



**ORBITAL**<sup>®</sup>  
UAV

# CORPORATE GOVERNANCE STATEMENT 2023

## ASX CORPORATE GOVERNANCE COUNCIL RECOMMENDATIONS CHECKLIST

The table below summarises the Group's compliance with the ASX Corporate Governance Council's Recommendations.

	<b>Recommendation</b>	<b>Comply Yes / No</b>	<b>Reference</b>
<b>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 b) those matters expressly reserved to the board and those delegated to management.	Yes Yes	2.1 and 2.2
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 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.	Yes Yes	1.3 and 2.4
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes	1.3 and 1.8
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.	Yes	1.7
1.5	A listed entity should: a) have and disclose a diversity policy b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and c) disclose in relation to each reporting period: (1) the measurable objectives set for that period to achieve gender diversity; (2) the entity's progress towards achieving those objectives; and (3) either: (A) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or (B) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	Yes No No No Yes N/A	3.8
	If the entity was in the S&P / ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its board should be to have not less than 30% of its directors of each gender within a specified period.		



	<b>Recommendation</b>	<b>Comply Yes / No</b>	<b>Reference</b>
	relationship in question and an explanation of why the board is of that opinion; and		
	c) the length of service of each director.	Yes	
2.4	A majority of the board of a listed entity should be independent directors.	Yes	1.4
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the chief executive officer of the entity.	Yes	1.2 and 1.4
2.6	A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing director to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.	Yes	1.3

### **Principle 3 – Instil a culture of acting lawfully, ethically and responsibly**

3.1	A listed entity should articulate and disclose its values	Yes	3.1
3.2	A listed entity should:		
	a) have and disclose a code of conduct for its directors, senior executives and employees; and	Yes	3.1
	b) ensure that the board or a committee of the board is informed of any material breaches of that code.	Yes	
3.3	A listed entity should:		
	a) have and disclose a whistleblower policy; and	Yes	3.1
	b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.	Yes	
3.4	A listed entity should:		
	a) have and disclose an anti-bribery and corruption policy; and	Yes	3.1
	b) ensure that the board or a committee of the board is informed of any material breaches of that policy.	Yes	

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

4.1	The board of a listed entity should:		2.4 and 3.4
	a) have an audit committee which:	Yes	
	1. has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and	No	
	2. is chaired by an independent director, who is not the chair of the board,	Yes	
	and disclose:		
	3. the charter of the committee;	Yes	
	4. the relevant qualifications and experience of the members of the committee; and	Yes	
	5. in relation to each reporting period, the number of times the committee met throughout the period and	Yes	

Recommendation	Comply Yes / No	Reference
<p>the individual attendances of the members at those meetings; or</p> <p>b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	N/A	
<p>4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its chief executive officer and chief financial officer 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.</p>	Yes	3.3
<p>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.</p>	Yes	3.6
<b>Principle 5 – Make timely and balanced disclosure</b>		
<p>5.1 A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.</p>	Yes	3.5
<p>5.2 A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.</p>	Yes	3.5
<p>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.</p>	Yes	3.6
<b>Principle 6 – Respect the rights of security holders</b>		
<p>6.1 A listed entity should provide information about itself and its governance to investors via its website.</p>	Yes	3.6
<p>6.2 A listed entity should have an investor relations program that facilitates effective two-way communication with investors.</p>	Yes	3.6
<p>6.3 A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.</p>	Yes	3.6
<p>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.</p>	Yes	3.6
<p>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.</p>	Yes	3.6

Recommendation	Comply Yes / No	Reference
<b>Principle 7 – Recognise and manage risk</b>		
7.1 The board of a listed entity should:		2.4 and 3.4
a) have a committee or committees to oversee risk, each of which:	Yes	
1. has at least three members, a majority of whom are independent directors; and	No	
2. is chaired by an independent director, and disclose:	Yes	
3. the charter of the committee;	Yes	
4. the members of the committee; and	Yes	
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	Yes	
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.	N/A	
7.2 The board or a committee of the board should:		
a) review the entity’s risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and	Yes	3.3
b) disclose, in relation to each reporting period, whether such a review has taken place.	Yes	
7.3 A listed entity should disclose:		
a) if it has an internal audit function, how the function is structured and what role it performs; or	No	3.3
b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes.	Yes	
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.	Yes	3.3
<b>Principle 8 – Remunerate fairly and responsibly</b>		
8.1 The board of a listed entity should:		2.4
a) have a remuneration committee which:	No	
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;		

