

Austal Limited (ASX: ASB)

Corporate Governance Statement - 2021

Introduction

Austal Limited (**Austal** or the **Company**), its Board of Directors (the **Board** or **Directors**) 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 2021, the Company has elected to place this Corporate Governance Statement along with the Company's Environmental, Social and Governance Report (**ESG Report**) on its website instead of including it in the Annual Report. 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 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 fourth edition of the ASX Corporate Governance Council's (the **Council**) Principles and Recommendations (the **ASX Recommendations**), which are as follows:

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| Principle 1 | Lay solid foundations for management and oversight |
| Principle 2 | Structure the Board to be effective and add value |
| Principle 3 | Instil a culture of acting lawfully, ethically and responsibly |
| Principle 4 | Safeguard the integrity of corporate reports |
| 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 the Listing Rules (**ASX Listing Rules**) of the Australian Securities Exchange Limited (**ASX**), 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 ASX 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

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 and responsibilities are set out in the Board Charter which now appears in the 'Corporate Governance' section of the Company's website. These Board functions and responsibilities include:

- demonstrating leadership;
- defining the Company's purpose and setting its strategic objectives, including general and specific goals and reviewing actual results against those objectives, which are aimed at meeting stakeholders' objectives and managing business risk;
- overseeing management in its implementation of the Company's strategic objectives, instilling the Company's values and monitoring performance generally;
- 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 and that there is an appropriate framework for relevant information to be reported by management to the Board;
- setting the risk appetite within which the Board expects management to operate, and ensuring that significant financial and non-financial risks are identified, assessed, communicated and appropriately managed and monitored;
- the appointment, performance assessment and, if necessary, removal and/or replacement of relevant members of the executive management team and the Company Secretary;
- determining and implementing appropriate delegations of authority from the Board to the management to enable their respective functions to be effectively carried out and the strategic objectives of the Company to be met;
- agreeing key performance indicators (both financial and non-financial) with management and monitoring progress against these indicators
- monitoring and – along with the responsibilities delegated to the Chief Executive Officer (**CEO**) – overseeing the Company's process for making timely and balanced disclosure of all material information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- monitoring the effectiveness of the Company's governance practices.

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	• 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 • Review and make recommendations to the Board on significant operational changes, major capital expenditure, and acquisition and divestments above delegated thresholds • Develop the Group's annual budget for Board approval • 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 • managing and administering the day-to-day operations of the Company in accordance with the purpose, values, strategy, business plans and policies approved by the Board
People	• Assign responsibilities clearly to the Austal executive management team and ensure accountability for those responsibilities is with the people best able to meet them • 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 • Ensure proper allocation of resources to maximise returns to shareholders while mitigating business exposure • instil and enact the Group's purpose and values to support a culture that promotes ethical and responsible behaviour
Risk and compliance	• Develop and maintain the Group's risk management systems, including internal compliance and control mechanisms • Demonstrate to the Board that the risk management systems are working effectively
Stakeholder communications	• Drive compliance with the Group's compliance and other continuous disclosure obligations in accordance with Board-approved policies • Regularly report to the Board with timely and effective information, such that the Board is fully informed to discharge its responsibilities

1.3 Performance review

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 & Remuneration Committee as appropriate. 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 subject of an annual performance review and evaluation. The performance criteria and skills matrix against which Directors are assessed are also aligned with the financial and non-financial objectives of the Company. The results of such Board reviews and assessments are

discussed annually at meetings of the Board and the Nomination & Remuneration Committee to ensure any opportunities to broaden the Board's collective capability are addressed. The Company periodically (typically, as part of the annual review of Board performance) reviews whether there is a need for existing Directors to undertake professional development to maintain the skills and knowledge needed to perform their role as Directors effectively. 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. The Board is satisfied with the outcome of those assessments and the performance of the Company's executives and Directors.

The Company has written agreements in place with each Director and all executive managers based in Australia, the Philippines and Vietnam setting out the terms of their appointment.

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.

Mick McCormack joined the Board of Austal in September 2020 on a casual basis (as per the Company's constitution) and was then reappointed on a permanent basis by shareholders at the Company's 2020 Annual General Meeting. The process for engaging Mr McCormack involved comprehensive interviews with all board members and the Company's Human Resources executive manager to provide as much insight as possible into his character, experience, particular skills and suitability for the role of Non-executive Director at Austal. The process also included education and professional membership verification, police and bankruptcy checks and reference validation, all of which were conducted by third party experts. Mr McCormack's qualifications were summarised in the ASX announcement regarding his initial appointment and again in the Notice of 2020 AGM at which he was re-elected to the Board, and Mr McCormack also introduced himself to shareholders and other attendees at the 2020 AGM.

In accordance with ASX Recommendation 1.4, the Company Secretary is directly accountable to the Board (through the Chairman) on all matters to do with the proper functioning of the Board. 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. The role of the company secretary includes:

- advising the Board and Board committees on relevant matters of governance;
- overseeing the timely completion and circulation of Board and committee papers;
- overseeing a process to ensure that all directors receive copies of all material market announcements promptly after they have been made; and
- ensuring that the business at Board and committee meetings is accurately captured in the minutes.

1.4 Diversity at Austal

The Company 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.

Recruitment and selection practices at all levels are appropriately structured so that a diverse range of candidates are considered and so any conscious or unconscious biases that might discriminate against certain candidates are guarded against.

The Board has adopted an Equity and Diversity policy which is periodically reviewed to check that it is operating effectively and whether any changes are required. This policy can be found on the Company's website. The policy

was updated in 2021 to include measurable targets for the employment of women across the workforce, with targets of:

- 40% of Board members to be women by 30 June 2022. Previously 20% of the Company's Board members were women, however the addition of Mick McCormack in September 2020 reduced this to 16.6%. The Company is focused on increasing the proportion of women on its Board to counter this change;
- 25% of senior management roles to be filled by women by 2030; and
- 25% of other roles to be filled by women by 2030.

