



## Austal Limited (ASX: ASB) Corporate Governance Statement - 2020

### Introduction

Austal Limited (the **Company**), its Board of Directors (the **Board**) and senior management are committed to the best practices of corporate governance, ethical standards, corporate social responsibility and risk management. This Corporate Governance Statement sets out the Company's approach to corporate governance.

In reporting on corporate governance for the financial year ended 30 June 2020, the Company has elected to place this Corporate Governance Statement along with the Company's first Environmental, Social and Governance Report (**ESG Report**) on its website instead of including it in the Annual Report. However, further information about the Directors and the Company's approach to corporate governance can be found elsewhere on the Company's website and in its Annual Report.

The Board of Austal Limited is responsible for guiding and monitoring of the consolidated entity on behalf of shareholders. Oversight and management of the Company's corporate governance policies and procedures is shared between the Board's Audit & Risk and Nomination & Remuneration subcommittees.

This Corporate Governance Statement is structured to specifically align with the third edition of the ASX Corporate Governance Council's (the Council) Principles and Recommendations (the "**ASX Recommendations**"), which are as follows:

- Principle 1** Lay solid foundations for management and oversight
- Principle 2** Structure the Board to add value
- Principle 3** Act ethically and responsibly
- Principle 4** Safeguard integrity in financial reporting
- Principle 5** Make timely and balanced disclosure
- Principle 6** Respect the rights of security holders
- Principle 7** Recognise and manage risk
- Principle 8** Remunerate fairly and responsibly

In accordance with ASX requirements, as an entity with a 30 June balance date, Austal will transition to measuring its governance practices against the recommendations in the fourth edition of the ASX Recommendations over the next year in order to report compliance with the fourth edition by August 2021.

In accordance with the Australian Securities Exchange Limited ("**ASX**") Listing Rules ("**ASX Listing Rules**"), this Statement also reports on:

- the extent to which the Company has followed the Corporate Governance Recommendations contained in the ASX Recommendations; and
- the reasons for any departures from the ASX Recommendations, in compliance with the "if not, why not" regime.

The Company complies with the majority of the ASX Recommendations. In addition to setting out the particular ASX Recommendations addressed at the top of each section, a checklist summarising the Company's compliance

with those Recommendations and cross-referencing to the relevant sections of this Corporate Governance Statement appears at the end of this Corporate Governance Statement.

---

## Principle 1 – Lay solid foundations for management and oversight

ASX Recommendation addressed:	1.1
-------------------------------	-----

### 1.1 Board roles and responsibilities

In accordance with the Company’s constitution, the Board gives direction and exercises judgment in setting the Company’s objectives and overseeing their implementation. The Board’s functions are set out on the ‘Corporate Governance’ section on the Company’s website and include:

- adopting a strategic plan for the Company, including general and specific goals and reviewing actual results against that plan, which is aimed at meeting stakeholders’ objectives and managing business risk.
- Establishing and maintaining policies directed to ensuring that the Company complies with the law and conforms to the highest standards of financial and ethical behaviour.
- Reviewing the Company’s reporting systems and internal controls (both operational and financial) together with appropriate monitoring of compliance activities to determine these systems and controls are adequate and appropriate.
- Ensuring that significant risks are identified, assessed, communicated and appropriately managed and monitored.
- The appointment, performance assessment and, if necessary, removal of members of the executive management team.
- Determining and implementing appropriate delegations of authority from the Board to the management to enable their respective functions to be effectively carried out.
- Agreeing key performance indicators (both financial and non-financial) with management and monitoring progress against these indicators.
- Reporting to shareholders.

### 1.2 Functions of Management

Other than as specifically reserved to the Board, responsibility for the operation and administration of the Company is delegated by the Board to the CEO and the executive management team, who are accountable to the Board through the CEO.

The functions reserved to senior management are summarised as follows:

Functions	CEO (Managing Director) Responsibilities
Corporate strategy, reporting and operations	<ul style="list-style-type: none"><li>• Develop strategies for the Group to maintain a strong balance sheet and sound credit rating over time and make recommendations to the Board for preservation and increase in shareholder value</li><li>• Review and make recommendations to the Board on significant operational changes, major capital expenditure, and acquisition and divestments above delegated thresholds</li><li>• Develop the Group’s annual budget for Board approval</li></ul>

- Manage and administer day to day operations of the Group within the Board approved strategies, risk appetite and budget
- Exercise additional powers as delegated by the Board

People	<ul style="list-style-type: none"> <li>• Assign responsibilities clearly to the Austal executive management team and ensure accountability for those responsibilities is with the people best able to meet them</li> <li>• Drive continuous improvement in the executive team and the organisation as a whole, and supervise and report to the Board on the performance of executive management</li> <li>• Ensure proper allocation of resources to maximise returns to shareholders while mitigating business exposure</li> </ul>
Risk and compliance	<ul style="list-style-type: none"> <li>• Develop and maintain the Group's risk management systems, including internal compliance and control mechanisms</li> <li>• Demonstrate to the Board that the risk management systems are working effectively</li> </ul>
Stakeholder communications	<ul style="list-style-type: none"> <li>• Drive compliance with the Group's compliance and other continuous disclosure obligations in accordance with Board-approved policies</li> <li>• Regularly report to the Board with timely and effective information, such that the Board is fully informed to discharge its responsibilities</li> </ul>

#### 1.4 Performance review

ASX Recommendations addressed:	1.3, 1.4, 1.6, 1.7, 2.6
--------------------------------	-------------------------

The performance of key executives is reviewed regularly against both quantitative and qualitative indicators. All executives are subject to formal performance reviews conducted by the CEO on an annual basis, and the results of those reviews are shared with the Nomination and Remuneration Committee as appropriate. From FY2018 onwards, the remuneration of direct Reports to the CEO is also reviewed and approved by the Nomination and Remuneration Committee. The performance criteria against which they are assessed are aligned with the financial and non-financial objectives of the Company.

Each Board member, and the Board together, are also the subjects of annual performance review and evaluation. The results of such Board reviews and assessments are discussed annually at meetings of the Board and the Nomination & Remuneration subcommittee to ensure any opportunities to broaden the Board's collective capability are addressed. The performance criteria and skills matrix against which Directors are assessed are also aligned with the financial and non-financial objectives of the Company. Directors who would benefit from additional professional development may be offered additional training or opportunities. Directors whose performance is consistently unsatisfactory may be asked to resign.

The performance of both the executives and Directors was assessed during the year in accordance with the above process. Following the appointment of Sarah Adam-Gedge as Deputy Chair of the Company in 2018, the Board is satisfied with the outcome of those assessments and the performance of the Company's executives and Directors.

The Company has written engagement letters in place with each director and all executive managers based in Australia, the Philippines and Vietnam. In accordance with customary practice in the USA, the engagement of senior executives in the Company's US operations is not necessarily the subject of formal written agreements.

In accordance with ASX Recommendation 1.4, the Company Secretary has a direct reporting line to the Chairman on matters to do with Board operations. Each director is able to and does communicate directly with the Company Secretary, and appointment or removal of the Company Secretary is by resolution of the Board.

