

# Austal Limited (ASX: ASB)

## Corporate Governance Statement - 2023

### 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 2023, 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 Company's FY2023 ESG Report has also been published and is available on the Company's website. .

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:

- 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.

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## 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.

As part of its US Government-mandated measures to mitigate the impact of foreign ownership, control and influence (**FOCI**), pursuant to a Special Security Agreement between Austal Limited, its subsidiary Austal USA LLC and the United States Department of Defense (**SSA**), Austal's US subsidiary is managed and controlled by a separate Board and executive group, although it remains a wholly-owned subsidiary of Austal Limited. The Group CEO and Non-executive Chairman each sit on the Board of Austal USA, along with 3 other experienced Board members who are required to be US citizens and who are all selected and appointed by Austal Limited:

- Chris Chadwick, Chairman. Chris' most recent previous roles were as Executive Vice President, President and CEO at Boeing Defense, Space & Security in the USA;
- Alison Stiller, Board member. Ms Stiller most recently served as Principal Civilian Deputy to the Assistant Secretary of the US Navy for Research, Development and Acquisition;

- Patrick Allen, Board member. Mr Allen most recently served as Chief Financial Officer of Collins Aerospace, a division of United Technologies (now Raytheon Technologies); and
- Rusty Murdaugh, President at Austal USA.

In accordance with SSA requirements, the executive at Austal USA (notably the President, Austal USA) reports to the Board of Austal USA. In addition to the establishment of the above separate Board, the SSA also limits the ability of Austal Limited to influence the execution of classified contracts or have access to sensitive US defence information in accordance with FOCI principles. As with all foreign defence contractors operating in the USA, Austal’s agreement to these restrictions was a condition of its eligibility to undertake such work and the SSA has been in effect since early 2008.

Except for a small number of subsidiary companies that have been established in foreign jurisdictions where local laws may dictate the number and nationality of directors, the Non-Executive Chairman and the CEO are both also directors of each of Austal’s subsidiary companies.

## 1.2 Functions of Management

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

The functions reserved to senior management are summarised as follows:

Functions	CEO (Managing Director) Responsibilities
Corporate strategy, reporting and operations	<ul style="list-style-type: none"> <li>• Develop strategies for the Group to maintain a strong balance sheet and sound credit rating over time and make recommendations to the Board for preservation and increase in shareholder value</li> <li>• Review and make recommendations to the Board on significant operational changes, major capital expenditure, and acquisition and divestments above delegated thresholds</li> <li>• Develop the Group’s annual budget for Board approval</li> <li>• Manage and administer day to day operations of the Group within the Board approved strategies, risk appetite and budget</li> <li>• Exercise additional powers as delegated by the Board</li> <li>• 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</li> </ul>
People	<ul style="list-style-type: none"> <li>• Assign responsibilities clearly to the Austal executive management team and ensure accountability for those responsibilities is with the people best able to meet them</li> <li>• Drive continuous improvement in the executive team and the organisation as a whole, and supervise and report to the Board on the performance of executive management</li> <li>• Ensure proper allocation of resources to maximise returns to shareholders while mitigating business exposure</li> <li>• instil and enact the Group's purpose and values to support a culture that promotes ethical and responsible behaviour</li> </ul>

Risk and compliance	<ul style="list-style-type: none"> <li>• Develop and maintain the Group’s risk management systems, including internal compliance and control mechanisms</li> <li>• Demonstrate to the Board that the risk management systems are working effectively</li> </ul>
Stakeholder communications	<ul style="list-style-type: none"> <li>• Drive compliance with the Group’s compliance and other continuous disclosure obligations in accordance with Board-approved policies</li> <li>• Regularly report to the Board with timely and effective information, such that the Board is fully informed to discharge its responsibilities</li> </ul>

### 1.3 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. Any adjustments to remuneration of members of the Executive Leadership Team are reviewed and approved by the Nomination & Remuneration Committee.