Recommendation	Comply Yes / No	Reference
<p>4. the members of the committee; and</p> <p>5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	Yes	
<p>8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives</p>	Yes	Remuneration Report
<p>8.3 A listed entity which has an equity-based remuneration scheme should:</p> <p>a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>b) disclose that policy or a summary of it.</p>	Yes	3.2

## CORPORATE GOVERNANCE AT ORBITAL

The Board of Directors of Orbital Corporation Limited is responsible for the corporate governance of the Group. The Board guides and monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable. This Corporate Governance Statement reports on Orbital's key governance principles and practices. It has been approved by the Board and is current as at 21 September 2023. These principles and practices are reviewed regularly and revised as appropriate to reflect changes in law and developments in corporate governance.

The Company, as a listed entity, must comply with the *Corporations Act 2001* (Cwth) (**Corporations Act**), the Australian Securities Exchange (**ASX**) Listing Rules (**ASX Listing Rules**) and other Australian and international laws. The ASX Listing Rules requires the Company to report on the extent to which it has followed the Corporate Governance Recommendations contained in the ASX Corporate Governance Council's (**ASXCGC**) fourth edition of its Corporate Governance Principles and Recommendations released in February 2019. Orbital believes that, throughout the 2023 financial year and to the date of this report, it has complied with the majority of the ASXCGC Recommendations.

Information on Orbital's corporate governance framework is also provided in the Corporate Governance section of Orbital's website ([www.orbitaluav.com](http://www.orbitaluav.com)).

## PART 1 – COMPOSITION AND GOVERNANCE POLICIES OF THE BOARD

Relevant policies and charters (see <https://orbitaluav.com/about-us/corporate-governance/>)

- Orbital Board Charter

### 1.1. COMPOSITION PRINCIPLES

The composition of the Board is determined using the following principles:

- A minimum of three Directors, with a broad range of expertise;
- An independent Non-Executive Director as Chairman;
- A majority of Independent Non-Executive Directors; and
- The role of Chief Executive Officer (CEO) and Chairman should not be exercised by the same individual.

### 1.2 MEMBERSHIP

The composition of Board of Directors\*:

NAME	POSITION
John Welborn	Chairman and Non-Executive Director
Todd Alder	Chief Executive Officer and Managing Director
Steve Gallagher	Non-Executive Director, Chairman of the Audit and Risk Committee
Kyle Abbott	Non-Executive Director, Member of the Audit and Risk Committee

\*The composition of Board of Directors includes all Directors on the Board during the Reporting Period and up to the date of the statement.

Details of each Director's qualifications, special responsibilities, skills, expertise and experience (including the period of office held by each Director) are contained in the profiles included on page 4 of the Annual Report.



### 1.3 APPOINTMENT, INDUCTION AND TRAINING

The Board sets and reviews the criteria for new Director appointments having regard to the overall composition of the Board.

In considering the nominations and appointments of Directors, the Board seeks to ensure that its membership is such that each Director:

- is a person of integrity who will observe the Group’s Code of Conduct;
- has sufficient abilities and time available to perform their role effectively;
- brings an independent and questioning mind to their role;
- enhances the breadth and depth of skills and knowledge of the Board as a whole; and
- enhances the experience and diversity of the Board as a whole.

While recognising that each Director will not necessarily have experience in each of the following areas, the Board seeks to ensure that its membership includes an appropriate mix of Directors with experience in engineering, manufacturing, relevant industry sectors, general management, funding and finance.

A Board and Director performance evaluation was undertaken during the financial year ended 30 June 2023 (**Reporting Period**).

A summary of the Director’s skills and experience as relevant to the Group is set out below:

<b>BOARD SKILLS AND EXPERIENCE*</b>	<b>Number of Directors</b>
<b>Leadership and Governance</b>	
Other board experience	4
Executive leadership	4
Corporate Governance	4
Strategy	4
<b>Industry Experience</b>	
Commercial acumen	4
Business Builder	4
Commercialisation of Intellectual Property	4
<b>Finance and Risk</b>	
Financial knowledge and experience	4
Capital management	4
Acquisitions	4
Risk Management	4
<b>People</b>	
Health and Safety	4
Human Resources	4
<b>Specific Skills</b>	
Manufacturing	4
Defence Industry	2
Aerospace	2
Alternative technologies	4

\*Board skills and experience includes all Directors on the Board during the reporting period and up to the date of the statement.