## 1.5 Diversity at Austal

ASX Recommendation addressed:	1.5
-------------------------------	-----

Austal recognises that developing a diverse workforce is critical in building its organisational capability and maintaining a high level of performance, and values the distinctive skills, experiences and perspectives each individual brings to the workplace. The Company is committed to ensuring all employees are treated with respect and given equal opportunities for employment and development, and the Board has adopted an Equity and Diversity policy which can be found on the Company's website.

In accordance with the Company's Code of Conduct, employment and remuneration are based on merit, qualifications, skills and experience so that equally qualified personnel can be confident of their standing in the Company, and value to the Company, regardless of their gender, racial background, age, religious beliefs or other values.

The Company has set a target of 25% women employees across the Australian workforce. The Company has determined that a target of 25% across all disciplines would create the possibility of a ship design and construction being completed by an all-female project team. We call this our **Pink Ship initiative**.

Austal also focuses on improving diversity through workplace practices including:

- Employment of personnel with particular needs (for example, persons with hearing impairments), both through the Commonwealth Rehabilitation Service and through direct recruitment.
- Offering flexible working hours (for example, in 2018 the Company introduced a nine day working fortnight to allow employees to spend more time in non-work related activities. This program has been a real success with minimal impact to the business and positive feedback from the workforce).
- Employment of part time workers and facilitating work from home where appropriate.
- Multiple additional initiatives and commitments as set out further in the Company's ESG Report.

In addition, the Company supplements these practices with specific initiatives targeted at increasing the number of women in the workplace (particularly in tradesmen and women and apprenticeship roles) and veterans who have service in the Australian Defence Forces in Australia, and other veterans in the USA. The initiatives adopted include:

- partnerships with TAFEs and Apprentice-Centre to gain access to female apprentices;
- secondment of Defence Force personnel in order to provide those personnel with additional training and exposure to an industry workplace, as well as gaining insight into Defence training and expectations;
- becoming an employee sponsor of Australian Government P-TECH school initiative for Cecil Andrews College, WA;
- building relationships with high-schools in the area surrounding the Company's Australian operations in Henderson, Western Australia to provide opportunities to young women as part of encouraging them to select a career in a trade or traineeship; and
- implementation of a graduate program that focuses on gender targets for yearly intake.

The initiatives adopted for increasing veteran participation include:

- Being an employee sponsor of the Australian Government Veterans Employment Program;
- Membership of the Defence Industry Focus Group; and
- In the USA, offering Veterans-only apprenticeships and partnership with the US Disabled Veterans Administration to improve Austal's ability to source and recruit disabled veterans as part of its workforce.

Further details on all of the above initiatives can be found in the Company’s ESG Report at [www.austal.com](http://www.austal.com)

The Company emphasises equal opportunity for employment. In addition to the representation by Sarah Adam-Gedge on the Company Board, in 2020 the Company appointed Ms Allison Stiller to the board of its 100% owned US subsidiary, Austal USA LLC. This company is Austal’s principal operating entity in the USA and Ms Stiller joins that board after a career spanning several decades in the US Department of the Navy, including as Deputy Assistant Secretary of the Navy for Ship Programs and most recently as Principal Civilian Deputy Assistant Secretary of the Navy Research, Development and Acquisition. In that role Ms Stiller had responsibilities that included oversight and policy for Navy and Marine Corps research, development, and acquisition programs for shipbuilding, aviation, space, weapon systems, and communication systems.

Women are also represented in other roles. Women currently occupy professional, management and senior management roles across the business in the following numbers:

Business Unit	% of Senior Management roles filled by women	% of Management roles filled by women	% of professional roles filled by women
Australian Operations	11%	10%	30%
USA Operations	15%	11%	25%
Philippines Operations	14%	10%	8%
Vietnam Operations	0%	1%	10%

For the purposes of the above table, anyone who is either a direct report to the CEO, or a direct report to a direct report to the CEO is considered to be a Senior Manager. In light of the size of Austal’s US operations, this approach is duplicated in the US so that anyone who reports to the Company’s US President, or is a direct report to the Company’s US President, is considered to be a Senior Manager in the USA. Managers below this level in the organisational structure are deemed to be ‘management roles’. This is consistent with the descriptors used in the Company’s report to the Federal Government’s Workplace Gender Equality Agency (**WGEA**).

The Company has obtained certification of compliance with the *Workplace Gender Equality Act 2012 (Cth)* from the WGEA. A copy of the gender diversity report that the Company submitted to the agency can be found under the Corporate Governance tab on the Company’s website.

The Board will continue to embrace diversity within the Company’s workforce as the Company and its activities grow and appropriately skilled candidates are available.

## Principle 2: Structure the Board to add value

ASX Recommendations addressed:	1.2, 2.1, 2.2, 2.3, 2.4, 2.5, 2.6, 8.1
--------------------------------	--

### 2.1 Appointment of Directors

To ensure that the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of Directors and for the operation of the Board. Identification of potential Board candidates is subject to the verification of the candidate’s experience as well as informal references as to character and particular skills.

Proposed new Directors are nominated by the Nomination and Remuneration Committee and approved by the Board prior to being appointed. The appointment is until the next General Meeting of shareholders at which time the shareholders are required to approve the appointment. Details of each Director’s experience and expertise are available on the Company’s website, in the Directors Report as part of the Annual Report and, if a Director is put forward for re-election, in the relevant Notice of Annual General Meeting.

Newly appointed directors are all provided with relevant corporate governance and onboarding documentation prior to commencement with the Company, and are provided with a detailed synopsis of the business and operating environment by both the CEO and the Chairman as part of the appointment process.

Following their appointment, new directors are also familiarised with the Company’s facilities, provided with background information in relation to the Special Security Agreement that exists between the Company and its US operating subsidiary and given briefings from the executive team on a regular basis.

## 2.2 Nomination and Remuneration Committee

The Nomination and Remuneration Committee has 4 members, comprised of three independent Directors and the Non-Executive Chairman. As at 30 June 2020, the Committee members were:

- Ms Sarah Adam-Gedge (Committee Chair)
- Mr Giles Everist
- Mr Chris Indermaur
- Mr John Rothwell AO

The Nomination and Remuneration Committee reviews and makes recommendations to the Board in relation to candidates for vacant Board positions, remuneration of Directors and key executives, Board evaluation processes and succession planning. The Nomination and Remuneration Committee undertook a comprehensive review and restructure of the Company’s remuneration practices in 2019 which has resulted in a relative increase in the proportion of remuneration received as equity across the Management team, and an overall reduction in the CEO’s remuneration package.

The Nomination and Remuneration Committee’s functions are described in its charter, which is reviewed and updated annually and published on the Company’s website. In accordance with the committee charter, the Nomination and Remuneration Committee is responsible for identifying the skills and capabilities needed on the Board in the event of a Board vacancy arising. It is also responsible for ensuring that the Board possesses the required skills, experience and balance required for the Company to conduct its business in a manner consistent with the interests of shareholders. In doing so it has developed a skills matrix setting out the skills considered important for board members to bring to the company, along with an assessment of the relative importance of each skill. Nomination of particular skills as being of ‘medium’ importance should not imply that the Company does not consider them important – but that there are more direct measures (such as having dedicated management expertise or other resources in place) to address that element of the business.

The skills matrix is set out below.

