



AUSTAL LIMITED BOARD CHARTER

This Charter sets out the role, responsibilities, structure and processes of the Board of directors of Austal Limited (**Company**).

1. Roles and Responsibilities

1. The role of the Board is to approve the purpose, values, and strategic direction of the Austal Group (**Group**), guide and monitor the management of the Group in achieving its strategic plans, review, approve and monitor the Group's risk management systems across its businesses, and to oversee overall good governance practice.
2. The Board is responsible for:
 - a. approving the Group's purpose and values;
 - b. approving the Group's strategy, business plans and policies;
 - c. monitoring the Group's strategic direction and portfolio of activities, and overseeing management in its instilling of the Group's values;
 - d. guiding the Group's appetite for risk and monitoring and reviewing the Group's financial and non-financial risk management systems, including internal compliance and control mechanisms;
 - e. approving the annual report, remuneration report and financial statements (including the directors' report and remuneration report) and other relevant published reporting, following endorsement and recommendation from the Audit and Risk Committee (**ARC**) and the Nomination & Remuneration Committee (**NRC**), and in accordance with the Constitution, Corporations Act, ASX Listing Rules and any other applicable regulations;
 - f. approving and monitoring operating budgets, major capital expenditure, capital management and capital raising initiatives, and major acquisitions and divestments;
 - g. considering the Company's approach to dividends and approving the declaration of dividends and the operation or suspension of associated measures such as dividend reinvestment plans;
 - h. following consideration by the ARC, overseeing the Group's accounting and corporate reporting systems, reviewing the effectiveness of these systems in ensuring they result in adequate, accurate and timely information being provided to the Board, and appointing, re-appointing or removing the Company's external auditors and approving the auditor's remuneration;
 - i. approving and monitoring the effectiveness of the Group's system of corporate governance, including formation of Board committees;

- j. monitoring and guiding the culture, reputation and standards of conduct of the Group;
- k. approving the Company's Code of Conduct, Share Trading Policy, Anti-Bribery and Corruption Policy, Whistleblower Policy and other Group level policies, monitoring their effectiveness and addressing any material breaches;
- l. following consideration and recommendation by the NRC, approving the Group's remuneration policies for non-executive directors and the Group Chief Executive Officer (**CEO**), and ensuring these policies and remuneration are aligned with the Group's purpose, values and strategic objectives;
- m. approving relevant delegations of authority within the Group;
- n. determining the size, composition and structure of the Board, the process for evaluating its performance and establishing and prioritising the skill sets required and sought in Board members;
- o. appointing and removing the CEO and overseeing his or her performance review, having considered recommendations from the NRC;
- p. reviewing succession plans for the CEO and the Executive Leadership Team, having regard to recommendations from the NRC;
- q. holding management to account where required;
- r. reviewing diversity targets and progress towards their achievement;
- s. monitoring performance in delivering the Group's strategic plans;
- t. approving and monitoring budgets, financial statements and other reporting and ensuring their integrity and reliability; and
- u. monitoring the effectiveness of the Company's governance practices.

2. Management responsibilities

1. The day-to-day management of the Company and its businesses is the responsibility of the CEO, supported by the Executive Leadership Team.
2. The Board delegates powers to manage the day-to-day business of the Group to the CEO, subject to those powers reserved to the Board in clause 1 above and any limitations set out in the approved delegations of authority.
3. The key responsibilities of the CEO are to:
 - a. manage and administer the day-to-day operations of the Company and its businesses in accordance with the purpose, values, strategy, business plans and policies approved by the Board;
 - b. develop strategies for the Company, its businesses and management, and make recommendations to the Board on such strategies;
 - c. develop annual budgets and carry out the Group's activities to align with the approved annual budget;

- d. develop and maintain the Group's risk management systems, including internal compliance and control mechanisms and ensure the Group is operating within the parameters set by the Board;
- e. ensure compliance with the Group's continuous disclosure obligations, in accordance with the Company's Continuous Disclosure Policy;
- f. ensure that the members of the Executive Leadership Team understand their respective responsibilities and monitor their performance;
- g. raise significant operational changes, and major capital expenditure, acquisitions or divestments which are beyond delegated thresholds, to the Board as required;
- h. report regularly to the Board with accurate, timely and clear information;
- i. implement the policies, processes and codes approved by the Board; and
- j. instil and enact the Group's purpose and values to support a culture that promotes ethical and responsible behaviour.

3. Size and Composition of the Board

1. Size

The number of directors on the Board will accord with the Constitution and the relevant requirements of the Corporations Act.

2. Composition

The Board will ensure it contains an appropriate mix of skills, knowledge, experience, expertise and diversity as required to assist in developing, reviewing and approving the strategic direction of the Group, and to guide and monitor the management of the Company, upon recommendation from the NRC.

The Board shall aim to maintain a majority of non-executive directors who satisfy the criteria for independence as set out in the ASX Corporate Governance Council recommendations.