All new Directors are required to sign and return a letter of appointment which sets out the key terms and conditions of their appointment, including duties, rights and responsibilities, the time commitment envisaged and the Board's expectations regarding their involvement with committee work.

As part of the induction process, new Directors are provided with detailed information about the nature of the Group's business, current issues, Group strategy, financial matters, policies and procedures and are given the opportunity to meet with management to obtain an insight into the Group's business operations.

All Directors are expected to maintain the skills required to discharge their obligations to the Company. Directors are encouraged to undertake continuing professional education including industry seminars and approved education courses.

## 1.4 DIRECTOR INDEPENDENCE

The Board recognises that, while various principles and factors are relevant in determining independence, true independence is a matter of judgement having regard to the particular circumstances. Accordingly, when the Board exercises its judgement in determining independence, it has regard to relationships between a Director and the Group or between a Director and third parties that may compromise the Director's independence.

The Board recognises that the accounting standards provide a useful guide as to what is or is not material in a quantitative sense. The accounting standards define materiality as an interest of more than 10% of the relevant base (whether revenue, equity or expenses). Any interests between 5% and 10% of the base are treated as potentially material, depending on the circumstances. Any interests below 5% are treated as being immaterial. However, the Board also applies a qualitative assessment to seek to ensure that a solely quantitative approach does not result in inappropriate decisions. The Board considers whether there are any circumstances which may affect the Director's interest and could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the Company's best interests.

The Board has considered the positions and relationships of each of the persons who were Non-Executive Directors for all or part of the Reporting Period and has formed the view that all of these persons are independent. The Board is of the opinion that therefore a majority of the Board are independent of the Group's management and are free of any interest that may affect its free and unfettered judgment during the Reporting Period.

An Independent Director is a Non-Executive Director who:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years has not been employed in an executive capacity by the Company or another Group member, or been a Director after ceasing to hold any such employment;
- within the last three years has not been a principal of a professional adviser or a consultant to the Company or another Group member, or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company or other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Company or another Group member other than as a Director of the Company;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and

- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

## 1.5 NOTIFICATION OF INTERESTS AND TREATMENT OF CONFLICTS

In accordance with the Corporations Act 2001 and the Company's constitution, Directors are required to notify the other Directors of any contracts, offices (including other Directorships) held, and interests in other companies or transactions which might involve a real or potential conflict and at each Board meeting Directors declare any conflicts or changes to their independence. In the event of such a conflict, the Board acts appropriately and takes minutes of its actions. The Board Charter sets out the process that the Company applies if a conflict arises for one or more of its Directors. In particular, a Director who has a conflict with respect to a matter will not, without the Chairman's approval, receive relevant Board papers, or be present during any discussion or vote on that matter. In the event that the Chairman has a conflict, a Non-Executive Director's approval is required.

## 1.6 INDEPENDENT ADVICE

Each Director has the right of access to all relevant Company information and to the Group's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified adviser at the Group's expense. The Director must consult with an advisor suitably qualified in the relevant field, and obtain the Chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the Director is made available to all other members of the Board.

## 1.7 COMPANY SECRETARY

Under the Board Charter, the appointment, performance and review and, where appropriate, the removal of the Company Secretary is a key responsibility of the Board. As a result, the Company Secretary is accountable directly to the Board, through the Chairman, including on all matters to do with the proper functioning of the Board. The Company Secretary is responsible for ensuring that Board procedures are complied with and that governance matters are addressed. Details of the Company Secretary are set out on page 5 of the Annual Report.

## 1.8 PERFORMANCE REVIEW

### Review of Board Performance

The Chairman is responsible for determining the process for evaluating Board performance. The Chairman and the Board regularly discuss the performance of the Board and the performance of the individual Directors (including the CEO).

Evaluations are conducted by way of individual Board member review questionnaires appropriate in scope and content to effectively review:

- the performance of the Board against the requirements of its charter; and
- the individual performance of the Chairman and each Director.

A Board evaluation took place during the Reporting Period in accordance with this process.

In addition, the Board evaluates the performance of individual Directors as those Directors become eligible for election and re-election, as part of its assessment of whether the Board should support the relevant election or re-election.

## Review of Senior Management Performance

The Board establishes performance criteria for the CEO and conducts a performance review of the CEO at least annually.