The timelines adopted for meeting these targets reflect the industry in which the Company operates, and the Company's view that more women will be encouraged to work in manufacturing industries as work practices develop and change through incorporation of new technology and refined techniques.

Despite the above targets, employment and remuneration are generally based on merit, qualifications, skills and experience and the Company strives to ensure that equally qualified personnel can be confident of their standing in the Company, and value to the Company, regardless of their gender, marital or family status, sexual orientation, gender identity, disabilities, ethnicity, cultural background, socio-economic background, age, religious beliefs or other values. In addition, the Board includes gender diversity as a relevant consideration in its succession planning.

The Company has determined that a target of 25% female employees for the Company 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 and we review our progress towards this objective annually.

Relevant executives have key performance indicators ('KPIs') on gender participation within their areas of responsibility, and part of their remuneration is linked as part of a 'balanced scorecard' to the achievement of those KPIs.

The Company also focuses on improving diversity through workplace practices including:

- Making diversity as a relevant consideration for the composition of the Board, including having Directors of different ages, ethnicities and backgrounds to help bring different perspectives and experiences to bear and avoid "groupthink" or other cognitive biases in decision making.
- Providing opportunities for employees on extended parental leave to maintain their connection with the Company, for example, by offering them the option (without any obligation) to receive all-staff communications and to attend work functions and training programs.
- 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, including a nine day working fortnight to allow employees to spend more time in non-work related activities. As with many companies, Austal is also applying the lessons regarding working from home that were learned during the COVID pandemic to expand the application of working from home where appropriate.
- 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 tradeswomen and women and apprenticeship roles) and veterans who have served in the Australian Defence Forces in Australia, and other veterans in the US. 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 US, offering Veterans-only apprenticeships and partnership with the US Disabled Veterans Administration to improve the Company's ability to source and recruit disabled veterans as part of its workforce.

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	20.0%	15.7%	19.0%
US Operations	10.0%	14.5%	24.7%
Philippines Operations	0%	18.9%	36.2%
Vietnam Operations	0%	21.4%	34.0%

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 the Company'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 US. 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 be effective and add value

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 & Remuneration Committee and approved by the Board prior to being appointed. Any Director appointed by the Board will hold office until the next Annual General Meeting of shareholders at which time the shareholders are required to consider their re-election to the Board. 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. Candidates for Director positions are provided with access to senior executives at the appropriate stage during the interview process and are able to gain a sound understanding of the Company's structure, business operations culture and key risks. The induction training provided to new Directors is tailored to their existing skills, knowledge and experience, to position them to discharge their responsibilities effectively and to add value.

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 & Remuneration Committee

The Nomination & Remuneration Committee has 4 members, comprised of four independent Directors and the Non-Executive Chairman. As at 30 June 2021 the Committee members were:

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

The Nomination & Remuneration Committee reviews and makes recommendations to the Board in relation to:

- candidates for vacant Board positions, as well as the remuneration of Directors and key executives;
- the implementation of a process for evaluating the performance of the Board, its committees and Directors;
- the process for recruiting a new Director, including evaluating the balance of skills, knowledge, experience, independence and diversity on the Board and, in light of this evaluation, preparing a description of a role and capabilities required for a particular appointment;
- the appointment and re-election of Directors;
- Board succession planning generally; and
- ensuring there are plans in place to manage the succession of the CEO and other senior executives.

The Nomination & Remuneration Committee undertook a comprehensive review and restructure of the Chief Executive Officer's remuneration as part of Mr Gregg's appointment to the role on 1 January 2021. This has resulted in an overall reduction in the CEO's remuneration package.

The Nomination & Remuneration Committee's functions are described in its Nomination & Remuneration Committee Charter, which is reviewed and updated annually and published on the Company's website. In accordance with the committee charter, the Nomination & 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, industry knowledge 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 required for the Board to discharge its obligations and to add value to the company, along with an assessment of the relative importance of each skill. The Board reviews the skills matrix annually to make sure it covers the skills needed to address existing and emerging business and governance issues. Nomination of particular skills as being of 'medium' importance does 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
Professional Director Skills		
Risk & Compliance	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
Financial & Audit	Experience in accounting, tax and finance; ability to analyse statements, assess financial viability, contribute to financial planning, oversee budgets, oversee funding arrangements.	High
Strategy	Ability to identify and critically assess strategic opportunities and threats to the organisation. Develop strategies in context of Company policies and business objectives.	High
Growth/ mergers and acquisitions	Review and assess M&A opportunities and organic growth potential.	High
Legal	Basic understanding of corporate, industrial and contractual legal obligations, commercial applications and governance environment.	Medium
Digital & Technology	Knowledge of IT Governance including privacy, data management and security.	Medium
Executive Management	Experience in evaluating performance of senior management, and overseeing strategic human capital planning. Experience in industrial relations and organisational change management programs.	Medium
Government Relations & Public Policy	Experience in political lobbying or advising key government stakeholders on business, policy, legislation or regulation. Experience in managing significant government transactions.	High
International	Experience in international relations and managing cultural diversity. Ability to assess and interpret challenges and opportunities outside of the Australian domestic market.	Medium
Industry Specific Skills		
Shipbuilding	Experience in shipbuilding design, build and support.	Medium
Defence	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

Manufacturing	Experience in heavy manufacturing processes and systems.	Medium
Work Health and Safety	Understanding of WHS obligations, relevant safety measures and standards and reporting.	Medium
Interpersonal Skills		
Leadership	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
Ethics and Integrity	Understand role as Director and continue to self-educate on legal and regulatory responsibilities; ability to maintain Board confidentiality, declare any conflicts.	High
Contribution	Ability to constructively contribute to Board discussions and communicate effectively with management and other Directors.	Medium
Negotiation	Possess excellent negotiation skills, with the ability to drive stakeholder support for Board decisions.	High
Crisis Management	Ability to constructively manage crises, provide leadership around solutions and contribute to communications strategy with stakeholders.	Medium
Diversity and Board Experience		
Board Composition	Composition of Board members addresses the diversity measures of age, gender, culture and disability.	Medium
Previous Board Experience	Director experience and completion in formal training in governance and risk.	Medium

There are 6 members of the Board, being 4 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 ASX 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 free of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect, their capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company as a whole rather than in the interests of an individual security holder or other party.

