

## **AUDIT COMMITTEE CHARTER**

### **1. PURPOSE OF CHARTER**

- 1.1 The Audit Committee Charter sets out the role, composition, authority, responsibilities and operation of the Audit Committee of the Board of Orbital Corporation Limited (“Orbital”) within the governance structure of Orbital Corporation Limited and all controlled entities (“the Orbital Group”)
- 1.2 Key features of the charter are outlined in the Annual Report. The charter is available to shareholders of the company upon request.

### **2. DEFINITION AND OBJECTIVE OF THE ORBITAL AUDIT COMMITTEE**

- 2.1 The Audit Committee (“the Committee”) is a Committee of the Orbital Board (“the Board”).
- 2.2 The Committee’s primary function 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:
  - application of accounting policy and reporting of financial information to shareholders, regulators and the general public;
  - business risk management and internal control systems, including business policies and practices;
  - monitoring compliance with Australian and international tax requirements, corporations laws and stock exchange listing rules;
  - corporate conduct and business ethics, including Auditor Independence and ongoing compliance with laws and regulations; and
  - reviewing confidential submissions by employees and third parties of concerns regarding questionable accounting, internal controls or auditing matters.
- 2.3 Membership of the Audit Committee must be disclosed in the Annual Report.

### **3. MEMBERSHIP AND TERM**

- 3.1 The Committee consists of a minimum of three 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.
- 3.2 Committee members will have a working familiarity with basic finance and accounting practices. 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 should have accounting or related financial management expertise.
- 3.3 Committee members are appointed by the Board.
- 3.4 The term of appointment as a member is for a period of no more than three years, with Committee members generally being eligible for re-appointment for so long as they remain independent Directors of the Board. The effect of ceasing to be a Director of the Board is the automatic termination of appointment as a member of the Committee.

#### **4. CHAIRMAN**

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

#### **5. MEETINGS**

##### **Meetings Other than in Person**

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

##### **Frequency of Meetings**

- 5.2 As a minimum, the Committee meets three times per annum.
- 5.3 In addition, the Chairman will call a meeting of the Committee if so requested by any member of the Committee, by the external Auditors or by the Chairman of the Board.

#### **6. ATTENDANCE AT MEETINGS AND QUORUM**

- 6.1 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.

- 6.2 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.
- 6.3 The external Audit engagement partner should attend any meeting of the Audit Committee.
- 6.4 The quorum for a meeting is two members or any greater number determined by the Committee from time to time.

#### **7. SECRETARY**

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

#### **8. SCOPE, ACCESS & AUTHORITY**

- 8.1 The activities of the Committee are in relation to the Orbital Group.
- 8.2 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.
- 8.3 The Committee also has the authority to consult any independent professional adviser it considers appropriate to assist it in meeting its responsibilities.

## **9. REPORTING**

9.1 Proceedings of all meetings are minuted and signed by the Chairman.

9.2 The Committee, through its Chairman, 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:

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

9.3 In addition, the Chairman of the Committee shall report annually to the Board summarising the Committee's activities during the year. The report (and where appropriate any interim report) must include:

- a summary of the Audit Committee's main authority, responsibilities and duties;
- related party dealings with the Orbital Group;
- details of meetings, including the number of meetings held during the relevant period, and the number of meetings attended by each member;
- details of any change to the independent status of each member during the relevant period, if applicable; and
- details of any determination by the Audit Committee regarding the external Auditor's independence.

## **10. DUTIES**

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

10.2 The duties the Committee is expected to undertake in meeting its principal purpose include:

### **Financial & External Reporting**

To 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. To review, and discuss with the external Auditors and management, all Orbital Group financial statements intended for publication prior to their submission to the Board.

### **Risk Management & Internal Control Structure**

To review the risk management and internal control structure implemented by management so as to obtain reasonable assurance that the Orbital Group's assets are safeguarded and that reliable financial records are maintained.

### **Audit Activities, Audit Coverage & Auditor Independence**

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.

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:

- 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 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 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 Audit 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 Committee by management prior to granting the work.

The Chairman of the Committee will meet (at least annually) with the external Auditors without the presence of management.

## **Corporate Conduct and Integrity**

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.

### **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 Committee Charter is reviewed annually 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.