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 matters specifically reviewed include Board size and composition, whether the skills matrix remains appropriate, ensuring that meetings are as effective as possible (including by requiring attendance in person where possible) and consideration of potential new skills or experience that would benefit the Board and the Company.

The Company also 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. Previously the Board set a target of 40% female directors by 30 June 2022; however the target date was extended to 30 June 2023 as the Board was unable to identify and secure appropriate female candidates to join the Board in the previous 12 months. In 2023 the Board resolved to revise the target to 30% female directors, to be achieved by 30 June 2024 .

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.

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 distinct 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 and again in 2023 to include measurable targets for the employment of women across the workforce, with targets of:

- 30% of Board members to be women by 30 June 2024. As set out above, the Board has not identified and engaged appropriate additional female Directors in order to meet the previous target by the specified date of 30 June 2023 and has revised the target to 30% of Board members being women. The Board has determined to extend the date for achievement of this target to 30 June 2024 and it will be a focus of the Board to ensure this is met during the next 12 months;
- 25% of senior management roles to be filled by women by 2030;
- 25% of other roles to be filled by women by 2030; and
- 50% of graduates to be women from 2022 onwards.

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.

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 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 and conducting meetings remotely 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 in 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;
- continuing as 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
- continuing the existing graduate program that focuses on gender targets of 50% men and 50% women 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:

<b>Business Unit</b>	<b>% of Senior Management roles filled by women</b>	<b>% of Management roles filled by women</b>	<b>% of professional roles filled by women</b>
Australian Operations	16.6%	18.6%	13.2%
US Operations	23%	12%	19%
Philippines Operations <sup>1</sup>	40%	14.3%	48.2%
Vietnam Operations <sup>2</sup>	0%	33.3%	31.5%

<sup>1</sup> The percentages at this location have increased due to overall reductions in the workforce for FY23. We expect that these percentages will decrease with the award of new contracts which will require a ramp up in production workforce headcount, which is predominantly male-based.

<sup>2</sup> As above.

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.

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## 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 2023 the Committee members were:

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

Mr Giles Everist was a member of the Nomination & Remuneration Committee until his resignation from his position as Independent Director in December 2022. Ms Sarah Adam-Gedge was the Committee Chair until January 2023 when the position was transferred to Mr Chris Indermaur (and Ms Adam-Gedge was appointed Committee Chair of the Audit & Risk Committee). Mr Lee Goddard joined the Nomination & Remuneration Committee upon commencement of his independent Directorship in January 2023.

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

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

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

There are 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
Sarah Adam-Gedge	Non-executive Director	Since 2017
Chris Indermaur	Non-executive Director	Since 2018
Mick McCormack	Non-executive Director	Since 2020
Lee Goddard	Non-executive Director	Since 2023

Mr Giles Everist had also served as an Independent Director since 2013 until his resignation as Independent Director in December 2022.

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 2023 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 and are shared with the Board at each board meeting. 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 2022-23 financial year and the number of meetings attended by each Director was as follows:

	Meeting		
	Board	Audit & Risk Committee	Nomination & Remuneration Committee
<b>Number of meetings held</b>	7	4	5
<b>Number of meetings attended</b>			
John Rothwell <sup>1</sup>	7	0	5
Giles Everist <sup>2</sup>	4	2	1
Sarah Adam-Gedge	7	4	5
Chris Indermaur	7	4	5
Patrick Gregg <sup>3</sup>	7	4	5
Mick McCormack	7	3	4
Lee Goddard <sup>4</sup>	3	2	2

Notes to this table:

1. John Rothwell is not a member of the Audit & Risk Committee.
2. Giles Everist resigned from his position as Independent Director in December 2022.
3. Patrick Gregg attends Board meetings as a Director but Committee meetings as a guest as he is not a member of either Committee.
4. Lee Goddard commenced his position as Independent Director in January 2023.