Skill	Requirements Overview	Importance
<b>Professional Director Skills</b>		
<b>Risk &amp; Compliance</b>	Identify key risks to the organisation related to each area of operations and manage through the development of appropriate policy parameters. Ability to monitor risk and compliance, and knowledge of legal and regulatory requirements.	Medium
<b>Financial &amp; Audit</b>	Experience in accounting, tax and finance; ability to analyse statements, assess financial viability, contribute to financial planning, oversee budgets, oversee funding arrangements.	High
<b>Strategy</b>	Ability to identify and critically assess strategic opportunities and threats to the organization. Develop strategies in context to AUSTAL policies and business objectives Review and assess M&A opportunities and organic growth potential.	High

<b>Legal</b>	Basic understanding of corporate, industrial and contractual legal obligations, commercial applications and governance environment.	Medium
<b>Digital &amp; Technology</b>	Knowledge of IT Governance including privacy, data management and security	Medium
<b>Executive Management</b>	Experience in evaluating performance of senior management, and oversee strategic human capital planning. Experience in industrial relations and organizational change management programs.	Medium
<b>Government Relations &amp; Public Policy</b>	Experience in political lobbying or advising key government stakeholders on business, policy, legislation or regulation. Experience in managing significant government transactions.	High
<b>International</b>	Experience in international relations and managing cultural diversity. Ability to assess and interpret challenges and opportunities outside of the Australian domestic market.	Medium
<b>Industry Specific Skills</b>		
<b>Shipbuilding</b>	Experience in shipbuilding design, build and support.	Medium
<b>Defence</b>	Knowledge of Australian defence networks and stakeholders. Ability to consider how present defence policies, processes and methods could affect future developments and trends of the organisation.	Medium
<b>Manufacturing</b>	Experience in heavy manufacturing processes and systems	Medium
<b>Work Health and Safety</b>	Understanding of WHS obligations, relevant safety measures and standards and reporting	Medium
<b>Interpersonal Skills</b>		
<b>Leadership</b>	Make decisions and take necessary actions in the best interest of the organisation, and represent the organisation favorably. Analyse issues and contribute at board level to solutions.	High
<b>Ethics and Integrity</b>	Understand role as director and continue to self-educate on legal and regulatory responsibilities; ability to maintain board confidentiality, declare any conflicts.	High
<b>Contribution</b>	Ability to constructively contribute to board discussions and communicate effectively with management and other directors.	Medium
<b>Negotiation</b>	Possess excellent negotiation skills, with the ability to drive stakeholder support for board decisions.	High
<b>Crisis Management</b>	Ability to constructively manage crises, provide leadership around solutions and contribute to communications strategy with stakeholders.	Medium

<b>Diversity and Board Experience</b>		
<b>Board Composition</b>	Composition of board members addresses the diversity measures of age, gender, culture and disability.	Medium
<b>Previous Board Experience</b>	Director experience and completion in formal training in governance and risk.	Medium

There are 5 members of the Board, being 3 Independent Directors and 2 Directors who are not considered to be 'Independent' (as that term is described below). This means that the Company has a majority of Independent Directors as per the Council Recommendations. It is also noted that both Subcommittees of the Board are chaired by Independent Directors and each has a majority of Independent Directors.

As part of its mandate to ensure the Board maintains the required skill set and breadth of representation, the Nomination & Remuneration Committee also ensures that any opportunities for development that are identified as part of the annual Board evaluation exercise are appropriately addressed.

### **2.3 Independence**

The ASX Recommendations provide that Directors are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

In the context of Director independence, the Board considers 'materiality' from both the Company's and the individual Director's perspective. The determination of materiality is based on the Council's guidelines which include:

- whether a Director is a substantial shareholder of the Company, or affiliated with a substantial shareholder of the Company;
- whether the Director is employed or has previously been employed by the Company, the nature of that employment and the period (if any) between ceasing employment and commencing as a Director;
- whether the Director has been a member or principal of an organisation that has provided services or consulted to the Company within the last 3 years;
- whether the Director is, or is affiliated with a material supplier to or customer of the Company; and
- whether the Director has a material contractual relationship with the Company other than as a Director.

The above matters, along with any other qualitative factors which point to the actual ability of the Director to have an influence in shaping the direction of the Company, are considered when determining each Director's independence.

Based on the above criteria, the Board considers the following Directors are independent:

<b>Name</b>	<b>Position</b>
Giles Everist	Non-executive Director
Sarah Adam-Gedge	Non-executive Director
Chris Indermaur	Non-executive Director

Austal's Non-Executive Chairman is not classified as independent (as the term is used in the ASX Recommendations), however he is a founding Director of the Company and possesses extensive Australian shipbuilding experience, from which Austal's shareholders continue to benefit. Mr Rothwell has made a significant contribution to the development of the shipbuilding industry in Australia and continues to draw on his broad experience to add value to the Company. He has not been considered to be independent (as defined in the ASX Recommendations) at any point during his period as non-executive Chairman.

The Chairman's position is reviewed at least annually by the Nomination and Remuneration Committee. Following the most recent review in June 2019 and in light of the above unique skills and experience he brings to the Company, it remains the Board's opinion that Mr Rothwell is the best candidate to Chair the Company.

In August 2019 the Board also determined to appoint Sarah Adam-Gedge to the role of Deputy Chair of the Board, effective 1 September 2019. This will provide a clear alternative, independent director to Chair the Board if circumstances require it.

Directors are required to disclose any actual or potential conflicts or material personal interests on their appointment to the Board. These disclosures are required to be kept up to date. Directors with material personal interests in matters that are before the Board are excluded from consideration of the matter and from related voting processes.

All Directors are entitled to seek independent professional advice at the Company's expense if required.

## 2.4 Outside Directorships

The number of outside Directorships held by Directors is considered as part of his or her appointment and retention. Unless exceptional circumstances apply, the Company follows the Council's guidelines for acceptance of outside Directorships by Executive and Non-Executive Directors.

None of the Company's current Directors have outside Directorship commitments that exceed the Council's guidelines.

## 2.5 Board and Committee meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the 2019-20 financial year and the number of meetings attended by each Director was as follows:

	Meeting		
	Board	Audit & Risk Committee	Nomination & Remuneration Committee
<b>Number of meetings held</b>	8	4	3
<b>Number of meetings attended</b>			
John Rothwell <sup>1</sup>	8	0	3
David Singleton	8	4	3
Giles Everist	8	4	3
Sarah Adam-Gedge	8	4	3
Chris Indermaur <sup>2</sup>	8	4	3

Notes to this table:

1. John Rothwell is not a member of the Audit & Risk Committee.
2. Chris Indermaur attended meetings of the Nomination and Remuneration Committee between December 2018 – June 2019 as a guest and was appointed as a member of the Nomination and Remuneration Committee on 28 August 2019.

ASX Recommendation addressed:	3.1
-------------------------------	-----

### 3.1 Ethical standards and performance

The Board acknowledges the need for continued maintenance of the highest standards of corporate governance practice and ethical conduct by all Directors, managers and employees of the Austal Group. The Company has adopted a Director's Code of Conduct under which Directors are expected to:

- act honestly and in good faith;
- exercise due care and diligence in fulfilling the functions of their office;
- use their powers to act in the best interests of the Company as a whole;
- avoid conflicts and make full disclosure of any possible conflict of interest;
- comply with the law;
- be independent in judgement and ensure all reasonable steps are taken to be satisfied as to the soundness of Board decisions;
- encourage the reporting and investigating of unlawful and unethical behaviour; and
- comply with the share trading rules and other Company policies.