In turn, the CEO conducts annual performance reviews of other senior executives.

Each senior executive, including the CEO, has a written service contract.

The relevant criteria against which the performance of the CEO and the other senior executives is assessed include:

- financial criteria relevant to the individual's responsibilities and influence; and
- personal performance indicators referable to achieving the objectives of their role.

The performance of the CEO and the other senior executives were reviewed in this manner during the Reporting Period.

## PART 2 – OPERATION AND RESPONSIBILITIES OF THE BOARD

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Relevant policies and charters (<https://orbitaluav.com/about-us/corporate-governance/>)

- Orbital Board Charter
- Audit & Risk Committee Charter

### 2.1 BOARD ROLE AND RESPONSIBILITIES AND MATTERS RESERVED FOR THE BOARD

The Board's primary role is to protect and enhance long-term shareholder value by providing strategic guidance to the Group and effective oversight of management.

To fulfil this role, the Board is responsible for the overall corporate governance of the Group including:

- formulating its strategic direction;
- approving and monitoring capital expenditure;
- setting remuneration;
- appointing, removing and creating succession policies for Directors and senior executives;
- establishing and monitoring the achievement of management's goals; and
- ensuring the integrity of internal control and management information systems.

It is also responsible for approving and monitoring financial and other reporting. A copy of the Board's Charter is available in the Corporate Governance section of Orbital's website.

### 2.2 SENIOR MANAGEMENT ROLE AND RESPONSIBILITIES AND MATTERS DELEGATED TO SENIOR MANAGEMENT

The role of senior management is to deliver the strategic direction and goals determined by the Board.

Senior management is responsible for matters including:

- the day-to-day management of the Group's operations and finances;
- reporting to the Board on matters including the Group's operations and financial performance;
- recommending Group strategy, budgets, plans, policies and risk management systems to the Board;
- determining Group policies, other than those reserved for the Board;
- establishing and monitoring the achievement of management's goals; and

- ensuring the integrity of internal control and management information systems.

Matters delegated to senior management are set out in the Delegations of Authority given to the Chief Executive Officer and in turn to various other members of senior management. Those matters include the following, up to certain limits of authority:

- approving entry into contracts under which the Group will provide services;
- settling legal claims;
- approving credit facilities;
- approving the procurement of inventory, equipment and IT hardware and software;
- approving entry into office leases; and
- determining the extent to which foreign exchange exposures ought to be hedged.

Management may also be delegated responsibility for other matters under the corporate policies adopted by the Board

## 2.3 BOARD MEETINGS

The full Board currently holds six scheduled meetings each year, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for meetings is prepared in conjunction with the Chairman, Managing Director and Company Secretary. Standing items include the Managing Director's report, financial reports, strategic matters, governance and compliance. Board papers are distributed to Directors in advance of any Director's meeting to ensure that there is sufficient time for the Directors to digest the content of the papers and prepare for the meeting. Executives are regularly involved in Board discussions and Directors have other opportunities, including visits to operations, for contact with a wider group of employees.

## 2.4 BOARD COMMITTEES

### Board Committees

The Audit & Risk Committee was established by the Board to oversee the internal financial control systems and risk management systems and assessments and to make recommendations to the Board including on the adequacy of the Company's internal control framework and fees payable to the auditor for audit and non-audit work.

The Board does not currently have a nomination or remuneration committee, given the size and stage of development of the Company, and as the Board is satisfied that all matters previously delegated to the Nomination and Remuneration Committee of the Board are being appropriately addressed by the full Board.

The Board will review the re-establishment of a Nomination and Remuneration Committee if the number of Non-Executive Directors is increased at a future date.

The Board reviews and approves remuneration packages and policies applicable to Directors, and the senior executives of the Group on annual basis.

In determining the appropriate remuneration packages for Directors and senior executives, the Board considers advice from external consultants when undertaking a remuneration review and seek to set remuneration at a level that provides the Company with the ability to attract and retain Directors and senior executives of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Details of the company's remuneration and board composition is set out on page 7 of the Annual Report.

The Board notes that:

- The skills matrix across the Director profiles are complementary and covers key areas of commercial, technical and industry experience;
- The roles of Managing Director and Chairman are separate.

### **Audit and Risk Committee**

As at 30 June 2023, the Audit and Risk Committee comprised of Mr Steve Gallagher and Mr Kyle Abbott, who are Independent Non-Executive Directors. Details of the members of the Board including their qualifications, special responsibilities, skills, expertise and experience are contained in the profiles included on page 4 of the Annual Report.

