



# ORBITAL AUDIT & RISK COMMITTEE CHARTER

## 1. Purpose of the Charter

- 1.1 The Audit & Risk Committee Charter sets out the role, composition, authority, responsibilities and operation of the Audit & Risk Committee of the Board of Orbital Corporation Limited (“Orbital”) within the governance structure of Orbital Corporation Limited and all controlled entities (“the Orbital Group”).

## 2. Role of the Audit & Risk Committee

- 2.1 The Audit & Risk Committee (“the Committee”) is a Committee of the Orbital Board (“the Board”).
- 2.2 The Committee’s primary objective is to assist the Board in discharging its responsibility to exercise due care, diligence and skill in relation to the Orbital Group in the areas of:
  - a) application of accounting policy and reporting of financial information to shareholders, regulators and the general public;
  - b) internal control over financial reporting systems, including business policies and practices;
  - c) reviewing and overseeing the enterprise-wide risk management processes;
  - d) reviewing and monitoring the process for identifying significant risks and implementing appropriate control, monitoring and reporting processes;
  - e) monitoring compliance with Australian and international tax requirements, corporations laws and stock exchange listing rules;
  - f) corporate conduct and business ethics, including Auditor Independence and ongoing compliance with laws and regulations;
  - g) reviewing confidential submissions by employees and third parties of concerns regarding questionable accounting, internal controls or auditing matters.

- 2.3 Membership of the Committee must be disclosed in the Annual Report.

### 3. Responsibilities of the Audit & Risk Committee

3.1 The responsibilities of a member of the Committee are in addition to those duties set out for a Director of the Board.

3.2 The responsibilities the Committee is expected to undertake in meeting its principal purpose include:

#### 3.2.1 Financial and External Reporting

- a) Review the appropriateness of the Company's accounting policies and principles and the processes used by management that monitor and ensure compliance with laws, regulations and other requirements relating to external reporting by the Company of financial and non-financial information.
- b) Review and discuss with the external Auditors and management, and challenge, where necessary, all Orbital Group financial statements intended for publication prior to their submission to the Board.
- c) Recommend approval of the Company's financial statements, taking into account:
  - critical accounting policies and practices, and any changes in them;
  - decisions requiring a major element of judgement;
  - the going concern assumption;
  - compliance with accounting standards (IFRS and AASB);
  - compliance with ASX and other legal requirements; and
  - the Chief Executive Officer and Chief Financial Officer statements to the Board in accordance with section 295A of the Corporations Act 2001.

#### 3.2.2 Risk Management and Internal Control Over Financial Reporting Structure

- a) Review the Company's risk management framework, policy for risk appetite and risk tolerance with respect to relevant categories of risk, including the procedures for identifying strategic and business risks;
- b) Monitor and review the operational effectiveness of the Company's risk management structure, including its internal control policies and its procedures for the identification, assessment, reporting and management of risks;
- c) To review the Company's insurance program at least annually, with consideration to the Group's business risks; and
- d) To review the Company's internal control over Financial Reporting Structure so as to obtain reasonable assurance that the Orbital Group's assets are safeguarded and that reliable financial records are maintained.

### 3.2.3 Audit Activities, Audit Coverage and Auditor Independence

- a) To ensure that the audit approach covers all financial statement areas where there is a risk of material misstatement and that audit activities are carried out throughout the Orbital Group in the most effective, efficient and comprehensive manner.
- b) The Committee has the responsibility for the appointment, compensation and oversight of the external Auditor and to ensure that the external Auditor meets the required standards for Auditor Independence. In monitoring Auditor Independence the Committee will have regard to any legislative or regulatory requirements, and the following principles:
  - (i) It is mandatory that the Audit Partner responsible for the Audit be rotated at least every five years. At least two years must expire before the Audit Partner can again be involved in the Audit of the Group.
  - (ii) The Committee must monitor the number of former employees of the external Auditor who were involved in auditing the Company, currently employed in senior financial positions in the Company, and assess whether this impairs or appears to impair the Auditor's judgment or independence in respect of the Company. An individual auditor who was engaged by the external Auditor and participated in the Company's audit shall be precluded from employment as CEO or CFO of the Company for a period of 12 months from the time of the audit.
  - (iii) Consider whether taken as a whole, the various relationships between the Company and the external Auditor and the economic importance of the Company (in terms of fees paid to the external Auditor for the Audit as well as fees paid to the external Auditor for the provision of non-Audit services) to the external Auditor to impair or appear to impair the Auditor's judgment or independence in respect of the company.
- c) The Company shall not engage its external Auditor for certain non-audit services (including book-keeping, financial information systems design, valuations, actuarial services, internal audit outsourcing, human resources and unrelated legal/expert services). Any proposal to grant the external Auditor non-prohibited non-audit services will be referred to the Chair of the Committee by management prior to granting the work. The members of the Committee will meet (at least annually) with the external Auditors without the presence of management.