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## 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 Company's goal is for all of our decisions and actions to reflect these core values. We believe that putting our values into practice creates the greatest benefits for our shareholders, customers, employees, suppliers and communities.

Our Austal values are summarised as:

#### Excellence

- Every day, we aim to be the best at what we do
- We look for ways to improve customer relationships, designs, productivity, and safety and quality

#### Customer Focus

- Our customer is the focus of everything we do

### **Integrity**

- Every interaction with our customers, our people, and our suppliers is with respect, honesty and transparency

### **Teamwork**

- We achieve more as a team than as individuals
- We value each other's contributions
- We all have a role to play in Austal's ongoing success.

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 all managers and leaders across the business 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 they 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, a copy of which is available on its website. All whistleblower activities are facilitated by an independent third party provider in order to minimise concerns around conflicts or other difficulties in reporting.

Under that policy, the Company encourages all employees or stakeholders to speak out if they have concerns about any unlawful, unethical or irresponsible behaviour within the Company. The Company has 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 through Austal Limited's Whistleblower framework (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 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.

In addition, Directors share and update a register of their relevant personal interests outside the company, to maximise visibility of any potential conflicts of interest among the Board.

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## **Principle 4: Safeguard the integrity of corporate reports**

### **4.1 Audit & Risk Committee**

As at 30 June 2023 the Company's Audit & Risk Committee had 4 members, all of whom are independent Non-Executive Directors. They are:

- Ms Sarah Adam-Gedge (Committee Chair);
- Mr Chris Indermaur;
- Mr Mick McCormack; and

- Mr Lee Goddard.

Mr Giles Everist was a member and Chair of the Audit & Risk Committee until his resignation from his position as Independent Director in December 2022, whereupon Ms Sarah Adam-Gedge assumed the position of Committee Chair of the Audit & Risk Committee. Mr Lee Goddard joined the Audit & Risk Committee upon commencement of his independent Directorship in January 2023.

The Committee also benefits from the attendance of the Company's auditors (and the CEO and Chief Financial Officer (CFO)) 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.

A separate Audit & Risk Committee also exists as a subcommittee of the Board of Austal USA. Its functions and charter align with those set out above, with its focus limited to the Company's US operations.

#### **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 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 ESG Report, which in FY2023 is being updated and prepared with the assistance of experienced third party experts to align with the Task Force on Climate-Related Financial Disclosures (**TCFD**) and Global Reporting Initiative (**GRI**) 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.

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## **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 reasonable 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.

The Company also carries out internal training in continuous disclosure requirements to ensure that relevant personnel are familiar with them.

### **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.

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@austal.com](mailto:investors@austal.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](mailto:investors@austal.com)), or by calling or writing to the Company directly. Queries are generally referred to the Investor Relations team or Company Secretary as appropriate.

Link Market Services Limited remains the Company's share registry provider. Shareholders are able to receive communications from, and send communications to, Link Market Services Limited electronically.

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### **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 4 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 Enterprise Risk Management Framework and Risk Reviews

The Board is responsible for reviewing and approving Austal's enterprise risk management framework, policy and performance.

In FY2023 the Board endorsed the implementation of an updated enterprise risk management framework, including the appointment of a qualified Risk Manager and the introduction of an enterprise risk matrix capable of assessing risks and opportunities not only in the context of financial, legal and compliance risk, but also to include emerging risks such as cyber-security, privacy and data breached, sustainability and climate change.

The objectives of this enterprise risk management framework are to ensure:

- that the Board and executive management can make informed and strategic enterprise business decisions that are based on consistent, appropriate and relevant risk assessment;
- risks at all levels of the business are identified, prioritised and managed in a coordinated and consistent manner; and
- Strategic planning processes are improved as a result of a structured consideration of risk and potential opportunities.

Management is responsible for promoting and applying the risk management framework throughout the business. The Chief Executive Officer is the champion of risk management across all Austal entities.