The Audit and Risk Committee is chaired by Mr Steve Gallagher, who is not the Chairman of the Board. The Audit and Risk Committee comprises only two members, rather than the three members which are recommended by the ASX Corporate Governance Council's Recommendations 4.1(a) and 7.1(a), due to the size of the full Board and as the Board is satisfied the Audit and Risk Committee is of sufficient size and independence to verify and safeguard the integrity of the Company's corporate reporting and risk management.

Both members of the Audit and Risk Committee have the accounting and financial expertise and a sufficient understanding of the industry in which the Company operates to discharge the Committee's mandate effectively. The Audit and Risk Committee operates under a charter approved by the Board. The responsibility for the Company's corporate reporting process remains with the full Board.

The Audit and Risk Committee currently holds five scheduled meetings each year, plus any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise. The Audit and Risk Committee held 6 meetings during the Reporting Period.

## PART 3 – GOVERNANCE POLICIES APPLYING TO THE GROUP

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Relevant policies and charters (see <https://orbitaluav.com/about-us/corporate-governance/>)

- Orbital Board Charter
- Orbital Audit and Risk Committee Charter
- Code of Conduct
- Code of Ethics
- Policy on Release of Price Sensitive Information
- Risk Management Policy
- Securities Trading Policy
- Diversity Policy
- Whistleblower Policy

### 3.1 ETHICS AND RESPONSIBLE DECISION MAKING

#### **Code of Conduct**

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment. The Board has approved a Code of Conduct, applicable to all Directors and employees of the Group, providing for the conduct of business in accordance with the highest ethical standards and sound corporate governance.

The Code also articulates the Company's values and incorporates the Company's policy on trading in the Company's securities.

#### **Code of Ethics**

A Code of Ethics, relating to Accounting Practice and Financial Reporting, has also been adopted by the Board and applies specifically to the Chief Executive Officer, Chief Financial Officer and senior finance officers of the Company who influence financial performance. The Code of Ethics is complementary to the Code of Conduct.

#### **Whistleblower Policy**

The Policy aims to promote an open and transparent culture by having an additional reporting mechanism to ensure matters are identified and dealt with appropriately and that our people work in an environment that is safe, fair and honest.

The Board encourages speaking up about concerns of actual or suspected unethical, unlawful or undesirable conduct or practices without fear of victimisation.

#### **Anti-Bribery & Anti-Corruption Policy**

The Company's anti-bribery and corruption policy forms part the Company's Code of Conduct.

Orbital makes every effort to ensure compliance with anti-bribery and anti-corruption laws and prohibits any provision, offering or accepting of bribes of any variety to any person, whether private or public, either directly or through any third party.

### 3.2 SECURITIES DEALING POLICY

The Company's policy with respect to Restricted Persons (as defined in the policy, such as Company personnel) dealing in the Company's shares or other securities states that (among other things):

- Restricted Persons are prohibited from dealing in the Company's securities at any time when they possess information which, if publicly disclosed, would be likely to affect the market price of the Company's securities;
- Restricted Persons should not trade in the Company's Securities on a short term basis or for speculative trading gain;



- Directors must obtain the written approval of the Chairman before undertaking any transactions involving the Company's securities;
- Restricted Persons may request clearance to deal in the Company's securities in any period which is not a "Restricted Period". Restricted Periods are:
  - two weeks prior to the release of the Company's audited Full-Year Financial Report and Accounts;
  - two weeks prior to the release of the Company's audited Half-Year Financial Report and Accounts;
  - any period where there is in existence within the Company price sensitive information that has not been disclosed as a result of the Company's reliance on an exception under the Listing Rules of the ASX; and
  - any other period as the Board of directors of the Company may decide; and
- a Restricted Person must not, without prior written approval by the relevant authorising officer, engage in hedging arrangements, deal in derivatives or enter into other arrangements which vary economic risk related to the Company's securities including, for example, dealing in warrants, equity swaps, put and call options, contracts for difference and other contracts intended to secure a profit or avoid a loss based on fluctuations in the price of the Company's securities.

A copy of the Securities Trading Policy is available in the Corporate Governance section of Orbital's website.

