



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

1. ROLE OF THE COMMITTEE

The Board of Directors of Austal Limited (**Company**) has established the Audit and Risk Management Committee (**Committee**). The primary function of the Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing, monitoring and, where appropriate, making recommendations in relation to:

- the Company's financial reporting processes to ensure the integrity, accuracy and timeliness of the Company's financial accounts;
- the Company's relationship with its external auditors;
- the internal controls, policies and procedures the Company uses to identify and manage business risks; and
- the policies and procedures for ensuring compliance with relevant regulatory and legal requirements.

The Committee's obligations in relation to the recognition and management of risk will be achieved by overseeing the Company's overall corporate governance framework.

2. RESPONSIBILITIES

The principal roles and responsibilities of the Committee are as follows:

Financial review:

- to review the Company's half yearly and annual financial statements; determine whether they are complete and consistent with the information known to the Committee members and external auditors, and assess whether they reflect appropriate accounting principles;
- to review all relevant sections of the annual report and any statutory financial report before its released and consider whether the information is understandable, compliant with the various statutory and ASX reporting requirements and consistent with Committee members' knowledge about the Company and the operations;

External Audit:

- To consult with management and recommend to the Board the appointment of the external auditor and review the terms, appointment, independence and fees of the external auditor;
- to review the planned external audit scope in order to:
 - ensure no unjustified restrictions or limitations have been placed on the scope; and

- maximise its utility in identifying and addressing issues of internal control, fraud, other illegal acts or non-compliance with other legal requirements;
- to review all management letters issued by the external auditors and review any significant recommendations by the auditors to strengthen the internal controls and reporting systems of the group;
- to review the performance of external auditors jointly with management to ensure that there are no issues that could materially affect the audited financial accounts and that there is a good working relationship between management and the auditors;
- to consider and make recommendations regarding the reappointment or removal of external auditors;

Independence of the external auditor and provision of non-audit services

- To periodically assess the independence of the external auditor by considering the relationships and services provided by the external auditor that may lead to an actual or perceived lack of independence;
- to receive and review a confirmation from the external auditor stating that the external auditor has complied with all professional and regulatory requirements relating to auditor independence prior to the completion of each year's accounts;
- to recommend to the Board the appropriate disclosure in each year's accounts of the full details of fees paid to the external auditor, including an analysis of non-audit services, and provide written advice to the Board assessing whether the provision of non-audit services by the external auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*, and has not compromised that independence, together with reasons upon which that advice is based;
- to require that the lead external audit engagement partner be rotated every five years, or more frequently if the Committee considers it desirable to maintain the external auditor's independence;
- to require, in addition to normal recruitment due diligence processes, that the appointment of any present or former employee of the external auditor to a senior position within the Company be approved in advance by the Chair of the Committee;

Internal audit & risk management:

- to ensure that appropriate systems and procedures are in place to identify, monitor and mitigate the Company's operational and financial risks;
- to review management's internal control programmes, processes and policies which deal with the company's accounting and financial reporting systems;
- to review any relevant changes in accounting policies or practices and the impact of those changes on the financial accounts of the Company;
- to review significant accruals, provisions and estimates or other issues which are subject to judgment and affect the financial accounts (for example those involving valuation of assets and liabilities; warranty, product or environmental liability; litigation and other commitments and contingencies);

Compliance/Corporate governance:

- to review documents and policies issued by the Board that deal with corporate governance and evaluate whether there is an appropriate attitude by the Management towards governance principles;
- to review compliance with the Company's published policies and codes of conduct, the laws and regulations in the jurisdictions in which the Company operates and the results of management's investigations into any apparent breaches of these obligations. The Committee will obtain updates from management regarding compliance matters, and will ensure it is satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements;
- to monitor and review the disclosure and propriety of related party transactions;
- to review draft ASX announcements that pertain to the reporting of interim and full year financial results to ensure they accurately reflect the contents of the statutory financial reports, assess the fairness of the preliminary and interim statements and disclosures and monitor compliance with Austal's continuous disclosure obligations;
- to consider any other matter which, in its judgment, should be taken into account in reaching its recommendations to the Board concerning the approval of the financial accounts; and

Technology and cyber risk

- to ensure technology risks are appropriately identified and that appropriate mitigation measures are in place;
- to ensure identification of, and adherence to appropriate external standards in relation to cyber risks and cyber protection; and
- to ensure appropriate measures are in place to identify, mitigate and limit cyber risks.

3. STRUCTURE AND COMPOSITION

Membership

The Committee will be appointed by the Board and will consist of at least three non-executive directors, the majority of whom will be independent Directors.

All members of the Committee must be financially literate (ie. able to read and understand financial statements). At least one member of the Committee must be a qualified accountant, or the Chair must ensure that the Committee has access to an appropriately qualified person to assist with its work.

The Chair of the Committee will be an independent director appointed by the Board. The Chair of the Board shall not be eligible to be appointed Chair of the Committee.

A quorum consists of two nominated members.

The Company Secretary will be the Secretary of the Committee. The Company Secretary will provide minutes of each meeting to all the members of the Committee.

Attendance by Others

The Chief Executive Officer and Chief Financial Officer may be invited to attend each meeting of the Audit and Risk Management Committee but will not be entitled to vote at Committee meetings.

The Committee will invite the external auditor to attend Committee meetings as appropriate.

Meetings

The Committee will normally meet four times a year or at the request of management, any Committee or Board member or the external auditor.

Tenure

The appointment of all committee members will be reviewed after they have served on the Committee for a period of 2 years or until the first Committee meeting after their second AGM as a Committee member, whichever comes last.

4. AUTHORITY

Within the scope of its duties, the Committee is authorised by the Board to:

- Seek any information from any employee or any external party;
- Obtain legal or other professional advice at the cost of the Company, subject to the approval of the Committee Chairman; and
- Require the attendance of any Austal employee at its meetings.

The Committee will, if necessary, institute special investigations and, if appropriate, hire special counsel or experts to assist. The Committee will at least annually, review and update this Charter as required and propose any changes to the Board. The Committee will ensure proper tools are put in place to evaluate the Committee's own performance on a regular basis.

5. REPORTING RESONSIBILITIES

The Committee will regularly update the Board about its activities and make appropriate recommendations. The Committee will provide copies of the minutes of its meetings to the Board and will ensure the Board is aware of matters which may significantly impact the financial condition or affairs of the business.

6. SELF ASSESSMENT

The Committee shall assess its effectiveness periodically with a view to ensuring that its performance accords with Best Practice and the expectations of the Board.

The Committee shall annually review this charter to consider its accuracy, utility and alignment with the activities of the Committee.