

Austal Limited

Environmental, Social and
Governance (ESG) Report

2020

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Introduction

About this report

This Environmental, Social and Governance (ESG) report presents a summary of the ESG objectives and performance of the operations of Austal Limited and its subsidiaries (together, Austal) for the financial year ended 30 June 2020, including our key ESG issues and Austal's response to them.

Our ESG report aims to provide investors and all interested parties with an understanding of the material ESG risks and opportunities identified by Austal in respect of its business, as well as greater detail on what Austal is doing to address and integrate these as part of Austal's operations and business development model.

Following consultation with stakeholders, the key areas of focus for this year's ESG report are environmental and social risks and opportunities.

Who we are

Core Business

Austal is a global prime contractor of ships, systems and support. Vessel products include high speed passenger and vehicle-passenger ferries, military and paramilitary vessels and a range of other patrol, fast freight and offshore support vessels. Austal also provides through-life services to support these vessels.



With a vision to build high quality commercial vessels for the international market, Austal commenced operations in Perth, Western Australia in 1988. Today, Austal is a global shipbuilder and defence prime contractor. A recognized world leader in the design and construction of customised commercial and defence vessels, Austal proudly lists many of the world's leading ferry operators, navies and defence forces as valued clients.

Austal's extensive product range includes passenger and vehicle-passenger ferries, patrol boats, high speed support vessels, surface combatants and revolutionary, multi-role vessels. Austal is an established provider of worldwide vessel maintenance and management services. Austal also designs, installs, integrates and maintains sophisticated vessel command and control systems, communications and radar systems and information management systems, such as MARINELINK, MARINELINK-Smart and Austal Motion Control.

Since listing on the Australian Securities Exchange in December 1998, Austal has diversified and strengthened its product base through the strategic acquisition of a number of shipbuilding and information technology companies. With a genuine focus on research and development of emerging maritime technologies and cutting edge ship designs, Austal has led the industry in the development of innovative commercial and defence vessel platforms.

Key Issues – Environmental

Climate change and carbon

Our Approach

Mitigating climate change risk and transitioning to a low-carbon economy are key drivers for Austal across its business and active research and development projects, and increased fuel efficiency and the reduction of emissions are long-term global trends with which Austal is wholly aligned.

Our Performance

Reduction of emissions

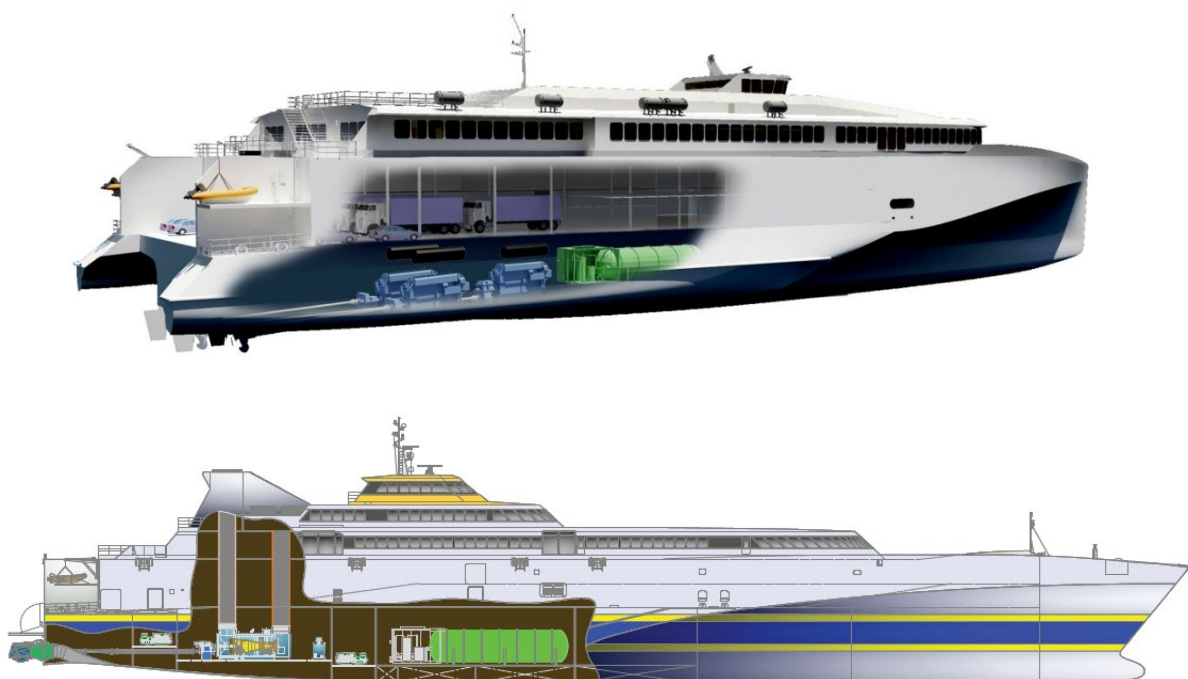
Significant ongoing development work has been undertaken on smaller (up to 60 metres in length), passenger-only ferries that would be 100% battery powered, resulting in zero emissions.