### 3.3 MANAGEMENT OF MATERIAL BUSINESS RISKS

#### **Approach to Risk Management and Internal Control**

The Audit and Risk Committee has the mandate from the Board to oversee the establishment, implementation and review of the Company's risk management systems, which have been established by management for assessing, monitoring and managing economic sustainability, environmental sustainability and social sustainability risks for the Group. Responsibility for establishing and maintaining effective risk management strategies rests with senior management, accountable to the Chief Executive Officer and the Audit and Risk Committee. The Audit and Risk Committee reviews the risk management and internal control structure implemented by management at least annually to obtain reasonable assurance that the Group's assets are safeguarded and that reliable financial records are maintained. Operational and other compliance risk management has also been reviewed and found to be operating efficiently and effectively. A copy of the Company's Risk Management Policy is available in the Corporate Governance section of Orbital's website.

The Company does not currently have an internal audit function. The reason for this is that the Board considers the Audit and Risk Committee and the Company's internal control framework in conjunction with its Risk Management Policy are sufficient for the Company (taking account of its size and complexity) to evaluate and continually improve the effectiveness of its governance, risk management and internal control processes.

During the Reporting Period, the Audit and Risk Committee reviewed the Group's risk management framework. As part of that review, the Audit and Risk Committee considered an internal assessment of the Group's risk maturity and risk culture.

In addition, management reported to the Audit and Risk Committee regarding:

- the Group's risk management systems and processes;
- the extent to which those management systems and processes are being applied within the Group; and
- the quality and effectiveness of risk reporting and assurance within the Group.



This process enables the Audit and Risk Committee to consider the effectiveness of the Group's management of its material business risks.

Where risks, such as natural disasters, cannot be adequately mitigated using internal controls, those risks are transferred to third parties through insurance coverage to the extent available and considered appropriate.

### Environmental and Social Sustainability Risks

The Group has material exposures to environmental and social sustainability risks. Environmental Sustainability is the ability of the Group to continue operating in a manner that does not compromise the health of the ecosystems in which it operates over the long term. Social Sustainability is the ability of the Group to continue operating in a manner that meets accepted social norms and needs over the long term.

The table below provides a non-exhaustive selection of the Group's material risk exposures in these areas. The mitigating actions do not eliminate the risk of adverse events occurring pursuant to the risks. Each risk exposure may fall into more than one category.

RISK	CONTEXT	MITIGATING ACTIONS
<b>Climate change risk</b>	<p>Climate change is a risk the Company has considered, particularly related to its operations in the aerospace industry. The emergence of new or expanded regulations associated with the transitioning to a lower-carbon economy and market changes related to climate change mitigation may adversely impact the Company and its business. The Company may be impacted by changes to local or international compliance regulations related to climate change mitigation efforts, or by specific taxation or penalties for carbon emissions or environmental damage. These examples sit amongst an array of possible restraints on industry that may further impact the Company and its profitability.</p> <p>Climate change may cause certain physical and environmental risks that cannot be predicted by the Company, including events such as increased severity of weather patterns and incidence of extreme weather events and longer term physical risks such as shifting climate patterns.</p> <p>All these risks associated with climate change may significantly change the industry in which the Company operates. Insurance cover availability against the risks of climate change is subject to the similar conditions and restraints noted above.</p>	<p>While the Company will endeavour to manage these risks and limit any consequential impacts, there can be no guarantee that the Company and its operations will not be impacted by these occurrences.</p>
<b>Adverse events involving facilities, technology or products</b>	<p>Any technology that involves tactical UAVs presents a risk of catastrophic failure and other adverse events occurring. Any accident or failure involving the Company's technology, products or facilities, whether during manufacture or in use by the Company or its customers, and whether being used in the correct manner or not, could damage the Company's reputation and marketing ability and expose the Company to the risk of litigation, legal penalties and other adverse impacts, such as in relation to loss of life, property damage, spillage of toxic substances and other environmental pollution.</p>	<p>Orbital applies a structured approach to the identification, assessment, and treatment of risks, and provides an extensive operational framework of controls that seeks to deliver strong operational performance in our business.</p> <p>The operational framework includes design, program management, performance</p>

testing and validation, product inspection, maintenance procedures, fleet management and operational performance standards. The framework is adaptable to seek to ensure we can maintain and improve our operating model and performance, target reliability, operational disciplines and a strong safety performance.

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**Supply Chain**

Orbital UAV's development and production ramp-up is reliant on a global supply chain that must be capable of delivering required goods in the necessary quantities, on time, to specification and to the rigorous standards of the aerospace industry.