The Company has a Manager's Code of Conduct under which managers of the Company are expected to comply with similar provision to those expected by Directors.

The Company also has a general Code of Conduct that applies to all employees across the Austal Group. A summary of the Code of Conduct is published on the Company's website.

The Company has a comprehensive whistleblowing policy which encourages all employees to speak out if they have concerns about any activity, breach of law, breach of Code of Conduct, dangers to the public and any concealment of information. The Whistleblower policy was updated to meet revised legislative requirements in 2020. The Whistleblower contact/reporting facility is managed by an independent third party and is designed to make it easy for all colleagues to speak up and report anonymously without any risk to their employment or suffering any form of retribution.

The Company's Code of Conduct, Anti-bribery and Corruption and Whistle-blower Protection policies promote ethical and responsible decision-making by Directors and employees, who certify on commencing employment that they understand and comply with these policies.

### 3.2 Share Trading Policy

All employees, including Directors, are required to comply with the Company's share trading policy, which may from time to time be adjusted by the Board and applies in addition to legislative requirements and the ASX Listing Rules. The Company's Share Trading Policy is reviewed annually by the Audit and Risk Committee.

The Company's share trading policy is published on its website and includes:

- a 'blackout period' restricting trading in Company shares for the period of two months prior to the release of half year and full-year reports. Directors and employees are also restricted from trading in Company shares for 24 hours following any announcement by the Company to the ASX;

- any Director intending to buy or sell shares in the Company or any company in which the Company has an interest is required to notify the Chairman or the Company Secretary of his/her intentions before proceeding with the transaction; and
- A prohibition on dealing in the Company's securities by any employee if they are in possession of material information which is not available to the share market, but if it were, may impact the value at which the securities are traded.

---

#### Principle 4: Safeguard integrity in corporate reporting

ASX Recommendations addressed:	4.1, 4.2, 4.3
--------------------------------	---------------

#### 4.1 Audit & Risk Management Committee

As at 30 June 2020 the Company's Audit & Risk Management Committee currently had 3 members, all of whom are independent Non-Executive Directors. They are:

- Mr Giles Everist (Committee chair);
- Ms Sarah Adam-Gedge; and
- Mr Chris Indermaur.

The Committee also benefits from the attendance of the Company's auditors at all Committee meetings throughout the year.

The Audit & Risk Management Committee's functions are described in its charter, which is reviewed annually and updated as required, and published on the Company's website. They include:

- reviewing the Company's financial reporting processes to ensure the integrity, accuracy and timeliness of the Company's financial accounts;
- reviewing the internal controls, policies and procedures the Company uses to identify and manage business risks;
- reviewing and shaping the policies and procedures for ensuring compliance with relevant regulatory and legal requirements, and good corporate governance practice;
- ensuring compliance with statutory reporting responsibilities;
- assessing the effectiveness of the management of business risk and reliability of management reporting; and
- reporting any significant deficiencies in the above to the Board.

In addition to the above, the Audit & Risk Management Committee (in accordance with its Charter) annually reviews the performance of the external auditor on behalf of the Board, focusing particularly on:

- the scope and rigour of the audit;
- The quality of the service provided, considered from the shareholders' point of view; and
- The independence of the auditor.

## 4.2 Executive confirmation of accounts

Prior to the Board approving the Company's full- and half-year financial results, the Audit & Risk Committee ensures that both the CEO and Chief Financial Officer provide confirmation that the results presented:

- have been prepared in accordance with relevant accounting standards;
- give a true & fair view of the Company's financial position,

and that these views have been formed on the basis of a sound system of risk management and control that the Company has implemented and is managing appropriately. The Board is comfortable that the declarations made by the CEO and CFO in accordance with s295A are based on a sound process. To ensure the appropriate level of confidence in this process, executives across the business are required to make similar declarations to the CEO before the declaration is made to the Board.

## 4.3 Auditor attendance at AGM

It is Company policy for the auditor's lead engagement partner to be present at the AGM in the event of questions about the conduct of the audit, the preparation and content of the auditors' report, accounting policies adopted by the Company or auditor independence. The Company's legal adviser is also present at the AGM.

---

## Principle 5: Make timely and balanced disclosure

ASX Recommendation addressed:	5.1
-------------------------------	-----

### 5.1 Continuous disclosure

Austal Limited has established written policies and procedures on information disclosure. The focus of these procedures is on compliance with ASX disclosure commitments and ensuring access to relevant information for all investors. The objective is to ensure information announced by the Company is timely, factual, clear and contains all information relevant to shareholders and potential investors. The Continuous Disclosure Policy is published on the Company's website.

The CEO, with oversight from the Audit & Risk Management Committee, has responsibility for:

- making sure that the Company complies with continuous disclosure requirements;
- overseeing and co-ordinating disclosure of information to the stock exchange, analysts, brokers, shareholders, the media and the public; and
- educating Directors and staff on the Company's disclosure policies and procedures and raising awareness of the principles underlying continuous disclosure.

The Company releases all price sensitive information through the ASX, whether as part of regulatory reporting such as financial results, notices regarding Directors interests and changes in shareholdings, or other operational information that is relevant to shareholders or anyone considering investment in the Company.

---

## Principle 6: Respect the rights of security holders

ASX Recommendations addressed:	6.1, 6.2, 6.3, 6.4
--------------------------------	--------------------

### 6.1 Shareholder communications

The Board is ultimately responsible for ensuring that the shareholders are informed of all major developments affecting the Company's affairs. The CEO is primarily responsible for liaising with the media and co-ordination of Austal's Annual Report and the AGM. The Company's share registry, communications to shareholders and ASX releases are co-ordinated by the CEO and Company Secretary.

### 6.2 Key investor engagement activities

#### (a) Annual General Meeting

Austal's AGM provides shareholders with the opportunity to vote on shareholder resolutions recommended by the Board, hear directly from the Board and CEO and also to ask questions of the Board. The Chairman and CEO's AGM presentations and voting results are also released to the ASX, and available on Austal's website.

In light of the restrictions brought about by the Coronavirus in 2020, and changes to the law to facilitate 'remote' shareholder meetings, the Company intends to hold its first virtual AGM in October 2020.

Shareholders will be able to register and vote online or by mail before the meeting, or appoint a proxy to vote on their behalf.

#### (b) Annual report

Austal's Annual Report is released to the ASX and made available on Austal's website. Hard copies are mailed to those shareholders who have requested them. Shareholders have the option of receiving the Annual Report as well as notices of meeting and other communication by mail or electronically, or simply by accessing the Company's website.

#### (c) Regular release of financial information

Each year, Austal announces full-year results in August and half-year results in February. Results are released to the ASX, and include supplementary briefings for media and the investment community. All ASX announcements and subsequent presentations are made available on Austal's website.

To assist in updating the market between the full and half-year results, Austal releases pertinent information on vessel contracts, construction milestones and deliveries, and other relevant information to the ASX throughout the year, as events occur.