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 guidance issued by the Council in connection with the ASX Recommendations, 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, or has been, employed in an executive capacity by the Company or any of its child entities and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- whether the Director has been a member or principal of an organisation that has provided services or consulted to the Company or a substantial holder within the last 3 years;
- whether the Director is, or has been within the last 3 years, in a material business relationship (eg as a supplier, professional adviser, consultant or customer) with the Company or any of its child entities, or is an officer of, or otherwise associated with, someone with such a relationship;
- whether the Director receives performance-based remuneration (including options, or performance rights) from, or participates in an employee incentive scheme of the Company;
- whether the Director has a material contractual relationship with the Company other than as a Director;
- whether the Director has close personal ties with any person who falls within any of the categories described above; or
- whether the Director has been a Director of the Company for such a period that their independence from management and substantial holders may have been compromised.

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:

Name	Position	Length of Service
Giles Everist	Non-executive Director	Since 2013
Sarah Adam-Gedge	Non-executive Director	Since 2017
Chris Indermaur	Non-executive Director	Since 2018
Mick McCormack	Non-executive Director	Since 2020

The Company's Non-Executive Chairman John Rothwell is not classified as independent (as the term is used in the ASX Recommendations). However, Mr Rothwell is a founding Director of the Company and possesses extensive Australian shipbuilding experience from which the Company's shareholders continue to benefit. Mr Rothwell has made a significant contribution to the development of the shipbuilding industry in Australia and the Company continues to draw on his broad experience to add value to its operations. 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 & Remuneration Committee. Following the most recent review in June 2021 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. It is noted that Sarah Adam-Gedge is the Deputy Chair of the Board, which provides 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 guidance for acceptance of outside Directorships by Executive and Non-Executive Directors.

None of the Company's current Directors have outside Directorship commitments that are considered to be reasonably likely to materially impact their ability to commit sufficient time to fulfil their duties and responsibilities as a director.

2.5 Board and Committee meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the 2020-21 financial year and the number of meetings attended by each Director was as follows:

	Meeting		
	Board	Audit & Risk Committee	Nomination & Remuneration Committee
Number of meetings held	9	4	3
Number of meetings attended			
John Rothwell ¹	9	0	3
David Singleton ²	4	2	1
Giles Everist	8	4	3
Sarah Adam-Gedge	9	4	3
Chris Indermaur	9	4	3
Patrick Gregg ³	8	4	2
Mick McCormack ⁴	7	2	2

Notes to this table:

1. John Rothwell is not a member of the Audit & Risk Committee.
2. David Singleton resigned as a director effective 31 December 2020. He attended meetings of the Audit and Risk, and Nomination and Remuneration Committees as a guest as he was not a member of either Committee.
3. Patrick Gregg joined the Board on 1 January 2021. Prior to that date, he attended Board and Committee meetings as a guest only. Since that date, he has attended Board meetings as a Director but Committee meetings as a guest as he is not a member of either Committee.
4. Mick McCormack joined the Board on 14 September 2020. He was not initially a member of the Nomination & Remuneration Committee or Audit & Risk Committee but has attended meetings of those committees since Feb 2021 as a guest and was formally appointed to both Committees on and from 9 April 2021

Principle 3: Instil a culture of acting lawfully, ethically and responsibly

3.1 Articulation and disclosure of values

The Company discloses its Value Statement on its website. In formulating those values, the Board has considered the behaviours required to build long term sustainable value for its shareholders.

The Board has approved the Company's Value Statement and has empowered the senior executive team to instil those values across the Company. This includes ensuring that all employees receive appropriate training on the values and senior executives continually reference and reinforce those values in their interactions with staff.

3.2 Code of Conduct

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 Codes of Conduct for employees, and one for Directors specifically, under which Directors are expected to:

- act honestly and with high standards of personal integrity;
- act ethically and responsibly;
- exercise due care and diligence in fulfilling the functions of their office;
- use their powers to act in accordance with the Company's stated values and in the best interests of the Company as a whole;
- treat fellow staff members with respect and not engage in bullying, harassment or discrimination;
- deal with customers and suppliers fairly;
- disclose and deal appropriately with any conflicts between their personal interests and their duties as a Director, senior executive or employee;
- comply with all laws and regulations that apply to the Company and its operations;
- not take advantage of the property or information of the Company or its customers for personal gain or to cause detriment to the Company or its customers;
- not take advantage of their position or the opportunities arising therefrom for personal gain;
- report breaches of the code to the appropriate person or body within the organisation; and
- comply with the share trading rules and other Company policies.

A copy of the Director's Code of Conduct is published on the Company's website.

The Company's general Code of Conduct promotes ethical and responsible decision-making by Directors, managers and employees. Appropriate training is provided to all employees on their obligations under the Code of Conduct, and appropriate and proportionate disciplinary actions result from any breach of the Code of Conduct. The Company's Code of Conduct is reviewed periodically to check that it is operating effectively and whether any changes are required to the code. Employee performance reviews also include a review of behaviours to ensure alignment with the Code of Conduct.

3.3 Whistleblower Policy

The Company has a whistleblowing protection policy in place (**Whistleblower Policy**), a copy of which is available on its website.