Orbital UAV's supply chain activities apply a continuous improvement approach. The Company's global network is reviewed and strengthened on an ongoing basis in order to identify and eliminate potential supply interruptions and achieve best practice.

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**Market Development**

The high reliability requirements and rapidly evolving UAV market results in continuing demands being placed on engine suppliers. UAV manufacturers continue to seek improvements and monitor new technologies that have the potential to shift away from current solutions.

Heavy fuel, spark ignited 2-stroke engines remain the preferred propulsion solution for tactical UAV platforms from a performance perspective and meet the requirements of the U.S. Defence 'one fuel' policy. Orbital UAV's Technical Specialist Group is tasked with taking the Company's technical and innovation strategy forward, investigating and developing new technologies and solutions that will keep the Company at the forefront of the industry.

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**Occupational Health & Safety**

Orbital UAV operates in an advanced manufacturing environment, from research and development through to shipping and delivery. The Company is committed to the effective systematic management of all risks that may impact employee health and safety as a result of its activities in this environment.

Orbital UAV adheres to all requirements as set out in the Occupational Safety and Health Act 1984 and other relevant laws. The Company has implemented its Health & Safety Management System, a Hazard and Risk Management Register, Improvements Register and Incident Register. These are reviewed at regular Health & Safety Committee meetings. Safe Work Instructions are in place for key activities and only qualified personnel undertake specialised activities.

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**Internal Control Framework**

The Board recognises that no cost-effective internal control system will preclude all errors and irregularities. The system is based upon written procedures, policies and guidelines, an organisational structure that provides an appropriate division of responsibility, and the careful selection and training of qualified personnel.

Established practices ensure:

- capital expenditure commitments are subject to authority level approval procedures;
- financial exposures are controlled by the use of forward exchange contracts, where appropriate;
- occupational safety and health issues are monitored by a Health and Safety Committee;
- financial reporting accuracy and compliance with regulatory requirements; and
- compliance with environmental regulation.

### **Chief Executive Officer and Chief Financial Officer Assurance**

The Chief Executive Officer and Chief Financial Officer have declared, in writing to the Board, that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board, and that they have evaluated the effectiveness of the company's financial disclosure controls and procedures and have concluded that they are operating efficiently and effectively.

The Chief Executive Officer and Chief Financial Officer declared, in writing to the Board, the financial records of the Company and its consolidated group have been properly maintained and that that the Company's consolidated group financial statements and notes for the year ended 30 June 2023 comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company's consolidated group and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. This statement is required annually.

Monthly financial results are reported against budgets approved by the Directors and revised forecasts for the year are prepared regularly.

### **Environmental Regulation**

The Group holds a number of permits, licences and registrations for environmental regulation under both Australian Commonwealth and State legislation. These permits, licences and registrations are primarily for the storage of fuels and chemicals and the disposal of waste and are reviewed by the Group on an on-going basis. The Directors are not aware of any material breaches during the period covered by this report.

## **3.4 RELATIONSHIP WITH THE AUDITOR**

The Audit and Risk Committee oversees the terms of engagement of Orbital's external auditor. The Audit and Risk Committee ensures 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.

The Audit and Risk 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 Audit and Risk Committee will have regard to any legislative or regulatory requirements, and the following principles:

- 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.
- The Audit and Risk Committee monitors 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 assesses 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 Chief Executive Officer or Chief Financial Officer of the Company for a period of twelve months from the time of the audit.

- 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 impair or appear to impair the Auditor's judgment or independence in respect of the Company.
- 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 Chairman of the Audit and Risk Committee by management prior to granting the work.
- The Members of the Audit and Risk Committee will meet (at least annually) with the external Auditors without the presence of management.

### 3.5 CONTINUOUS DISCLOSURE

The Board of Directors aims to ensure that shareholders are informed of all major developments affecting the Group's state of affairs. The Board has adopted a policy to identify matters that may have a material effect on the price of the Company's securities and to notify the ASX as required.

The Company's policy on Release of Price Sensitive Information is overseen and coordinated by the Company Secretary. All Directors, officers and members of the Company's management committee are required to forward details of any potentially price sensitive information to the Company Secretary, who is also to be made aware, in advance, of proposed information disclosures (including information to be presented at private briefings) to enable consideration of the continuous disclosure requirements. Proposed announcements are to be approved by the Managing Director and either the Chairman or Company Secretary prior to release to the ASX. The Company Secretary is responsible for all communications with the ASX.