3. Qualifications

The Board, in conjunction with and where appropriate, upon recommendation from, the NRC will periodically review its composition, skills and experience, and consider any measures required in relation to:

- a. the need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively;
- b. ensuring directors receive briefings on material developments in laws, regulations and other applicable standards;
- c. Board appointments and re-elections, including identifying and interviewing suitable candidates to fill Board vacancies as and when they arise.

4. Review of Board performance

The Board will annually undertake an evaluation process to review its performance.

5. Director Shareholdings

Each director is expected to accrue and then hold, throughout his or her term in office as a director, a shareholding in the Company approximately equal to value of one year's base fees (excluding Committee fees). To facilitate this policy and subject to shareholder approval where required, Non-executive Directors will generally receive 25% of their fixed annual base fee in equity until this minimum shareholding threshold is reached.

6. Appointment and Responsibilities of Chairman

The Board will appoint a Chairman in accordance with the Constitution.

The responsibilities of the Chairman include:

- a. promote constructive and effective relations between the Board and management and between directors;
- b. facilitate the effective contribution of all directors;
- c. lead the Board;
- d. ensure the efficient organisation and conduct of the Board's function;
- e. chair general meetings of the Company; and
- f. exercise such specific and express powers as are delegated to the Chairman by the Board from time to time.

7. Company Secretary

The Board will appoint at least one Company Secretary in accordance with the Constitution. Each director has a right of access to the Company Secretary at all times.

The role of the Company Secretary includes:

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

8. Board Committees

The Board may from time to time establish and delegate any powers to a committee of the Board in accordance with the Constitution.

The Board is responsible for approving and reviewing the charter terms and membership of each committee established by the Board, following recommendation from that Committee.

All non-executive directors are entitled to attend meetings of Board committees where there is no conflict of interest.

9. Board Meetings

The Board shall aim to meet at least 6 times per year, or otherwise as often as the directors determine is necessary to enable them to fulfil their duties and responsibilities to the Company.

A quorum for a Board meeting shall be determined in accordance with the Constitution.

Draft minutes of each Board meeting shall be prepared by the Company Secretary promptly following the meeting for review by the Chairman.

4. Legal Duties and Ethics

1. Code of Conduct

Each director shall abide by the terms of the Company's Code of Conduct and is expected to uphold the ethical standards and corporate behaviour described in the Code.

2. Duties

The Board will operate in a manner reflecting the values of the Group and in accordance with its agreed corporate governance guidelines, the Constitution, the Corporations Act and all other applicable laws and regulations.

3. Conflicts of interest

Each director has a fiduciary and statutory duty not to place themselves in a position which gives rise to, or is perceived to give rise to, a real or substantial possibility of conflict of interest or conflict of duties.

Directors are required:

- a. to ensure that the Board is notified of any such conflicts of interest; and
- b. if any matter is or likely to be brought before the Board which could give rise to such a conflict of interest, then the director:
 - a. shall disclose this to the Board;
 - b. shall continue to receive Board papers or other information which relates to the matter which is the subject of the conflict of interest, unless the director requests, or the Chairman determines, that he or she shall not receive any or all of those documents;
 - c. shall withdraw from any part of a Board or Board Committee meeting for the duration of any discussion; and
 - d. shall not vote on the matter, unless a majority of directors who do not have an interest in the matter resolve that the disclosed interest should not disqualify the director.

4. Dealing in shares

Directors must ensure any dealings in shares comply with the Company's Share Trading Policy and other relevant provisions of the Corporations law and ASX Listing Rules.

5. External Directorships

1. Non-executive Directors

Non-executive directors should continually evaluate the number of boards of companies (and any committees of those boards) on which he or she serves, to ensure that each company can be given the time and attention to detail required to properly exercise the director's powers and discharge the director's duties to that company, in addition to any review by the NRC of the time commitments required by the non-executive directors and whether these time commitments are being met.

Non-executive directors shall notify the Chairman prior to accepting an invitation to become a director of any company outside the Group. Prior to accepting such an invitation, the director must have regard to:

- a. the views and recommendations of the Chairman with respect to the director acting simultaneously as a director of the Company and as a director of an external entity;
- b. any current policies of the Board on multiple directorships; and
- c. best practice standards on multiple directorships.

2. Executive Directors

An executive director shall not accept an invitation to become a director of any company outside the Group without the prior approval of the Board.

3. Independent Advice

The Board, and each director individually, may obtain independent professional advice at the Company's expense, as considered necessary to assist in fulfilling their relevant duties and responsibilities.

Individual directors who wish to obtain independent professional advice should seek the approval of the Chairman (acting reasonably), and will be entitled to reimbursement of the reasonable costs of obtaining such advice. If the Chairman wishes to seek independent professional advice, such requests should be approved by the Chairman of the Audit and Risk Committee.

4. Confidentiality

The directors acknowledge that all proceedings of the Board and its committees are strictly confidential and will not be disclosed to any person other than Board members, except as agreed by the Board or as required by law.

5. Review of Charter

The Board shall review this charter from time to time to consider its accuracy, utility and alignment with the strategic priorities of the Company, the ASX Listing Rules and Corporations legislation, relevant corporate governance principles and the Board's own objectives.