Under that policy, the Company encourages all employees to speak out if they have concerns about any unlawful, unethical or irresponsible behaviour within the Company. The Company has established an external helpline to assist persons to report, or receive guidance in respect of reporting, suspected reportable conduct under the Whistleblower Policy, which can be done on an anonymous basis. The CEO is informed of all incidents reported under the Whistleblower Policy (other than those which involves the CEO or a senior executive that reports directly to the CEO, where the matter will be referred directly to the Chair of the Audit & Risk Committee). The CEO will inform the Board of any material incidents reported under the Whistleblower Policy.

3.4 Anti-bribery and Corruption Policy

The Company has an anti-bribery and corruption policy, a, slightly modified version of which is available on the Company's website. The version available to all employees through on the Company's intranet contains details around authority thresholds and other material that the Company considers to be commercially sensitive.

3.5 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 & 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 Company's securities are traded.

Principle 4: Safeguard the integrity of corporate reports

4.1 Audit & Risk Committee

As at 30 June 2021 the Company's Audit & Risk Committee had 4 members, all of whom are independent Non-Executive Directors. They are:

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

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

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

- reviewing the adequacy of the Company's corporate reporting processes and internal control framework;

- reviewing whether the Company's financial statements reflect the understanding of the committee members of, and otherwise provide a true and fair view of, the financial position and performance of the Company;
- reviewing the appropriateness of the accounting judgements or choices exercised by management in preparing the Company's financial statements;
- 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 Committee (in accordance with its charter) annually reviews the performance of the external auditor on behalf of the Board, focusing particularly on:

- the appointment or removal of the external auditor;
- the fees payable to the auditor for audit and non-audit work;
- the rotation of the audit engagement partner;
- the scope and adequacy of the external audit;
- the independence and performance of the external auditor; and
- any proposal for the external auditor to provide non-audit services and whether it might compromise the independence of the external 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 ('CFO') provide confirmation that:

- the financial records of the Company have been properly maintained;
- the financial statements comply with the appropriate accounting standards; and
- the financial statements give a true and 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 internal 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 section 295A of the *Corporations Act 2001* (Cth) 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 Integrity of corporate reports

The Company's periodic corporate reports are subject to comprehensive review and auditing. Each report has a nominated owner who is responsible for collecting and verifying source information from the Company's business units across the world. This process often involves external consultants, such as the preparation of the Company's updated Environmental, Social and Governance (**ESG**) Report, which is being prepared with the assistance of experienced third party experts to align with the Global Reporting Initiative standards. This process ensures that the Company is satisfied that any reports that are issued by the Company are materially accurate, balanced and provides investors with appropriate information to make informed investment decisions.

Principle 5: Make timely and balanced disclosure

5.1 Continuous disclosure

The Company has established written policies and procedures on information disclosure. The focus of these procedures is on compliance with ASX disclosure requirements and ensuring that there is timely and balanced disclosure of matters that concern the Company that a reasonably person would expect to have a material effect on the price or value of the Company's securities. The Company's Continuous Disclosure Policy can be accessed under the 'Corporate Governance' tab on the Company's website.

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

- making sure that the Company complies with continuous disclosure requirements;
- overseeing and co-ordinating disclosure of information to the ASX, 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.

5.2 Market announcements

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.

The Company has processes in place to ensure that the Board receives copies of all material market announcements made pursuant to its continuous disclosure obligations, promptly after they have been made.

5.3 Investor / analyst presentations

When the Company gives a new and substantive investor or analyst presentation, a copy of the relevant presentation materials are provided to the ASX ahead of the presentation.

Principle 6: Respect the rights of security holders

6.1 Company website

The Company provides information about itself and its governance practices to its investors via its website.

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

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.

6.2 Investor relations program

Analyst briefings

The Company regularly provides analyst briefings to assist the broader investment community to gain a full understanding of the Company's performance and strategies. These briefings typically focus on the Company's overall financial performance and objectives, as well as the financial performance and objectives of each business unit. The briefings also consider any specific operational matters that warrant discussion. The updates provide an opportunity for those in the investment community (including analysts, investors, proxy advisors, the financial media 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.

Annual General Meeting

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

Annual Report

The Company's Annual Report is released to the ASX and made available on the Company's website. Hard copies are mailed to those shareholders who have requested them. Shareholders have the option of receiving the Annual Report electronically. The Annual Report is also available on the Company's website.

Regular release of financial information

The Company announces its full-year results in [August] and half-year results in [February] of each year. 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 the Company's website.

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

6.3 Security holder participation

The Company's AGM provides shareholders with the opportunity to vote on shareholder resolutions recommended by the Board, hear directly from the Board and CEO, and ask questions of the Board.

The Chairman and CEO's AGM presentations and voting results are released to the ASX, and made available on the Company's website. The Company's AGM is usually held in October or November.

The Company utilises technology to facilitate the participation of security holders at the Company's AGM. In 2020, the Company elected to conduct a live video webcast of its AGM since it was not possible to conduct the AGM in person. Shareholders were able to ask live questions of Directors and management and video and oral presentations were shared through the webcast platform.

The Company is currently considering how its 2021 will be carried out, having regard to ASIC's 'no action' position on the *Treasury Laws Amendment (2021 Measures No.1) Bill 2021*

Security holders who are not able to attend the Company's AGM have the opportunity to provide questions or comments ahead of the meeting. This can be done through submitting questions to the 'investors@austral.com' email address or by contacting the Company's head office in Henderson, Western Australia.

6.4 Substantive resolutions decided by poll

All substantive resolutions are decided by a poll, rather than by a show of hands.

6.5 Electronic communications

Shareholders have the option of receiving communications, including notices of meeting and annual reports, from the Company electronically.

Shareholders are able to raise queries directly with the Company through an email link on the website (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 Limited remains the Company's share registry provider. Shareholders are able to receive communications from, and send communications to, Link Market Services Limited electronically.