A Senior Executive Risk Committee (**SERC**) has been established to consider material risks and opportunities of a strategic and operational nature which affect Austal at the enterprise level. The enterprise risk management framework has been designed to ensure that the SERC has visibility any material risks that have been identified within each major business and functional area.

The SERC meets on a quarterly basis to conduct a full enterprise risk review to principally address risks under the following categories as they relate to the specific Australian, US, Philippines or Vietnam 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;
- legal and compliance 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 SERC maintains an enterprise risk register that is considered at each Audit & Risk Committee meeting.

In accordance with the updated Enterprise Risk Management framework, the Company undertook number of enterprise risk reviews during the financial year ending 30 June 2023.

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. Previous Austal Corporate Governance Statements have disclosed risks that pertain to Austal's regular and 'business as usual' activities, including risks pertaining to health and safety, employee retention and product liability. Austal's FY2023 ESG Report reports on the measures taken by the Company to mitigate and control the aforementioned risks.

In keeping with previous disclosures in Austal's Corporate Governance Statements, the Company has identified the following matters as posing the most potential risk to the business:

- **US Coast Guard Offshore Patrol Cutter (OPC) program** – In June 2022 the Company was awarded a contract for the production design and construction of potentially up to 11 OPCs for the United States Coast Guard. The

first vessel has been confirmed and the Coast Guard has options for a further 10 vessels. This contract award is a major boost for the Company however it also comes with risks such as:

- **Successful protest** – as at the date of this Corporate Governance Statement, the OPC award is subject to a protest lodged by the incumbent builder, Eastern Shipbuilding Group. While the Company has no reason to believe the protest will succeed in overturning the award, it is a risk and such action would have a material impact on the pipeline of work in the USA. The Company has been working on these vessels for some time already, and will retain any amounts paid or owing to it for such work, even if the protest is successful;
- **New customer** – the OPCs will be constructed for the US Coast Guard. Austal has a longstanding and constructive relationship with the US Navy and the Company has every confidence that it will continue to develop and deepen its relationship with the Coast Guard to a similar degree, however the slight differences in policy and approach may introduce unexpected considerations in the initial stages of this relationship.
- **Steel shipbuilding in the USA.** In April 2022 Austal announced completion of its new steel shipbuilding facilities, on budget and slightly ahead of schedule. Since opening the facility, Austal has commenced work on its initial steel vessel program, the *Navajo* class Towing, Salvage and rescue Ships (T-ATS). This was initially a 2-vessel program however in July 2022 the company was pleased to be awarded contracts for 2 more T-ATS vessels, followed by an exercise of the final option in June 2023, taking the total to 5. As advised through the Company's ASX announcements in June 2023, this program has experienced significant performance hurdles which has resulted in forecasts of earnings losses. The program has encountered changes in specification and general cost inflation pressures and the efficiency assumptions that the Company made for the newly commissioned steel manufacturing line, such as labour hours and consequentially, recovery of overheads, did not meet forecasts and have been subsequently revised. So, although these efficiency issues are expected to increasingly improve as Austal progresses construction of the T-ATS vessels, which is Austal USA's first steel shipbuilding project, they are slowing progress on the first vessels in production. (Austal had noted a risk around this project being the first steel project in its 2022 Corporate Governance Statement). As also relayed through relevant ASX announcements, Austal USA has submitted Requests for Equitable Adjustment (**REAs**) to seek recoveries for some of the additional costs incurred in the T-ATS project, but the precise timing and success of those claims is uncertain.
- **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 newbuild ferry industry can be adversely affected by economic, political, social, security and other factors which delay or eliminate future orders for vessels or even cause cancellations of current vessels and the global COVID-19 pandemic remains 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. The Company identified this as a risk in 2020 and that risk has potentially grown since then, with the depression of the commercial ferry market continuing beyond the initially-anticipated window, having been compounded by the effect that the war in Ukraine has had on supply chains, particularly in Europe. While Austal was largely able to mitigate the impacts of COVID-19 on projects under construction or scheduled, the future pipeline for Austal's commercial operations has been materially impacted by the depression in newbuilding activity. Since delivering vessels in March 2023 and May 2023 respectively, Austal Philippines and Austal Vietnam have not added to their pipelines of work, and resources in each location have been significantly reduced as a result. Alternative opportunities are being pursued by each of those facilities at present, however without further material shipbuilding commitments, the Company will be forced to consider closure or re-orientation of its Asian shipyards in the next 12 months.