### 3.2.4 Corporate Conduct and Integrity

- a) To obtain assurance that the Orbital Group adequately complies with applicable laws and regulations, is conducting its affairs ethically and is maintaining appropriate controls against employee conflict of interest and fraud.

## 4. Membership and Term

- 4.1 The Committee consists of a minimum of two Directors of the Board. All members are independent, non-executive Directors. The term 'independent' for this purpose means that a member may not have any relationship with Orbital management or the corporate entity that, in the opinion of the Board, would interfere with the exercise of his or her independent judgement as a member of the Committee. Additionally, in the opinion of the Board, the Director should be free from any interest and any business or other relationship, which could materially interfere with the Director's ability to act in the best interests of the Company.
- 4.2 Committee members will have a working familiarity with basic finance and accounting practices and have the ability to read and understand financial statements. It is appropriate that members of the Committee have a range of different backgrounds, skills and experiences, having due regard to the operational, financial and strategic risk profile of the Orbital Group. At least one member of the Committee shall in the judgement of the Board be an "Audit & Risk Committee financial expert" as defined by the rules and regulations of the Securities and Exchange Commission, and has, in the judgement of the Board, accounting or related financial management expertise.
- 4.3 Committee members are appointed by the Board. The Board may remove any member from the Committee at any time with or without cause.
- 4.4 The term of appointment as a member is for no fixed period provided the member remains an independent Director of the Board.

## 5. Chair

- 5.1 The Chair of the Committee shall be a non-executive Director, other than the Chair of the Board, selected by the Board.
- 5.2 Should the Chair be absent from a meeting and no Acting Chair has been appointed, the members of the Committee present at the meeting have authority to choose one of their number to be Chair for that particular meeting.

## 6. Meetings

### 6.1 Meetings Other than in Person

- 6.1.1 The Committee may conduct meetings without all Committee members involved in the meeting being in the physical presence of one another provided that all Committee members involved in the meeting are able to participate in discussion.

### 6.2 Frequency of Meetings

- 6.2.1 As a minimum, the Committee must meet at least three times per year.

- 6.2.2 In addition, the Chair will call a meeting of the Committee if so requested by any member of the Committee, by the external Auditors or by the Chair of the Board.

## 7. Attendance at Meetings and Quorum

- 7.1 Other Board Directors (executive and non-executive) have a right of attendance at meetings. However, no Board Director is entitled to attend that part of a meeting at which an act or omission of that Director or a contract, arrangement or undertaking involving or potentially involving that Director or a related party of that Director is being investigated or discussed.

Notwithstanding the above, if in the opinion of the Committee, hearing from the interested Board Director will assist their investigation or discussion, the Committee may invite that Board Director to address the Committee. The Committee shall give fair consideration to that address. The Board Director will not, however, be invited to take part in the deliberations following that address.

- 7.2 Orbital executives, including the Managing Director and the Chief Financial Officer, and/or parties external to Orbital may be invited to attend any meeting of the Committee.
- 7.3 The external Audit engagement partner should attend any meeting of the Committee.
- 7.4 The quorum for a meeting is two members or any greater number determined by the Committee from time to time.

## 8. Secretary

- 8.1 The Orbital Company Secretary acts as Secretary of the Committee.

## 9. Scope, Access and Authority

- 9.1 The activities of the Committee are in relation to the Orbital Group.
- 9.2 The Committee has direct access to the Orbital Group's external Auditors and has the authority to seek any information it requires to carry out its duties from any officer or employee of any entity of Orbital and such officers or employees shall be instructed by the Board of the entity employing them to cooperate fully in the provision of such information.
- 9.3 The Committee also has the authority to consult any independent professional adviser it considers appropriate to assist it in meeting its responsibilities.

## 10. Reporting

- 10.1 Proceedings of all meetings are minuted and signed by the Chair.

10.2 The Committee, through its Chair, reports to the Board at the earliest possible Board meeting after each Committee meeting. Minutes of all Committee meetings are circulated to Board Directors. The report should include but not be limited to:

- a) the minutes of the Committee and any formal resolutions;
- b) information about the audit process including the results of internal and external audits;
- c) any determination by the Committee relating to the independence of the external Auditor;
- d) any other matters that in the opinion of the Committee should be brought to the attention of the Board, and any recommendations requiring Board approval and/or action; and
- e) at least annually, an evaluation of the extent to which the Committee has met the requirements of the Charter.

10.3 In addition, the Chair of the Committee shall report annually (either verbally or in writing) to the Board, summarising the Committee's activities during the year. The report (and where appropriate any interim report) should include:

- a) a summary of the Committee's main authority, responsibilities and duties;
- b) details of any determination by the Committee regarding the external Auditor's independence.

## 11. Fees

11.1 Committee members are entitled to receive remuneration as determined from time to time by the Orbital Remuneration Committee.

## 12. Review of Charter

12.1 The Audit & Risk Committee Charter is reviewed every three years by the Committee to ensure it remains consistent with the Committee's authority, objectives and responsibilities.

12.2 Significant changes to the Charter are recommended by the Committee and approved by the Board.