Principle 7: Recognise and manage risk

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 sound risk management framework.

Although the Board maintains ultimate responsibility for the Company's risk management framework, the Board has delegated the specific responsibility of overseeing the Company's risk management framework to the Audit & Risk Committee. The Audit & Risk Committee consists of 3 members, all of whom are independent Non-Executive Directors. The Committee is chaired by an independent Director. The Audit & Risk Committee, including its composition, is described in more detail in the discussion of Principle 4 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; and
- monitoring management's internal control programmes, processes and policies which deal with the Company's reporting systems.

The Audit & Risk Committee Charter can be accessed under the 'Corporate Governance' tab at the Company's website.

In carrying out its risk management duties, the Audit & Risk Committee is entitled to, among other things:

- obtain any information it considers appropriate, from any employee or any external party;
- interview management and external auditors (with or without management present); and
- seek advice from external consultants or specialists where the committee considers it necessary or appropriate.

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 regarding their roles in managing risk.

7.2 Risk review

In addition to these measures aimed at procedural improvement, the Company undertakes regular risk reviews to ensure the Company's risk management framework continues to be sound and that the Company is operating with due regard to the risk appetite set by the Board. These risk reviews 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;

- operating risks associated with sales, design and production;
- financial and tax risks;
- specific vessel risks; and
- contemporary and emerging risks, such as conduct risk, digital disruption, cyber-security, privacy and data breaches, sustainability and climate change.

The Company undertook a risk review during the financial year ending 30 June 2021.

The output of these reviews forms part of the Board's development of corporate strategy to ensure that risks are appropriately managed and that 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.

The Company has identified the following matters as posing the most potential risk to the business:

- **LCS program in the US.** LCS is the Company's biggest single contract and could be cancelled or curtailed by the US Government at any time. The Company 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 US 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 US.** The currently stated acquisition program for the EPF vessel is for 14 ships and EPF 15 was the subject of an undefinitised agreement to undertake detailed design and construction in March 2021. 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 and consideration as an autonomous platform) 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 US.** 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. In addition, while aluminium is generally accepted as being a more difficult material to build with than steel, and although Austal has built and continues to build steel vessels in Australia (notably the Guardian class patrol boat), it has not built steel vessels at its US premises (although the bulk of Austal USA's workforce has considerable experience in steel shipbuilding) and the reintroduction of working with a different material introduces new risks at the US shipyard.
- **Commercial Ferries.** The commercial high speed aluminium ferry business is a significant market for Austal and provides significant workload to the Philippines and Vietnam 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. While Austal was largely able to mitigate the impacts of COVID-19 in FY2020, Austal's commercial and Australian defence shipbuilding operations have seen some impact from COVID-19 restrictions in FY2021, with some schedule adjustments required as a result. It is also possible that the full impacts of these restrictions may continue beyond FY2021.

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, heightened activity in the resources sector and 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 sovereign shipbuilder, with a material pipeline of orders that will keep the company busy for the immediate future, significant reductions in its workforce or limitations on the ability to recruit appropriate resources 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, incorporation of smart and autonomous technology 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. Material claims arising from either construction issues, or by third parties following operational issues, could therefore 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 the impact of these restrictions on financial outcomes is being mitigated as much as possible.

However, 'second and third wave' spikes, new variants of the virus and extended or expanded lockdown measures implemented by governments in Australia and around the world demonstrate that the risk of severe impact on the business, its supply chain, and its customers remains. Austal's exposure to the impacts of COVID-19 remains present as it does for other Australian manufacturers and it is extremely difficult to predict what future impacts there will be to the business.

- **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 (US). 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. This is demonstrated by the current engagement with the ATO and IRS in relation to intercompany intellectual property royalties, as disclosed in the notes to the Company's financial accounts.

Austal has a Tax Risk Management Standard (TRMS) that applies to all entities within the Austal Group. The TRMS formalises the tax control framework prepared by management, sets the policies governing the effective management of tax risks and defines the roles and responsibilities relating to the tax compliance and risk management.

The Australian Tax Office conducted a review of Austal's tax risk management and governance framework in FY2021 and stated that it was satisfied that Austal provided sufficient evidence to demonstrate this tax control framework exists and has been designed effectively. The Board considers the 'High' assurance rating awarded by the ATO following its review is strong validation that Austal has effective policies and processes in place to manage corporate and indirect tax risks

- **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 with Australian Defence standard ABR6492 and the Royal Australian Navy Technical Regulations Manual. Austal considers itself an industry leader in overall safety performance. However, the Company acknowledges that, as an industrial manufacturer, a degree of risk will always be present.

As set out below, the Company addresses its identification of, and response to, environmental risks in its separate ESG report.

- **Cyber security.** Austal's production of vessels for the US, Australian and other governments means that it handles sensitive information regarding people and vessels. This information may be 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 and is currently working towards achievement of ISO27001 and Defence Industry Security Program accreditation as part of further enhancing the Company's cyber security framework. However, third parties retain the ability to access even the most well protected systems. This may create levels of interference or public disclosure, such as demands of large financial payments or interruption of service.
- **Significant accounting judgments and estimates.** The assessment of contract revenue in accordance with the Company's accounting policies and international financial reporting standards requires certain estimates to be made of total contract revenues, total contract costs and the current percentage of completion. If ultimately inaccurate, this will impact the level of revenue and profit recognised in the Profit and Loss in 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 Company 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 must 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 later stages of the completion of each particular vessel. In the event that initial contingency estimates do not adequately cover cost increases, the profit recognised on the relevant vessel will decrease in future reporting periods. To the extent that the revised Estimate at Completion cost is lower than the original estimate, the profit will increase in future reporting periods.

