



**AUSTAL LIMITED
AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER**

The Audit and Risk Management Committee Charter sets out the purposes and powers of the Audit and Risk Management Committee.

1. OBJECTIVES

The objectives of the Audit and Risk Management Committee are to:

- Ensure compliance with statutory reporting responsibilities.
- Liaise with, assess the quality and review the scope of work of the external auditors.
- Enable the auditors to communicate any concerns to the Board.
- Advise the Board on the appointment of the external auditors and the results of their work.
- Assess the adequacy of accounting, financial and operating controls.
- Assess the effectiveness of the management of business risk and reliability of management reporting.
- Ensure an appropriate basis for all transactions between the group and parties related to the directors and management .
- Report to the Board any significant deficiencies identified above.

2. AUTHORITY

The Board has approved the establishment of an Audit and Risk Management Committee. Within the scope of its responsibilities, the Audit and Risk Management Committee is authorised to:

- Seek any information from any employee or any external party.
- Obtain legal or other professional advice.
- Require the attendance of any Austal employee at its meetings.

3. **FORMAT**

3.1 Membership

The Audit and Risk Management Committee will consist of at least two non executive directors of the Board appointed by the Board.

The Board nominates the Chairperson of the Audit and Risk Management Committee.

A quorum consists of two nominated members.

Formal minutes of each meeting will normally be taken by the Company Secretary.

3.2 Attendance by Others

The Chief Executive Officer, and/or the Chief Financial Officer / Company Secretary may be invited to attend each meeting of the Audit and Risk Management Committee but will not be entitled to a vote.

The Audit and Risk Management Committee will invite the external auditors to attend Committee meetings as appropriate.

3.3 Meetings

The Audit and Risk Management Committee will normally meet four times a year or at the request of Management, any Committee or Board member or the external auditors.

4. **ROLES AND RESPONSIBILITIES**

The primary function of the Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing financial reports, the systems of internal controls and risk management which management and the Board of Directors have established, and the audit process.

The principal roles and responsibilities of the Committee are:

4.1 Financial Reporting

4.1.1 *Statutory Reporting*

- Review the half yearly and annual financial statements, determine whether they are complete and consistent with the information known to committee members and assess whether the financial statements reflect appropriate accounting principles.

- Review the other sections of the annual report and any statutory (financial) report before its release and consider whether the information is understandable, compliant with various statutory and ASX reporting requirements and consistent with members' knowledge about the company and its operations.
- Discuss the results of the various audits with the external auditors.

4.1.2 ASX Announcements

- Review ASX announcements regarding financial reporting.
- Assess the fairness of the preliminary and interim statements and disclosures.
- Monitor compliance with Austal's continuous disclosure obligations.

4.1.3 General

- Review significant accounting policies and procedures
- Review significant accounting, taxation and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Focus on judgmental areas, for example those involving valuation of assets and liabilities; warranty, product or environmental liability; litigation and other commitments and contingencies.
- Review banking covenants and reporting to banks under the Bank Facility Agreement.

4.2 External Audit

- Make recommendations to the Board regarding the appointment of the external auditors.
- Review the external auditor's identification of issues and business and financial risks and exposures.
- Review the external auditors' proposed audit scope and approach and ensure no unjustified restrictions or limitations have been placed on the scope.
- Consider the independence of the external auditor, including reviewing the range of services provided in the context of all consulting services acquired by Austal.
- Review the annual declaration of independence from the external auditor.

- Ensure that significant findings and recommendations made by the external auditors are received and discussed on a timely basis.
- Ensure that management responds to recommendations by the external auditors and agreed action items are addressed promptly.
- Review the performance of the external auditors.

4.3 Risk Management

4.3.1 *General*

- Ensure that appropriate systems are in place to monitor the entire spectrum of business risks within Austal.
- Gain an understanding of the current areas of greatest financial and business risk and review how these risks are being managed.
- Review reports from Management on the status of business risks.
- Review annually the Risk Management Plan.
- Review the “Authorisation Limits” from time to time and approve any changes to the Authorisation Limits.

4.3.2 *Internal Controls*

- Determine if the appropriate internal control systems have been established by management.
- Monitor compliance of the internal control procedures.
- Confirm that internal control recommendations made by external auditors have been addressed by management and agreed action items implemented.
- Consider with the management and external auditors any fraud, illegal acts, deficiencies in internal control or other similar issues.

4.3.3 *Compliance with Policies, Laws and Regulations*

- Review the effectiveness of the system for monitoring compliance with policies, laws and regulations and the results of management’s investigation and follow-up (including disciplinary actions) of any fraudulent acts or non-compliance.
- Obtain regular updates from management regarding compliance matters.
- Be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements.
- Review the findings of any examinations by regulatory agencies.

4.4 Corporate Governance

- Review documents and policies created by the Board that deal with corporate governance.
- Evaluate whether there is an appropriate attitude by the executive management and whether the Board emphasizes the importance of ethical business conduct.
- Ensure that audit programs include monitoring compliance with codes of conduct and other Board policy statements.
- Periodically obtain updates regarding compliance.

4.5 Related Party Transactions

- Ensure related party transactions (if any) are on normal commercial terms and are not detrimental to Austal.

5 REPORTING RESPONSIBILITIES

The Audit and Risk Management Committee shall:

- Regularly update the Board about its activities and make appropriate recommendations.
- Ensure the Board is aware of matters which may significantly impact the financial condition or affairs of the business.

6 OTHER RESPONSIBILITIES

The Audit and Risk Management Committee will:

- If necessary, institute special investigations and, if appropriate, hire special counsel or experts to assist.
- Review and update the charter and receive approval of changes from the Board.
- Evaluate the Committee's own performance on a regular basis.