This market also retains 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. 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.

- **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.

- **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 in 2022 achieved ISO27001 accreditation, which further enhances the Company's cyber security framework. As a defence provider to the Commonwealth of Australia, Austal Australia is certified under the Department of Defence's Defence Industry Security Program (**DISP**) and as a prime contractor to the US Department of Defence, Austal USA complies with the National Institute of Standards and Technology SP800-171 Standard (**NIST 800-171**). 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.
- **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 have been the subject of investigations by ASIC in Australia, and the Department of Justice and the Securities Exchange Commission in the USA.

Following resolution of the Australian regulatory investigations with ASIC in October 2022, the Group continues to engage with the US Department of Justice (**DOJ**) and Securities and Exchange Commission (**SEC**) regarding their respective investigations into alleged fraudulent activities by former Austal USA personnel during 2013 – 2016.

In March and April 2023 each of the DOJ and SEC commenced formal proceedings alleging fraudulent conduct by the 3 ex-employees of Austal USA. According to the DOJ allegation, the 3 former employees concealed the true extent of cost growth on the LCS program from the Austal USA Board of directors and from Austal Limited and its shareholders, resulting in Austal Limited reporting inaccurately overstated progress on the LCS contract.

In addition, the SEC alleges that the 3 former employees "*aided and abetted Austal's misconduct by knowingly or severely recklessly providing substantial assistance to Austal's violations of the Exchange Act*". The sections of the Exchange Act referred to in the SEC indictment prohibit individuals and companies that issue securities in the USA from engaging in fraudulent or deliberately misleading behaviour.

While the SEC's complaint and the DOJ's indictment pertain to the conduct of those individual employees, the indictment documents also include reference to Austal USA and Austal Limited – in particular it is noted that the SEC complaint includes the above claim that the 3 ex-employees aided and abetted Austal's breach of the Exchange Act. No indictments or charges have been made against either Austal Limited or Austal USA, however the group is engaging with both the DOJ and the SEC to fully understand the nature of any potential allegations or proceedings against either company, and to work constructively towards a negotiated outcome of same. As part of this process, the group has and will continue to cooperate with both regulators in their proceedings against the former employees. This has to date included the provision of many thousands of documents, volunteering personnel for interviews and other responses to informal requests for information, and the presentation of specific material sought principally by the DOJ to assist their investigations.

In addition to cooperating to the fullest extent practicable, the Company has undertaken, and continues, a substantial overhaul of its internal compliance framework, particularly at Austal USA. This has involved the

appointment of recognised leaders in US compliance to reshape and enhance the Company's compliance programs, the introduction of substantial new practices and processes, and the appointment of dedicated and qualified full time compliance professionals as part of Austal USA's senior leadership team.

The Group is confident that the significant steps it has taken in enhancing its compliance framework and its ongoing cooperation with both regulators will be taken into account in determining whether there are any potential consequences arising from matters identified by the investigation in the US, as well as ensuring such circumstances do not happen again.

Nevertheless, it is still possible that the US regulatory investigations could lead to civil or criminal proceedings resulting in the application of penalties, damages, and/or possibly suspension or debarment from future US Government contracts.

Although no indictments or charges have been made against the company, typically the kinds of remedies available to the DOJ and SEC include:

- Non-prosecution agreements, deferred prosecution agreements or potentially seeking a plea of guilty by one or more group companies to alleged offences;
- The installation of a 'monitor' within the organization (at the company's cost) to oversee and ensure compliance measures are adhered to, and reporting back to the DOJ on same;
- The imposition of fines or penalties, which can also include a requirement for restitution of losses if these have been sustained by shareholders.