Further information as to the specific judgments exercised is set out in the Company's Annual Report in the section titled 'Note 2: Basis of preparation'.

- **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, Austal USA and some of their officers were recently the subject of investigations by ASIC in Australia, and the Department of Justice and the Securities Exchange Commission in the USA.

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 US, 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 onboard US projects.

In June 2021, as advised to the ASX, ASIC formally advised the Company that (i) it would not commence criminal proceedings, and (ii) it has commenced civil proceedings against the Company and its prior CEO. The civil proceedings allege that although an announcement notifying the market of a writeback of profits from the US business was made on 4 July 2016, Austal was aware as early as 4 June 2016 of the need to make a material write back of work in progress attributable to the LCS program. ASIC is seeking civil declarations that Austal contravened its continuous disclosure obligations as well as the relevant misleading and deceptive conduct provisions of the *Corporations Act 2001* (Cth) and the *Australian Securities and Investments Commission Act 2001* (Cth).

Austal is defending the allegations and will continue to seek engagement with ASIC where possible.

Austal undertook a comprehensive external legal review of the LCS program and what the Company understands to be the focus of investigations in the US. Upon completion of that internal investigation, as announced by the Company to the ASX on 23 February 2021, the Company noted that:

- The LCS vessels cost more to construct than originally anticipated due in large part to additional costs incurred to meet the requirements of US Naval vessel Rules and mandatory shock standards. The Company announced a one-off write back of work in progress (**WIP**) on 4 July 2016 to fully reflect these additional costs.
- Prior to mid-2016, inaccuracies in Austal USA's internally generated cost estimates understated the full costs to construct the LCS vessels, which delayed the Company's understanding of the magnitude of those costs and the need to change those estimates. This overstated the WIP attributable to the LCS program for those periods.
- The extensive review of the LCS program conducted in 2016 and the subsequent write back announced in July 2016 appropriately rectified the financial impact of these issues. The Company is also satisfied that Austal USA materially complied with its reporting requirements with the US Navy.

Following completion of the internal investigation, the Company accepted the resignation of Austal USA President Mr Craig Perciavalle. Since then, the Austal USA has substantively and constructively engaged with US regulators to bring about a resolution of the investigation.

Nevertheless, it is still possible that these proceedings could lead to civil or criminal penalties, damages, and/or suspension or debarment from future U.S. Government contracts. The Company has not been provided with any indication of whether such proceedings will be commenced in the USA, or whether any fines or penalties may be levied (or if so, their likely magnitude). Hence the Company is not in a position to make any provision for such fines, penalties or other adverse outcomes at this stage. Any of these potential outcomes could have a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows.

7.3 Risk Management

Although the Company does not have a dedicated internal audit function, it employs processes to evaluate and continually improve the effectiveness of its governance, risk management and internal control processes. Risk Management is considered by the Audit & Risk Committee at each meeting and in between meetings as required. The Company's approach to identifying and addressing risk has been prioritised by both the Audit and Risk Committee and executive management, and the Company is currently recruiting a dedicated enterprise risk management resource to lead this function. This resource will be responsible for gaining an understanding of the Company's risk appetite (as approved by the Board), educating and influencing the organisation in risk identification and management and implementing appropriate tools to ensure risk is managed and mitigated as required.

With operations across the world Austal has exposure to economic and political risks in the form of currency movements and supplier and 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, in combination with the Company's codes of conduct, guidelines for employment, insurance program, and business management systems, also work to manage other non-financial risks.

The Company 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. However, as set out above, 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 Risks

As set out above, the Company is currently updating its stand-alone ESG Report to align with Global Reporting Initiative (GRI) standards and ensure easy-to-read and insightful reporting of the ESG performance of the operations of the Company and its subsidiaries for the financial year ended 30 June 2021. The Company expects to release the initial updated version of this report in October 2021 and it will thereafter be updated and modified to take relevant developments into account. The Board is excited to provide this update, which will provide additional detail and insight beyond previous reporting, with the benefit of standardisation against the internationally accepted measures set out in GRI reporting. The Company is working with independent third party experts in developing and verifying this report and will ensure its release prior to the Company's 2021 AGM. The current ESG Report can be accessed under the 'Corporate Governance' tab at the Company's website; the updated version will also be available at that location.

The ESG Report 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 the following:

- 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 materials or, where possible, not using them at all.
- Caring for the environment means proactively preventing harm.

The Company regularly monitors environmental or 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 ways. 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 a manner which best influences the relevant community.

Some of the initiatives and organisations the Company contributed to during FY2021 include:

Diversity and inclusion

- Aiming to improve diversity through increasing the participation of women:
 - On the Board of Austal Limited, to 40% by 30 June 2022; and
 - across the workforce, to 25% by 2030.
- Actively looking to take on female apprentices where possible, with a target of 50% of apprentices and graduates being women.
- Partnerships with schools, TAFE and external training organisations to drive a higher participation of women in trades traditionally 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. The Company is 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, in addition to employment of apprentices from this region.
- Sponsorship of Anglicare's 'Young Hearts' program, which supports children profoundly impacted by family and domestic violence in some of Western Australia's most vulnerable regions. The program is focused on the areas of Rockingham and Mandurah, which are 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

- Partnerships 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 groups such as returned veterans and people with disabilities.

Employees

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

- offers the Employee Assistance Program, which provides free and anonymous access to professional mental health consultants across Australia;
- implements flexible working arrangements, such as the 9 day fortnight and working from home, with no impact on salaries or wages;
- offers discounted health insurance for Australian employees; and
- offers 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 and engagement, and to obtain feedback and suggestions as to improvements to Company culture and procedures. The results of the survey are reviewed by the executive team and are 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 and legal compliance, HR policies and practices, and the integrity of its operations.