#### (d) Investor briefings

To assist the broader investment community to have a full understanding of Austal's performance and strategies, Austal attends analyst briefings on a regular basis. These briefings typically focus on the financial performance and objectives of the Company overall and each business unit, along with any specific operational matters that warrant discussion. The updates provide an opportunity for those in the investment community (including analysts, investors and shareholders) to speak directly with senior management. Relevant information is released to the ASX prior to the briefings, to ensure compliance with continuous disclosure obligations.

#### (e) Company website

The Company posts all ASX announcements on its website immediately after they are published by ASX and maintains that information on the website for 4 years. The Company's website also includes other relevant news in the form of media releases, presentations and publications and events planning in order to ensure shareholders and interested parties are up to date with the Company's operations.

In addition to the above information, the Company also publishes and updates independent research and analysis into the Company conducted by JP Morgan, Macquarie Capital Securities Australia, Euroz, Argonaut and Hartleys Australia to ensure stakeholders and those considering investment obtain a balanced view of the Company's affairs and future prospects.

The Company's website also provides information about corporate governance practices and strategies through a specific 'Corporate Governance' tab. Copies of relevant corporate governance policies, past and current annual reports, dividend reinvestment plans, director biographies and committee charters are also set out on the website.

**(f) Shareholder enquiries**

Shareholders are able to raise queries directly with the Company through an email link on the website ([investors@austal.com](mailto:investors@austal.com)), or by calling or writing to the company directly. Queries are generally referred to the Investor Relations team or Company Secretary as appropriate.

Link Market Services Ltd remains the Company's share registry provider following a change from Advanced Share Registry Ltd in June 2018.

---

## Principle 7: Recognise and manage risk

ASX Recommendations addressed:	7.1, 7.2, 7.3, 7.4
--------------------------------	--------------------

### 7.1 Risk management and internal control

The Board shapes and oversees the Company's risk appetite and reviews internal processes and procedures to satisfy itself that management has developed and implemented a thorough system of risk management and internal control. The Board has delegated the specific responsibility of overseeing the Company's risk profile and management to the Audit & Risk Committee. The Audit & Risk Committee is described in more detail in the discussion of Principle 2 above.

The Audit & Risk Committee charter provides that among other things, the Committee is responsible for:

- ensuring that appropriate systems and procedures are in place to identify, monitor and mitigate the Company's operational and financial risks.
- Reviewing management's internal control programmes, processes and policies which deal with the company's reporting systems.

In carrying out its risk management duties, the Audit & Risk Committee is entitled to seek any information it considers appropriate from any employee or any external party; require any employee to attend its meetings and obtain legal or other professional advice at the cost of the Company.

The Committee will, if necessary, institute special investigations and, if appropriate, hire special counsel or experts to assist.

A fundamental objective of management, overseen by the Board, is to ensure that risk management measures are embedded in its operations by investing in appropriate risk management tools and personnel, and educating the Company's employees in their roles in managing risk.

### 7.2 Risk review

In addition to these measures aimed at procedural improvement, the Company undertakes regular risk reviews that principally address risks under the following categories as they relate to the specific Australian, US or Philippines shipyard operations:

- business risks inherent to the shipbuilding industry and the sustainability of the business, including cyber risk;
- operating risks associated with sales, design and production;
- financial and tax risks; and
- specific vessel risks.

The output of these reviews forms part of the Board's development of corporate strategy to ensure that (i) risks are appropriately managed and (ii) the Company is in a position to act on strategic opportunities while minimising the Company's exposure to those risks. The Board reviews the Company's risk management framework regularly as part of its strategic discussions, and the matters that the Company has identified pose the most potential risk to the business are as follows:

- **LCS program in the USA.** LCS is Austal's biggest single contract and could be cancelled or curtailed by the US Government at any time. Austal currently has firm orders for ships up to LCS 38 (12 LCS Vessels have been delivered thus far with another 7 vessels either in construction or awaiting construction) which will extend the company's production program in the USA until FY2024. The US Government has announced that no further LCS will be awarded after completion of the vessels currently under construction.

- **EPF program in the USA.** The currently stated acquisition program for the EPF vessel is for 14 ships (EPFs 13 and 14 were awarded to Austal in March 2019). Austal has been exploring new applications for EPF variants for sale to both the US Government and others around the world with some success, as EPF14 will be designed and constructed as a medical variant of the existing EPF platform. Austal has also been working with the US Navy in developing capability enhancements for potential future use on these vessels (such as preparing these vessels to embark the V-22 Osprey aircraft) however no commitments have been made in relation to future versions of this vessel and it is possible that no further orders are received.
- **Steel shipbuilding in the USA.** In June 2020 Austal announced a major investment in its US shipyard, supported by a grant from the US Department of Defense that will enable it to build steel ships in Mobile, Alabama for the first time. While this significantly increases the shipyard's capability and expands the range of opportunities for Austal to bid on, this investment should not be seen as any kind of guarantee or commitment from the US Department of Defense that future programs will be awarded to Austal USA.
- **Commercial Ferries.** The commercial high speed aluminium ferry business is a significant market for Austal and provides significant workload to both the Philippines, Vietnam and Australian shipyards. The ferry industry can be adversely affected by economic, political, social, security and other factors which delay or eliminate future orders for vessels or even cancellations of current vessels and the global COVID-19 pandemic is likely to depress the new vessel market for some years to come. Closure or contraction of this market, or substantial contraction of the order book generally, could force a closure of shipyards or severe curtailment of operations.

So far however, despite the challenging circumstances brought about by the COVID-19 pandemic, Austal has not experienced cancelled or curtailed orders or projects, or indications that customers intend to take such actions. Of course, this may change as those customers' circumstances change.

This market also brings with it a risk of potential customer default based on insolvency or other commercial considerations that are less likely in contracts with government or state-owned entities. This risk is heightened in the COVID-19 context. While Austal seeks to mitigate this risk through a combination of contractual and cashflow protection measures, an unexpected repudiation or material breach by a commercial customer could pose a risk to workforce retention and operational planning, because the nature of the business means that large projects are not easily replaced or rescheduled entirely.

- **Employee retention.** Increased infrastructure activity on the east coast of Australia combined with additional shipbuilding and sustainment activity in Perth and Adelaide mean that a skilled manufacturing workforce is in high demand. As the world's largest aluminium shipbuilder and Australia's largest existing shipbuilder, with a material pipeline of orders that will keep the company busy for the immediate future, significant reductions in its workforce could impact Austal's ability to discharge its current order book. The Company has already put a number of measures in place to mitigate this risk and ensure it remains an attractive employer (the 9 day fortnight is one example) and to prevent competitors from soliciting its employees and will continue to develop additional solutions to address this risk.
- **Product Liability.** Austal's products are typically large and complex. A high degree of expertise is required in their construction but also in their operation and sustainment. The customers to which Austal sells its vessels and the environments in which our vessels are used – whether defence, paramilitary or commercial – are equally demanding. The risk of product failure or fault applies to every manufacturing business, however the unique complexities of large vessel design and construction, and the particularly taxing conditions in which Austal's vessels operate generally mean that the potential consequences of any issues with either construction or operation are significant.

Austal has a comprehensive insurance portfolio in place to mitigate this risk but coverage is subject to typical limitations, so material claims arising from either construction issues, or by third parties following operational issues, could require Austal to either undertake significant remedial or restorative work at its own expense, or potentially pay compensation to third parties if insurance coverage is restricted, delayed or not available.