The Group is not yet able to determine the likely magnitude of fines or penalties may be levied or what other measures may be required as part of any negotiated outcome, since the matter is still under discussion with regulators. Hence the Group is not in a position to make any provision for such fines, penalties or other adverse outcomes at this stage. However any of these potential outcomes could have a material adverse effect on the Group's consolidated financial position, results of operations, or cash flows.

### **7.3 Risk Management Evaluation and Effectiveness**

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 SERC and the Audit & Risk Committee at each meeting and in between meetings as required.

The Company's approach to identifying and addressing enterprise risk has been prioritised by both the Audit and Risk Committee and executive management, and the Company has appointed a dedicated enterprise risk management resource to lead this function. This resource is responsible for driving 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 has updated its stand-alone ESG Report to align with the Task Force on Climate-Related Financial Disclosures (**TCFD**) and Global Reporting Initiative (**GRI**) standards and to 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 2023. The Company is again working with independent third party experts in developing and verifying this report. The current ESG Report can be accessed under the 'Corporate Governance' tab at the Company's website..

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.

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## **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 2023, which is the Company's balance date for the purposes of preparing its 2023 annual results. This Corporate Governance Statement was reviewed and approved by the Board on 30 August 2023 and remained accurate at that date of approval.

## Corporate Governance Statement

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

ASXCGC Recommendation number	Recommendation	Compliant/Non-compliant	Reference in Corporate Governance Statement (CGS)
<b>ASX Corporate Governance Council Principle 1 – Lay solid foundations for management and oversight</b>			
1.1	A listed entity should have and disclose a board charter setting out:  (a) the respective roles and responsibilities of its board and management; and	Compliant	CGS 1.1
	(b) those matters expressly reserved to the board and those delegated to management	Compliant	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 a decision on whether or not to elect or re-elect a director.	Compliant	Director's report, CGS 2.1
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

ASXCGC Recommendation number	Recommendation	Compliant/Non-compliant	Reference in Corporate Governance Statement (CGS)
1.5	<p>A listed entity should:</p> <p>(a) have and disclose a diversity policy;</p>	Compliant	CGS 1.4; Equity and Diversity Policy; Code of Conduct; ESG Report
	<p>(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</p>	Compliant	CGS 1.4; ESG Report; Equity and Diversity Policy; Code of Conduct
	<p>(c) disclose in relation to each reporting period</p> <p>(1) the measurable objectives set for that period to achieve gender diversity</p> <p>(2) the entity’s progress towards achieving those objectives; and</p> <p>(3) either:</p> <p>(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 “senior executive” for these purposes; or</p> <p>(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.</p>	<p>(c) Compliant</p> <p>WGEA report is available on the Company’s website.</p>	CGS 1.4; WGEA Report
1.6	A listed entity should:	Compliant	CGS 2.2

ASXCGC Recommendation number	Recommendation	Compliant/Non-compliant	Reference in Corporate Governance Statement (CGS)
	(a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and		
	(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
<b>ASX Corporate Governance Council Principle 2 – Structure the Board to be effective and add value</b>			
2.1	The Board of a listed entity should:  (a) have a nomination 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	Compliant	CGS 2.2, 2.5; Directors Report; Nomination & Remuneration Committee Charter

ASXCGC Recommendation number	Recommendation	Compliant/Non-compliant	Reference in Corporate Governance Statement (CGS)
	<p>of times the committee met throughout the period and the individual attendances of the members at those meetings; <b>OR</b></p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	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	<p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	Compliant	CGS 2.3; Directors Report
2.4	A majority of the board of a listed entity should be independent directors.	Compliant	CGS 2.3
2.5	The chair of the board of a listed entity should be an independent director and in	Partial-compliance explained in CGS.	CGS 2.3