The Company has a Modern Slavery Statement which can be accessed under the 'Corporate Governance' tab on the Company's website. This Statement sets out the Company's approach to assessing, and responding to, the potential for modern slavery in its business. The Company continues to strengthen its approach to managing the risk of modern slavery. This includes:

- 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; and
- undertaking robust assessment and evaluation of suppliers and contractors who supply the Company with products assessed in the 'High' category of our Product Risk Assessment matrix. During FY2021, the Company undertook detailed audits into 2 of its key suppliers who had been identified as providing products that fall in the 'high risk' category of this matrix. One supplier is a large, well-established multinational that was able to satisfactorily demonstrate compliance with both Austal's and its own policies for eliminating or preventing modern slavery in its supply chain. This Company was selected as it operates in the electronics industry which

the Company assesses as potentially high risk due to the complex and often widely distributed makeup of supply chains.

The second supplier audited is a manufacturer that draws from the textiles industry, which again was identified as potentially high risk. While the existing policies of this SME are less mature, it engaged with the Company's representatives and was able to provide detail and operational insights that assisted Austal with its analysis and provide assurance that modern slavery does not exist in its supply chain. That entity continues to engage with the Company to identify opportunities for improvement, including by participating in Austal training on modern slavery and associated supply chain issues. It should also be noted that its size means this entity is not required to by Commonwealth laws to report on modern slavery, however in view of its importance in Austal's supply chain, the Company determined it was appropriate for audit.

Principle 8: Remunerate fairly and responsibly

8.1 Nomination & Remuneration Committee

It is the Company's objective to provide maximum stakeholder benefit from the attraction, retention and motivation of a high quality Board and executive team, by remunerating Directors and key executives fairly and appropriately, with reference to relevant market conditions.

The Company has delegated the specific responsibility of maintaining the Company's remuneration policy to the Nomination & Remuneration Committee. The Committee is made up of 5 members, all but one of whom are independent Directors. The Committee is chaired by an independent Non-Executive Director. The Committee is described in more detail in the discussion of Principle 2 above.

The Nomination & Remuneration Committee Charter can be accessed under the 'Corporate Governance' tab on the Company's website.

8.2 Remuneration Policy

The Company has implemented, and will maintain, a responsible, performance-based remuneration policy that is aligned with the long-term interests of its shareholders. More detail is provided in the Remuneration Report included in the Company's Annual Report, and the Nomination and Remuneration Committee Charter, which appears on the Company's website. 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 these 2 factors.

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, which appears in the Company's Annual Report. The Remuneration Report outlines the Company's remuneration policies and practices in respect of executive and non-executive Directors. Further detail and context appears in the Company's Nomination and Remuneration Committee Charter on the Company's website.

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 the Director accumulates 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.

8.3 Equity-based Remuneration Scheme

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 into 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.

Additional Recommendations

9.1

The Company notes that none of the recommendations set out in section 9 of the ASX Recommendations apply to it.

Date and approval

This Corporate Governance Statement is current at 30 June 2021, which is the Company's balance date for the purposes of preparing its 2021 annual results. This Corporate Governance Statement was reviewed and approved by the Board on 20 August 2021 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)
ASX Corporate Governance Council Principle 1 – Lay solid foundations for management and oversight			
1.1	A listed entity should have and disclose a board charter setting out: (a) the respective roles and responsibilities of its board and management; and	Not fully compliant for the duration of FY2021 as the Board charter was not published on the Company's website, however compliant since August 2021.	CGS 1.1
	(b) those matters expressly reserved to the board and those delegated to management	Not fully compliant for the full duration of FY2021, however compliant since August 2021. The Board charter was not published on the Company's website however the division of roles between Board and management was articulated in the CGS throughout 2021.	CGS 1.1, 1.2
1.2	A listed entity should: (a) undertake appropriate checks before appointing a director or senior executive, or putting someone forward for election, as a director; and	Compliant	CGS 2.1; Policy and Procedure for the Selection and Appointment of Directors to the Board
	(b) provide security holders with all material information in its possession relevant to	Compliant	Director's report, CGS 2.1

ASXCGC Recommendation number	Recommendation	Compliant/Non-compliant	Reference in Corporate Governance Statement (CGS)
	a decision on whether or not to elect or re-elect a director.		
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Compliant	CGS 1.3
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Compliant	CGS 1.3
1.5	A listed entity should:	Compliant	CGS 1.4; Equity and Diversity Policy; Code of Conduct; ESG Report
	(a) have and disclose a diversity policy;		
	(b) through its Board or a committee of the Board set measurable objectives for achieving gender diversity in the composition of its Board, senior executives and workforce generally; and	Compliant	CGS 1.4; ESG Report; Equity and Diversity Policy; Code of Conduct
	(c) disclose in relation to each reporting period (1) the measurable objectives set for that period to achieve gender diversity (2) the entity's progress towards achieving those objectives; and (3) either: (A) the respective proportions of men and women on the Board, in senior executive positions across the whole workforce (including how the entity has defined	(c)Non-compliance explained in CGS and ESG Report. Not all targets were previously disclosed throughout FY2021 however these now appear in the CGS, along with progress towards achieving these targets. WGEA report is available on the Company's website.	CGS 1.4; WGEA Report

ASXCGC Recommendation number	Recommendation	Compliant/Non-compliant	Reference in Corporate Governance Statement (CGS)
	“senior executive” for these purposes; or (B) if the entity is a “relevant employer” under the Workplace Gender Equality Act, the entity’s most recent “Gender Equality Indicators”, as defined in and published under that Act.		
1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and	Compliant	CGS 2.2
	(b) disclose, for each reporting period, whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.	Compliant	CGS 1.3
1.7	A listed entity should: (a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and	Compliant	CGS 1.3
	(b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period	Compliant	CGS 1.3
ASX Corporate Governance Council Principle 2 – Structure the Board to be effective and add value			
2.1	The Board of a listed entity should: (a) have a nomination committee which:	Compliant	CGS 2.2, 2.5; Directors Report; Nomination & Remuneratio