- **COVID-19 impacts.** All of the Company's operations have been affected in some degree by generic restrictions such as social distancing requirements, working from home, community lockdowns and other limitations on personnel movement and workforce attendance. To date, these have generally been managed by the management teams at individual sites with corporate sponsorship and oversight to ensure alignment. As an illustration, some projects in Asia and Australia have been delayed due to an inability of key suppliers and third parties to travel and the lockdown of local agencies. However Austal has proactively engaged with customers and suppliers alike, and has so far succeeded in mitigating the real impact of these restrictions on financial returns.

However 'second wave' spikes in Australia and around the world demonstrate that the risk of severe impact on the business, its supply chain and indeed its customers remains. As a defence contractor, Austal has been somewhat insulated from the immediate impacts due to exemptions noting its status as an essential service, however the COVID-19 situation is fluid and this may change at any time.

- **Tax treatment in Australia, USA and other jurisdictions.** Austal believes that it has met its tax obligations in the jurisdictions that it operates which includes cross border tax arrangements currently under scrutiny by authorities around the world including the ATO (Australia) and the IRS (USA). However given the increased scrutiny and focus of national governments on base erosion and profit shifting, there is always a risk that tax authorities in the jurisdictions in which Austal operates will take a different view to that of the Company, as demonstrated by the current engagement with the Australian Taxation Office which is disclosed in the notes to the financial accounts
- **Health, safety and environment.** Austal is exposed to typical health and safety risks associated with the operation of major manufacturing facilities like shipbuilding yards. Potential safety events include those arising from working from heights and in confined spaces, operation of lifting machinery, fabrication tools and the use of hazardous substances. Further, given the nature of Austal's operations, particularly their close proximity to waterways, there is also risk of impacting the surrounding environment.

Austal has a number of measures in place to mitigate these risks. Austal has Safety, Health and Environment Management Plans that underpin all of Austal's operations and clearly outline its health, safety and environment strategies. The HSEQ Plans are monitored by HSEQ teams at each shipbuilding facility. Austal's ongoing focus is achieving 'Zero Harm and Zero Waste' and ensuring it meets applicable health and safety and environmental legislative standards.

Austal has a certified management system to OHSAS 18001 and AS/NZS 4801. Austal also has a formal Risk Management Framework, designed in accordance with ISO31000: *Risk Management – Principles and Guidelines*, which is aligned to Australian Defence standard ABR6492 and the Royal Australian Navy Technical Regulations Manual. Austal considers itself an industry leader in overall safety performance however it is acknowledged that as an industrial manufacturer, a degree of risk will always be present.

- **Cyber security.** Austal's production of vessels for the US, Australian and other governments means that it handles sensitive information regarding people and vessels, and can mean that information is used in vessel operation. Austal has established information handling policies and standards and cyber security measures that seek to prevent the disclosure and theft of such information. However third parties retain the ability to access even the most well protected systems and create levels of interference or public disclosure which may include but are not limited to, demands of large financial payments or interruption of service.
- **Significant accounting judgments and estimates** - the assessment of contract revenue in accordance with the Group's accounting policies requires certain estimates to be made of total contract revenues, total contract costs and the current percentage of completion, which if ultimately inaccurate will impact the level of revenue recognised in the Profit and Loss for FY2020 and future reporting periods.

Significant judgement is required in relation to the determination of cost contingencies that are included within the estimated total contract costs and hence profits of each vessel project. The Group includes contingencies in individual vessel projects to allow for risks associated with estimates of material volumes and costs, labour hours including productivity improvements from ship to ship in multi-vessel programs, labour rates, potential penalties for contractual commitments or other risks that may be identified for each individual project on a case by case basis. Estimates of the contingency required for

each individual vessel are made based on the identified risks associated with each individual vessel and the milestones that have to be achieved.

Contingencies will either be consumed or released as progress is made on each vessel, and the risks are either realised or retired and / or certain milestones are achieved. Successful mitigation of the risks and / or successful achievement of the milestones can typically only be determined in the latter stages of the completion of each particular vessel. In the event that initial contingency estimates do not adequately cover cost increases, then the profit recognised on the relevant vessel will decrease in future reporting periods. To the extent that the revised EAC cost is lower than the original estimate then the profit will increase in future reporting periods.

- **Negative outcome of the regulatory investigation.** As initially announced to the ASX in January 2019 and in a number of updates since then, Austal Limited and Austal USA and some of their officers are currently the subject of investigations by ASIC in Australia, and the Department of Justice and the Securities Exchange Commission in the USA. Limited detail has been provided by regulators, however the investigations are centred on:
  - the Company's disclosures to the ASX, in particular around:
    - the calculation of earnings from 2009 to 2017;
    - whether, in announcing a writeback of profits in July 2016, the Company sought to attribute cost increases to the additional construction costs required to meet US naval vessel rules and ability to withstand shock, when other factors such as adjustments to estimates at completion had a greater impact; and
    - in the USA, the allocation and recovery of costs on the LCS program, profit reporting to the Australian parent company and certain procurement measures for equipment to be installed on board US projects.

Austal is not aware of any wrongdoing and has not been provided with details of the specific matters currently being investigated, however it is possible that those proceedings could lead to civil or criminal penalties, damages, and/or suspension or debarment from future U.S. Government contracts. Austal's financial provisions are also based on an assumption that the matter does not proceed beyond an investigation so a change to this position could increase the costs of managing the matter. Any of these potential changes could have a material adverse effect on its consolidated financial position, results of operations, or cash flows.

### 7.3 Risk Management

As a company with operations across the world Austal has an exposure to economic and political risks in the form of currency movements and supplier & customer security. The Company has a robust system of financial and procurement procedures and policies in place to ensure foreign exchange and procurement risks are managed effectively. These measures work to manage risk in combination with the Company's codes of conduct and guidelines for employment, insurance program business management system to manage other risks that are not strictly financial.

The Company also has comprehensive Health, Safety, Environment and Quality Management Plans ("HSEQ Plans") in place, overseen by a dedicated HSEQ team at each of its shipbuilding facilities. The HSEQ Plans underpin all of Austal's operations and provide clarity on Austal's general health, safety and environmental strategies. HSEQ teams have developed extensive HSEQ risk registers and are charged with ensuring the mitigation measures identified in the registers for each facility are implemented. The Company educates the entire workforce regarding the importance of safety, health and environmental management by requiring management involvement in all significant HSEQ incidents, whether or not that incident directly impacts that management function.

HSEQ risks and mitigation measures are regularly reviewed and updated, with regular HSEQ audits to ensure adoption of the measures identified. All risks and their mitigations are developed on the basis of seeking to understand their impact on the community (both internal and external), safety and the environment. As set out above, however, in light of the nature of the Company's business, some risks can only be mitigated (rather than removed entirely), hence a degree of risk remains in these areas notwithstanding the considered mitigation measures in place.

The Board is satisfied with the executive's approach to and management of the risks faced by the business, based on the measures adopted for addressing those risks.

#### **7.4 Environmental and Social Responsibility**

The Company has released a stand-alone Environmental, Social and Governance (ESG) report, summarising the ESG performance of the operations of the Company and its subsidiaries for the financial year ended 30 June 2020.

