and after approval by the Committee Chair, be presented at the next relevant Board meeting.

4. Role and responsibilities

- 4.1 The key responsibilities and functions of the Committee are as follows:
- (a) oversee the Company's relationship with the external auditor and the external audit function;
 - (b) oversee the preparation of the financial statements and reports;
 - (c) oversee the Company's financial controls and systems; and
 - (d) manage the process of identification of risk, and the management of risk strategies.
- 4.2 The Committee's primary roles with respect of the audit responsibilities are:
- (a) to assist the Board in relation to the reporting of financial information;
 - (b) oversee the system of control that management has established to safeguard the Company's assets;

- (c) the appropriate application and amendment of accounting policies;
- (d) make recommendations to the Board in relation to the appointment, independence and remuneration of the external auditor; and
- (e) to provide a link between the external auditors, the Board and management of the Company.

4.3 The following are intended to form part of the normal procedure for the Committee's audit responsibilities:

- (a) review the Company's 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 for accuracy, for adherence to accounting standards and policies, and to ensure they reflect the understanding of the Committee members of, and otherwise a true and fair view of, the financial position and performance of the Company, as a basis for recommendation to and adoption by the Board;
- (c) receive and review reports of the external audit of the Company's financial statements;
- (d) review and make recommendations to the Board in relation to the appropriateness of the accounting policies, judgements and choices adopted by management in preparing the Company's financial reports;
- (e) establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls and auditing matters, and procedures for the confidential, anonymous submission of concerns by employees regarding accounting and auditing matters;
- (f) ensure that procedures are in place designed to verify the existence and effectiveness of accounting and financial systems and other systems of internal control which relate to financial risk management;
- (g) review and make recommendations to the Board in relation to the scope and adequacy of the external audit for Board approval;
- (h) review the effectiveness of the annual audit, placing emphasis on areas where the Committee or the external auditors believe special attention is necessary;
- (i) review the scope, performance, independence and objectivity of the external auditors;
- (j) review the procedures for selection and appointment of the external auditors and for the rotation of external audit engagement partners;
- (k) make recommendations to the Board in relation to the appointment (including the termination of an engagement), compensation (for audit and non-audit work), the terms of engagement and other contractual terms of the external auditors;
- (l) develop and oversee the implementation of the Company's policy on the engagement of the external auditor to supply non-audit services and ensure compliance with that policy;

- (m) 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 as to why those non-audit services do not compromise audit independence, in order for the Board to be in a position to make the statements required by the Corporations Act to be included in the Company's annual statement;
- (n) before the Board approves the Company's financial statements, review the declarations made by the CEO and CFO in relation to the Company's financial statements, financial records and systems; and
- (o) develop and assist the Board in the implementation of the Company's process for verifying the integrity of each periodic report it releases to the market that has not been audited or reviewed by an external auditor.

4.4 The Committee's specific function with respect to risk management is to:

- (a) review and report to the Board that the Committee has, at least annually, reviewed the Company's risk management framework to satisfy itself that it continues to be sound, and effectively identifies all areas of current, emerging and potential risk such that the Company is operating with due regard to the risk appetite set by the Board;
- (b) make recommendations to the Board in relation to changes that should be made to the Company's risk management framework or to the risk appetite set by the Board;
- (c) monitor management's performance against the Company's risk framework for identifying, evaluating, managing, mitigating and reporting risks including whether the Company is operating within the Company's risk appetite set by the Board;
- (d) receive any reports from management that identify, evaluate, manage or mitigate material risks that may affect the Company's operations including any new and emerging sources of risk;
- (e) review and report to the Board that adequate policies and procedures have been designed and implemented to manage identified risks;
- (f) review and report to the Board that proper remedial action is undertaken to redress areas of weakness;
- (g) receive reports from internal audit in relation to its regular program of audits undertaken to test the adequacy of and compliance with prescribed policies for managing risk; and
- (h) receive reports from management concerning the extent and adequacy of the Company and its Subsidiary's annual insurance program, as well as recommend insured and uninsured risk parameters.