The Company's policy on Release of Price Sensitive Information is available in the Corporate Governance Section of Orbital's website.

### 3.6 COMMUNICATING WITH SHAREHOLDERS

Directors recognise that shareholders, as the ultimate owners of the Company, are entitled to receive timely and relevant high quality information about their investment. Similarly, prospective new investors are entitled to be able to make informed investment decisions when considering the purchase of shares.

Information is communicated to shareholders as follows:

- The disclosure of full and timely information about Orbital's activities in accordance with the disclosure requirements contained in the ASX Listing Rules and the Corporations Act;
- All information released to the market is to be placed on the Company's website promptly following release;
- The annual financial report is distributed to all shareholders on request in accordance with Corporation Act requirements and includes relevant information about the operations of the Group during the year, changes in the state of affairs of the Group and details of future developments, in addition to other disclosures required by the Corporations Act; and
- The half-yearly report contains summarised financial information and a review of the operations of the Group during the period. The half-year financial report is prepared in accordance with the requirements of Accounting Standards and the Corporations Act and is lodged with Australian regulatory bodies and the ASX. Financial reports are sent to any shareholder who requests them.

The Company's undertakes a verification process prior to the release of any periodic corporate report to the market. All information is reviewed and checked with each relevant department that the information relates, including a review by the Chief Executive Officer or Chief Financial Officer. Source documents and working papers are vetted to ensure they are accurate.

### **Annual General Meeting**

The Board encourages participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Group's strategy and goals. Important issues are presented to the shareholders as single resolutions. The Company's external Auditor is requested to attend Annual General Meetings to answer any questions concerning the audit and the content of the Auditor's report.

Among other things, shareholders are requested to vote on the appointment of Directors, aggregate remuneration of Non-Executive Directors, the granting of shares to Directors and changes to the Constitution. A copy of the Constitution is available to any shareholder who requests it.

All substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.

### **Other Meetings and Presentations**

From time to time, the CEO and other senior executive meet with shareholders and analysts. Presentations to be made to those persons are first released to the market via the ASX and then published in the Investor Relations section of the Company's website.

### **Responding to Queries**

From time to time, the CEO and other senior executives endeavour to respond to queries from shareholders and analysts for information in relation to the Group, provided the information requested is not price sensitive or is already announced to the ASX.

### **The Company's Registry**

The Company also communicates with its shareholders via its share registry, Link Market Services. The registry provides shareholders with the option of receiving communications from and sending communications to it electronically, except in certain circumstances, for example, in which an original signature or document must be provided.

## **3.7 REMUNERATION OF DIRECTORS AND SENIOR EXECUTIVES**

Details of remuneration paid to Directors (executive and non-executive) are set out in the Remuneration Report on page 7. The Remuneration Report also contains information on the Company's policy for determining the nature and amount of remuneration for Directors and senior executives and the relationship between the policy and company performance.

Shareholders will be invited to consider and approve the Remuneration Report at the 2023 AGM.

## **3.8 DIVERSITY AND INCLUSION**

### **Diversity Policy**

The Company respects and values the competitive advantage of diversity, and the benefit of its integration throughout the Company, in order to enrich the Company's perspective, improve corporate performance, increase shareholder value, and enhance the probability of achievement of the Company's objectives.

Diversity constitutes people at relevant levels within the Company (including Board, senior executive, management and otherwise) with a diverse blend of skills, experiences, perspectives, styles and attributes gained from life's journey, including on account of their culture, gender, age or otherwise.

The Company is committed to employing and retaining the best technical and non-technical staff based on their capacity to perform well for the Company.

A copy of the Diversity Policy is available in the Corporate Governance section of Orbital's website.

### Measurable Objectives – Diversity

The Board has not set any measurable objectives for gender diversity as it is satisfied that current employment, advancement and reward decisions regarding staff within the Company are made irrespective of race, religion, gender, age, or any other irrelevant point of difference, therefore no measurable objectives have been put in place at this time to specifically change or increase gender diversity.

### Workforce gender profile at 30 June

	2023	2022	2021	2020	2019
Proportion of women in total organisation:	14%	17%	21%	17%	19%
Proportion of women in executive* positions:	0%	14%	17%	14%	29%
Proportion of women on the Board:	0%	0%	0%	0%	0%

\* Executive is defined as management positions that directly report to the Managing Director and CEO.