The ESG report can be accessed under the 'Corporate Governance' tab at the Company's website: [www.austal.com](http://www.austal.com)

It presents a summary of key ESG issues and the Company's response to them. It aims to provide investors and all interested parties with an understanding of the material ESG objectives, risks and opportunities identified by the Company in respect of its business, as well as greater detail on what the Company is doing to address these risks and opportunities.

##### **Environment**

The Company is embedding a culture of preventing harm to the environment. The principles that underpin the Company's commitments include:

- Environmental sustainability presents opportunities for the Company, its customers and its stakeholders;
- Environmental management should be integrated into the Company's everyday operations both in developing solutions for customers and in assessing the way we conduct our operations;
- Natural resources should be conserved where possible by reusing and recycling material or, where possible not using it at all; and
- Caring for the environment means proactively preventing harm.

The Company regularly monitors environmental and social risks as they relate to the specific Australian, US, Philippines or and Vietnam operations. Specific details on the objectives identified and the measures implemented are set out in the ESG Report. The company's focus is both on designing and manufacturing products that are at the cutting edge of environmental sustainability, while also ensuring that the design, manufacture and support of these vessels and the business generally are all performed in environmentally sustainable way. The Company constantly looks for ways to improve its offering in both of these areas.

##### **Community and Philanthropy**

The Company is committed to caring for its employees, as well as respecting the communities and environment in which it operates.

As part of the Company's commitment to corporate social responsibility, each of Austal's operations around the world develop initiatives and engage in community relations in the manner that enables Austal to best influence the community around that operation.

Some of the initiatives and organisations that the Company continued or contributed to during FY2020 include:

##### **Diversity and inclusion**

- aiming to improve diversity through increasing the participation of women across the business to 25%. It has been determined that a target of 25% across all disciplines would create the possibility of a ship design and construction being completed by an all-female project team. The Company calls this our Pink Ship initiative.
- Actively looking to take on female apprentices where possible with a target of 50% of apprentices and graduates being women.
- Partnering with schools, TAFE and external training organisations to drive a higher participation of women in trades traditional filled by men. Austal has developed a training program specifically aimed at the development of fabrication skills for women and workers seeking flexible work practices – this program has been approved by the Western Australian government.

### **Injury management**

- Goal Zero is an ongoing initiative at Austal Australia designed to reinforce our HSEQ culture. Goal Zero means Zero Harm, Zero Waste. The protection of our employees, suppliers, customers, and communities is important. From the way we operate, to the products we develop, and how we deliver to customers, we always strive for Goal Zero.
- The Company strives for and continues to achieve record low Lost Time Injury Frequency Rates (LTIFR) and Medical Treatment Injury Frequency Rates (MTIFR) in our workplaces and we are recognised as a leader in safety throughout the global shipbuilding industry.

### **Community relations**

#### **Australia**

- Recruitment program and focus on the Rockingham/Mandurah area through Austal Giving and also employment of apprentices from this region;
- Sponsorship of Anglicare’s ‘Young Hearts’ program to supporting children profoundly impacted by family and domestic violence in some of Western Australia’s most vulnerable regions – focused on the areas of Rockingham and Mandurah, near Austal’s Henderson shipyard
- Partnership with schools to enable Austal naval engineers and architects to provide educational classes to Year 11 and 12 students as part of a science, technology, engineering and mathematics (STEM) program

#### **The Philippines**

- Participation in national programs to refurbish and rehabilitate local schools to improve the learning experience for students;
- Connecting with local schools and universities through offering ‘on the job’ training to students;
- Establishing and maintaining a nursery program for the production of trees to be used in offsetting development around the Philippines.

#### **United States**

- Partnering with organisations dedicated to helping clients productively re-enter their communities after being formerly incarcerated;
- Collaboration with public schools in south Alabama to provide training and employment opportunities for students;

- Participation in various programs and collaborating with various organisations to provide opportunities to other groups such as returned veterans, people with disabilities.

## Employees

Austal recognises that employee attitudes and achievements promote a positive and collaborative culture amongst Company employees. To encourage and increase employee satisfaction the Company:

- the Employee Assistance Program, which provides free and anonymous access to professional mental health consultants across Australia;
- Implementation of flexible working arrangements such as the 9 day fortnight and working from home with no impact on salaries or wages;
- Discounted health insurance for Australian employees
- offering free health insurance for all employees in the Philippines and Vietnam plus one nominated family member

Austal conducts a regular survey of all employees to measure staff alignment, engagement and obtain feedback and suggestions as to improvements to Company culture and procedures. The results of the survey are reviewed by the executive team and used to develop the Company’s policies for attraction, retention and personal development of staff.

## Supply Chain and Procurement

Where third parties are identified as being key suppliers to the Company, or where they are domiciled in areas that Austal assesses as higher risk, a full due diligence assessment is carried out before the supplier is on-boarded. This assessment covers a range of topics including the supplier’s regulatory & legal compliance, HR policies and practices and the integrity of its operations.

In November 2019 the Board approved, and the Company published its Modern Slavery Statement, which is available on the Company’s website. That statement sets out the Company’s approach to assessing and responding to the potential for modern slavery in its business. Over the next 12 months, the Company will continue to strengthen its approach to managing the risk of modern slavery including:

- Completing the development of a bespoke risk assessment tool and embedding utilisation of the tool into the supplier risk assessment process.
- Continuing training for the Australasia business unit, new employees, contractors and suppliers.
- undertaking robust assessment and evaluation of suppliers and contractors who supply Austal with products assessed in the ‘High’ category of our Product Risk Assessment matrix.

## Principle 8: Remunerate fairly and responsibly

ASX Recommendations addressed:	8.2, 8.3
--------------------------------	----------

### 8.1 Remuneration strategy

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions. The Company has implemented and will maintain a responsible, performance-based remuneration policy that is aligned with the long-term interests of its shareholders as set out in more detail in the Remuneration Report. The key objectives of the remuneration policy are to:

- strike the right balance between meeting shareholders' expectations, paying our employees competitively, and responding appropriately to the regulatory environment;
- motivate executives to pursue the long term success of the Company; and
- clearly demonstrate the relationship between executives' performance and remuneration, and the alignment of those 2 factors.

Through 2019 the Board undertook a comprehensive review of remuneration policies, practices and disclosures in the interests of all stakeholders. This review included advice from Austal's independent remuneration consultants, consultation with shareholders, management and other stakeholders. This process took over 6 months to complete, and has resulted in significant changes to all aspects of remuneration.

The scope of the review included executive and NED remuneration benchmarking, review of STI and LTI plans, metrics and vesting scales and associated policies, the alignment of Company's remuneration practices to shareholders' interests, as well as taking account of best-practices evident in the market.

The major changes were summarised in the Company's FY2019 Annual Report.

The Company's approach to remuneration, including the structuring of executive remuneration and the role of incentives, is set out in detail in the Remuneration Report that appears in the Company's Annual Report. Only executives and employees are eligible to participate in the Company's incentive schemes (whether those schemes are based on STI, LTI or employee share plans). Non-Executive Directors are currently paid a fixed fee which does not include any performance-based remuneration, in order to maximise the benefit of their independence and eliminate the potential for conflicts of interest to arise. 25% of Non-executive Directors' fixed fees is paid in equity, in the form of share rights, until they accumulate a shareholding at least equal to one year's base remuneration. This allows Non-executive Directors to build up a meaningful shareholding in the Company without compromising their independence, thus improving alignment between the long term interests of shareholders and the execution of duties by Non-executive Directors. These share rights are not tied to any performance hurdles.