4.5 The following are intended to form part of the normal procedure for the Committee's risk and compliance responsibility:

- (a) evaluating the adequacy and effectiveness of the management reporting and control systems used to monitor adherence to policies and guidelines and limits approved by the Board for management of balance sheet risks;
- (b) evaluating the adequacy and effectiveness of the financial and operational risk management control systems of the Company and the Group by reviewing risk registers and reports from management and external auditors;

- (c) evaluating the structure and adequacy of the Group's business continuity plans;
- (d) evaluating the adequacy and effectiveness of the Group's identification and management of economic, environmental and social sustainability risks and its disclosure of any material exposures to those risks;
- (e) evaluating and making recommendations to the Board in relation to the structure and adequacy of the Group's own insurances on an annual basis;
- (f) reviewing and making recommendations to the Board on the strategic direction, objectives and effectiveness of the Group's financial and operational risk management policies and the risk appetite that is appropriate for the Company;
- (g) reviewing and making recommendations to the Board in relation to the risk disclosures in the Company's operating and financial review in its annual report;
- (h) overseeing the establishment and maintenance of processes so that there is:
 - i. an adequate system of internal control, management of business risks and safeguard of assets; and
 - ii. a review of internal control systems and the operational effectiveness of the policies and procedures related to risk and control;
- (i) evaluating the Group's exposure to fraud and overseeing investigations of allegations of fraud or malfeasance and making recommendations to the Board in relation to any incident involving fraud or other breakdown of the Company's internal controls;
- (j) reviewing the procedures the Company has in place to ensure compliance with applicable laws and regulations (particularly those which have a major potential impact on the Company in areas such as trade practices and the environment);
- (k) advising the Board on the appropriateness of significant policies and procedures relating to financial processes and disclosures and reviewing the effectiveness of the Company's internal framework;
- (l) reviewing the Company's policies and culture with respect to the establishment and observance of appropriate ethical standards; and
- (m) reviewing and discussing with management and the internal and external auditors (if any) the overall adequacy and effectiveness of the Company's legal, regulatory and ethical compliance programs.

5. Relationship with External Auditor

- 5.1 The Committee provides a link between the external auditor and the Board and has the responsibility and authority for the appointment and removal of the external auditor and to review the terms of its engagement.
- 5.2 The Committee is responsible for overseeing the Company's external audit policy, a copy of which is attached as Annexure 1.

6. Access to information and independent advice

- 6.1 The Committee has rights of access to employees, management, regulatory authorities and external auditors without management present, and the right to seek explanations and additional information from employees, management, regulatory authorities and external auditors.
- 6.2 The Committee, if necessary, instigates special investigations and, if appropriate, hires appropriate personnel to assist in providing any information it sees relevant to the execution of its activities.

7. Committee performance review and evaluation

- 7.1 The Board will, at least once in each year, review the membership of the Committee and the Committee may make recommendations to the Board in relation to the Committee's membership, responsibilities, functions or otherwise.
- 7.2 The Committee will make an evaluation of its performance at least once every year to determine whether it is functioning effectively by reference to current best practice. The Board will oversee this assessment, with a view to ensuring that the evaluation processes accord with best practice. Such evaluation will have regard to, amongst other matters, the extent to which the ARC Committee has met its responsibilities in this Charter.

8. Review and changes to the Charter

- 8.1 This Charter will be reviewed by the Committee on an annual basis, or as often as it considers necessary, to ensure it remains effective and meets the best practice, listing rules and the Company's needs.
- 8.2 The amendment or revocation of this Charter may only be effected by a resolution of the Board.
- 8.3 The Charter will be available on the Company's website within a reasonable time after any such updates or amendments have been approved.

Annexure 1 – External Audit Policy

1. Appointment

The ARC Committee has the responsibility and authority (subject to the Corporations Act requirements) for the appointment, reappointment or replacement and remuneration of the external auditor, as well as evaluating its effectiveness and independence.

The ARC Committee will review the appointment of the external auditor annually based on its assessment of the auditor's performance.

1. Assessment of External Auditor

The Committee will review the performance of the external auditor on an annual basis after completion of the year end audit.

In evaluating the effectiveness of the external audit, the Committee will use various criteria, including:

- the overall comprehensiveness of the external audit plan;
- the timeliness and quality of communications promised under the external audit 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 external audit plan.

The Committee will seek feedback from management during the assessment process.

2. Independence

The Committee will review and assess the independence of the external auditor, including but not limited to any relationships with the Company, or the Group that may impair or appear to impair the external auditor's judgement or independence in respect of the Company (or Subsidiary, as applicable). 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 report from the external auditor which sets out all relationships that may affect its independence, including the provision of non-audit services, financial relationships, employment and other relationships and any other matters that may reasonably be thought to have a bearing on the external auditor's independence. The report should outline any safeguards that the external auditor has in place to reduce any threat to independence to an acceptable level.

Before the Board approves the half year and full year accounts, 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 CFO, 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 policy on the engagement of the external auditor to supply non-audit services and to ensure compliance with that policy.

3. Rotation of External Audit Engagement Partner

The external audit engagement partner is generally required to rotate at least once every 5 years. If appropriate, the Board may, following recommendations from the Committee, extend the eligibility term of the audit engagement partner in accordance with the Corporations Act.