ASXCGC Recommendation number	Recommendation	Compliant/Non-compliant	Reference in Corporate Governance Statement (CGS)
	particular, should not be the same person as the CEO.		
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
<b>ASX Corporate Governance Council Principle 3 – Instil a culture of acting lawfully, ethically and responsibly</b>			
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
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	Compliant	CGS 3.4; Anti-bribery and Corruption Policy

ASXCGC Recommendation number	Recommendation	Compliant/Non-compliant	Reference in Corporate Governance Statement (CGS)
	(b) ensure that the Board or a committee of the Board is informed of any material breaches of that policy.	Compliant	CGS 3.4
<b>ASX Corporate Governance Council Principle 4 – Safeguard the integrity of corporate reports</b>			
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <ul style="list-style-type: none"> <li>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</li> <li>(2) is chaired by an independent director, who is not the chair of the board,</li> </ul> <p>and disclose:</p> <ul style="list-style-type: none"> <li>(3) the charter of the committee;</li> <li>(4) the relevant qualifications and experience of the members of the committee; and</li> <li>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the numbers at those meetings; <b>OR</b></li> </ul>	Compliant	CGS 2.5, 4.1; Directors Report; Audit & Risk Committee Charter
	(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	Compliant	

ASXCGC Recommendation number	Recommendation	Compliant/Non-compliant	Reference in Corporate Governance Statement (CGS)
	auditor and the rotation of the audit engagement partner.		
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.	Compliant	CGS 4.3
<b>ASX Corporate Governance Council Principle 5 – Make timely and balanced disclosure</b>			
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
<b>ASX Corporate Governance Council Principle 6 – Respect the rights of security holders</b>			

ASXCGC Recommendation number	Recommendation	Compliant/Non-compliant	Reference in Corporate Governance Statement (CGS)
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
<b>ASX Corporate Governance Council Principle 7 – recognise and manage risk</b>			
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <ul style="list-style-type: none"> <li>(1) has at least three members, a majority of whom are independent directors; and</li> <li>(2) is chaired by an independent director,</li> </ul> <p>and disclose:</p> <ul style="list-style-type: none"> <li>(3) the charter of the committee;</li> <li>(4) the members of the committee; and</li> <li>(5) as at the end of each reporting period, the number of times the committee met</li> </ul>	Compliant. Board has an Audit & Risk Subcommittee chaired by an Independent Director.	CGS 4.1, 7.1, Directors Report, Audit & Risk Committee Charter

ASXCGC Recommendation number	Recommendation	Compliant/Non-compliant	Reference in Corporate Governance Statement (CGS)
	<p>throughout the period and the individual attendances of the members at those meetings; OR</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	Compliant	
7.2	<p>The Board or a committee of the Board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the Board; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	Compliant	CGS 4.1, 7.1, 7.2, 7.3
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; OR</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes.</p>	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

ASXCGC Recommendation number	Recommendation	Compliant/Non-compliant	Reference in Corporate Governance Statement (CGS)
<b>ASX Corporate Governance Council Principle 8 – Remunerate fairly and responsibly</b>			
8.1	<p>The Board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <ul style="list-style-type: none"> <li>(1) has at least three members, a majority of whom are independent directors; and</li> <li>(2) is chaired by an independent director,</li> </ul> <p>and disclose:</p> <ul style="list-style-type: none"> <li>(3) the charter of the committee;</li> <li>(4) the members of the committee; and</li> <li>(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</li> </ul>	Compliant	CGS 8.1, 2.2, 4.1; Directors Report; Remuneration Report (in Annual Report); Nomination & Remuneration Committee Charter
	<p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	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:	Compliant	CGS 8.3; Remuneration Report (in

ASXCGC Recommendation number	Recommendation	Compliant/Non-compliant	Reference in Corporate Governance Statement (CGS)
	(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		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	