ASXCGC Recommendation number	Recommendation	Compliant/Non-compliant	Reference in Corporate Governance Statement (CGS)
	(1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (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; OR		n Committee Charter
	(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.	Compliant	
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:	Compliant	CGS 2.3; Directors Report
	(a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of	Compliant	CGS 2.3; Directors Report

ASXCGC Recommendation number	Recommendation	Compliant/Non-compliant	Reference in Corporate Governance Statement (CGS)
	the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and		
	(c) the length of service of each director.	Compliant	Directors report, CGS
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.	Partial-compliance explained in CGS.	CGS 2.3
2.6	A listed entity should have a program for inducting new directors and periodically reviewing whether there is a need for existing Directors to undertake professional development to maintain the skills and knowledge needed to perform their role as Directors effectively.	Compliant	CGS 2.1, 1.3
ASX Corporate Governance Council Principle 3 – Instil a culture of acting lawfully, ethically and responsibly			
3.1	A listed entity should: (a) have a code of conduct for its Directors, senior executives and employees; and	Compliant	CGS 3.2; Code of Conduct
	(b) disclose that code or a summary of it.	Compliant	CGS 3.2; Code of Conduct
3.2	(a) have and disclose a code of conduct for its Directors, senior executives and employees; and	Compliant	CGS 3.2; Code of Conduct
	(b) ensure that the Board or a committee of the Board is informed of any material breaches of that code.	Compliant	CGS 3.2; Code of Conduct

ASXCGC Recommendation number	Recommendation	Compliant/Non-compliant	Reference in Corporate Governance Statement (CGS)
3.3	(a) have and disclose a whistleblower policy; and	Compliant	CGS 3.3; Whistleblower Protection Policy
	(b) ensure that the Board or a committee of the Board is informed of any material incidents reported under that policy.	Compliant	CGS 3.3
	A listed entity should: (a) have and disclose an anti-bribery and corruption policy; and	Partial non-compliance explained in CGS. Company has had an anti-bribery and corruption policy for many years but it was not disclosed on the Company's website throughout FY2021.	CGS 3.4; Anti-bribery and Corruption Policy
	(b) ensure that the Board or a committee of the Board is informed of any material breaches of that policy.	Compliant	CGS 3.4
ASX Corporate Governance Council Principle 4 – Safeguard the integrity of corporate reports			
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 (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the	Compliant	CGS 2.5, 4.1; Directors Report; Audit & Risk Committee Charter

ASXCGC Recommendation number	Recommendation	Compliant/Non-compliant	Reference in Corporate Governance Statement (CGS)
	members of the committee; and (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; <u>OR</u>		
	(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.	Compliant	
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 been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Compliant	CGS 4.2
4.3	A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.	Partially compliant. Company has disclosed this process in its FY2021 CGS but this was not previously disclosed throughout FY2021.	CGS 4.3
ASX Corporate Governance Council Principle 5 – Make timely and balanced disclosure			

ASXCGC Recommendation number	Recommendation	Compliant/Non-compliant	Reference in Corporate Governance Statement (CGS)
5.1	A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.	Compliant	CGS 5.1; Continuous Disclosure Policy
5.2	A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.	Compliant	CGS 5.2
5.3	A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.	Compliant	CGS 5.3
ASX Corporate Governance Council Principle 6 – Respect the rights of security holders			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Compliant	CGS 6.1
6.2	A listed entity should have an investor relations program that facilitates effective two-way communication with investors.	Compliant	CGS 6.2
6.3	A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.	Compliant	CGS 6.3
6.4	A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.	Compliant	CGS 6.4
6.5	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 6.5; Company website
ASX Corporate Governance Council Principle 7 – recognise and manage risk			
7.1	The board of a listed entity should:	Compliant. Board has an Audit & Risk Subcommittee chaired	CGS 4.1, 7.1, Directors Report, Audit & Risk

ASXCGC Recommendation number	Recommendation	Compliant/Non-compliant	Reference in Corporate Governance Statement (CGS)
	(a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (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; OR	by an Independent Director.	Committee Charter
	(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.	Compliant	
7.2	The Board or a committee of the Board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the Board; and	Compliant	CGS 4.1, 7.1, 7.2, 7.3
	(b) disclose, in relation to each reporting period, whether such a review has taken place.	CGS 4.1, 7.1, 7.2, 7.3	

ASXCGC Recommendation number	Recommendation	Compliant/Non-compliant	Reference in Corporate Governance Statement (CGS)
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; OR	Compliant	CGS 7.1, 7.2, 7.3
	(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 governance, risk management and internal control processes.	Compliant	CGS 7.1, 7.2, 7.3
7.4	A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.	Compliant	CGS 7.2, 7.3, 7.4; ESG Report; Modern Slavery Statement
ASX Corporate Governance Council Principle 8 – Remunerate fairly and responsibly			
8.1	The Board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of	Compliant	CGS 8.1, 2.2, 4.1; Directors Report; Remuneration Report (in Annual Report); Nomination & Remuneration Committee Charter

ASXCGC Recommendation number	Recommendation	Compliant/Non-compliant	Reference in Corporate Governance Statement (CGS)
	the members at those meetings; OR		
	(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.	Compliant	
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 8.2; Remuneration Report (in Annual Report)
8.3	A listed entity which has an equity-based remuneration scheme should: (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	Compliant	CGS 8.3; Remuneration Report (in Annual Report)
	(b) disclose that policy or a summary of it.	Compliant	
9.2	A listed entity established outside Australia should ensure that meetings of security holders are held at a reasonable place and time.	Not applicable – Austal was established in Australia	
9.3	A listed entity established outside Australia, and an externally managed 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.	Not applicable – Austal was established in Australia	