Those employees who are eligible for equity rights under the Company's Long and Short Term Incentive Plans are prohibited by the Plan rules from entering arrangements to limit the participant's exposure in relation to those entitlements. They are also subject to extensive restrictions on disposal after any vesting occurs.

The Board also retains broad discretion to determine that a Participant's entitlement to LTI or STI equity rights is forfeited or reduced in the event of serious misconduct, fraudulent behaviour or dishonesty.

### **Date and approval**

This Corporate Governance Statement is current at 30 June 2020, which is the Company's balance date for the purposes of preparing its 2020 annual results. It was reviewed and approved by the Board on 19 August 2020 and remained accurate at that date of approval.

## Corporate Governance Statement

### Checklist against Recommendations of the ASX Corporate Governance Council

ASXCGC recommendation number	Recommendation	Compliant/Non-compliant	Reference in Corporate Governance Statement (CGS)
<b>ASX Corporate Governance Council Principle 1 – Lay solid foundations for management and oversight</b>			
1.1	<p>A listed entity should disclose:</p> <p>(a) the respective roles and responsibilities of its board and management; and</p> <p>(b) those matters expressly reserved to the board and those delegated to management</p>	<p>(a) Compliant</p> <p>(b) Compliant</p>	<p>(a) CGS 1.1</p> <p>(b) CGS 1.1, 1.2</p>
1.2	<p>A listed entity should:</p> <p>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</p>	<p>(a) Compliant</p>	<p>(a) CGS 2.1</p>
	<p>(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.</p>	<p>(b) Compliant</p>	<p>(b) Director's report, CGS 2.1</p>
1.3	<p>A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p>	<p>Compliant</p>	<p>CGS 1.4</p>
1.4	<p>The company secretary of a listed entity should be accountable directly to the board, through the chair, on all</p>	<p>Compliant</p>	<p>CGS 1.4</p>

	matters to do with the proper functioning of the board.		
1.5	<p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as</p>	<p>(a) Partially compliant - explained in CGS and ESG Report</p> <p>(b) Compliant</p> <p>(c) Non-compliance explained in CGS and ESG Report</p> <p>1. Compliant</p> <p>2. Compliant</p>	<p>(a) CGS 1.5</p> <p>(b) CGS 1.5 and ESG Report</p> <p>(c) CGS 1.5</p>

	defined in and published under that Act.		
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>(a) Compliant</p> <p>(b) Compliant</p>	<p>(a) CGS 1.4</p> <p>(b) CGS 1.4</p>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process</p>	<p>(a) Compliant</p> <p>(b) Compliant</p>	<p>(a) CGS 1.4</p> <p>(b) CGS 1.4</p>
<b>ASX Corporate Governance Council Principle 2: Structure the Board to add value</b>			
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p style="padding-left: 40px;">(1) has at least three members, a majority of whom are independent directors; and</p> <p style="padding-left: 40px;">(2) is chaired by an independent director,</p> <p>and disclose:</p>	<p>(a) Compliant</p>	<p>(a) CGS 2.2, 2.5, Directors Report</p>

	<p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; <b>OR</b></p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	(b) Not applicable	
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	Compliant	CGS 2.2
2.3	A listed entity should disclose:		
	(a) the names of the directors considered by the board to be independent directors;	(a) Compliant	(a) CGS 2.3, Directors Report
	(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or	(b) Compliant	(b) CGS 2.3, Directors Report

	relationship in question and an explanation of why the board is of that opinion; and  (c) the length of service of each director.	(c) Compliant	(c) Directors report
2.4	A majority of the board of a listed entity should be independent directors.	Compliant	CGS 2.3
2.5	The chair of the board of a listed entity should be an independent director and in particular, should not be the same person as the CEO.	Non-compliance explained in CGS.	CGS 2.3
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Compliant	CGS 2.1
<b>ASX Corporate Governance Council Principle 3 – act ethically and responsibly</b>			
3.1	A listed entity should:  (a) have a code of conduct for its directors, senior executives and employees; and  (b) disclose that code or a summary of it.	(a) Compliant  (b) Compliant	(a) CGS 3.1  (b) CGS 3.1
<b>ASX Corporate Governance Council Principle 4 – safeguard integrity in corporate reporting</b>			
4.1	The board of a listed entity should:(a) have an audit committee which:  (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and	(a) Compliant	(a) CGS 2.5, 4.1, Directors Report

	<p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; <b>OR</b></p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	(b) Not applicable	
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity 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 entity and that the opinion has	Compliant	CGS 4.2

	been formed on the basis of a sound system of risk management and internal control which is operating effectively.		
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Compliant	CGS 4.3
<b>ASX Corporate Governance Council Principle 5 – make timely and balanced disclosure</b>			
5.1	A listed entity should:  (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and  (b) disclose that policy or a summary of it.	(a) Compliant  (b) Compliant	(a) CGS 5.1; Company website  (b) CGS 5.1; Company website
<b>ASX Corporate Governance Council Principle 6 – Respect the rights of security holders</b>			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Compliant	CGS 6.1, 6.2
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Compliant	CGS 6.2
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Compliant	CGS 6.2
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Compliant	CGS 6.2
<b>ASX Corporate Governance Council Principle 7 – recognise and manage risk</b>			
7.1	The board of a listed entity should:	Board has an Audit and Risk Subcommittee	

	<p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; <b>OR</b></p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>chaired by an Independent Director.</p> <p>(a) Compliant</p> <p>(b) Not applicable</p>	<p>(a) CGS 4.1, 7.1, Directors Report</p>
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>(a) Compliant</p> <p>(b) Compliant</p>	<p>(a) CGS 4.1, 7.1, 7.2, 7.3</p> <p>(b) CGS 4.1, 7.1, 7.2, 7.3</p>

7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; <b>OR</b></p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes</p>	<p>(a) not applicable</p> <p>(b) Compliant</p>	<p>(a) CGS 7.1, 7.2, 7.3</p> <p>(b) CGS 7.1, 7.2, 7.3</p>
7.4	<p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	Compliant	CGS 7.2, 7.3, 7.4; ESG Report.
<b>ASX Corporate Governance Council Principle 8 – Remunerate fairly and responsibly</b>			
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p style="padding-left: 40px;">(1) has at least three members, a majority of whom are independent directors; and</p> <p style="padding-left: 40px;">(2) is chaired by an independent director,</p> <p>and disclose:</p> <p style="padding-left: 40px;">(3) the charter of the committee;</p> <p style="padding-left: 40px;">(4) the members of the committee; and</p> <p style="padding-left: 40px;">(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the</p>	<p>(a) Compliant</p> <p>(b) Not applicable.</p>	<p>(a) CGS 2.1, Directors Report</p> <p>(b) Not applicable</p>

	<p>members at those meetings;  <u><b>OR</b></u></p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>		
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Compliant	CGS 8.1
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	Compliant	CGS 8.1