In addition to development work on 100% battery-powered vessels, Austal has shown a strong interest in the development of fast and medium speed ferries that use liquefied natural gas (LNG) as a fuel for a number of years. Austal continues to advocate for the introduction of LNG powered ferries into the market especially in Europe. Our sales team has engaged with our customers to discuss the use of LNG on their routes and to help them investigate the economic and environmental impact of using the new fuel.

The Austal team is also working on the development of new vessels that could be converted from diesel to LNG fuel by way of a catalytic converter, and is in discussion with various engine manufacturers with respect to the feasibility of powering ferries using hydrogen and ammonia.

The use of LNG as an alternative fuel to diesel offers significant reduction in harmful exhaust gas emissions, with the complete removal of sulphur oxide (Sox) and particulates and a reduction of nitrogen oxide (NOx) by up to 85%. This reduction in emissions is especially important for coastal and short sea shipping .

Austal has developed several high speed ferry designs, based on the catamaran and trimaran hull forms capable of using dual fuel reciprocating engines and dual fuel turbines in conjunction with waterjets and variable pitch propellers. The medium speed ferry concept has also seen strong interest from the market, as the additional weight associated with LNG equipment has a lower impact on the vessels speed. The offshore oil and gas sector has also expressed interest in developing an LNG powered fast crew boat. The introduction of more Emission Control Areas (ECAs) around the world will continue to drive this emerging market, and Austal is well placed offer innovative and well developed designs to our customers.

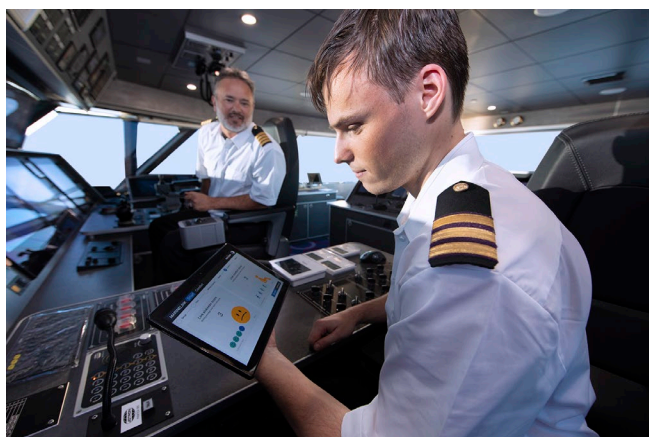


The reduction of emissions is a key issue for many of Austal's commercial customers. This not only reduces operating costs but also demonstrates a commitment by ferry operators to act as responsible members of their community. Austal can offer a number of solutions, however the key is that the vessel design is fully optimised for the intended operation. Austal has a number of tools that it uses to ensure that the hull shape is the most efficient for the vessels intended operating speed. A hull shape that has been fully optimised can achieve the target service speed using smaller engines. Smaller engines means less power, lower emissions, lower fuel and operating costs. Austal can also introduce the operators to other features that can lead to lower emissions, such as the use of low e-glass windows that minimise the heat radiated into the vessel's interior. Some northern European operators also use double glazing in the passenger areas. Enthalpy heat recovery devices on the vessels air-conditioning will reduce the amount of power required by the vessels air conditioning system. All Austal vessels now use LED lighting which further reduces the electrical load on the ships generators compared to the older incandescent technology.

Use of smart technology

Austal offers its customers and operators the opportunity to further optimise their operations using the Austal developed MARINELINK-Smart platform. MARINELINK-Smart was a new development in 2019 that exploits advances in digital technologies such as sensors, networks, data processing and interface design to deliver to our customers a new way to interact with their vessels.

MARINELINK-Smart has been designed as an evolution in the capability of MARINELINK to create a smart ship capability. Using machine learning algorithms the new technology will have the capability to provide real time analysis of the ships various operating systems for both the on-board crew but also onshore sustainment teams. Vessel trim and route optimisation can be offered through MARINELINK-Smart so that emissions and operating costs are reduced (currently in the range of a 2 to 7% reduction in emissions and operating costs).



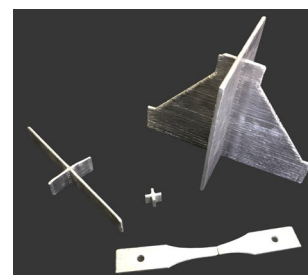
The MARINELINK-Smart platform allows operators to achieve greater efficiency, passenger comfort, vessel reliability and operations management

MARINELINK-Smart is currently installed in seven fast ferries operating in European waters, and assists with route planning, insight into fuel usage, fuel and cost efficiencies and savings, recommending appropriate ferry speeds on the basis of ocean conditions and passenger comfort. Data analytics can be obtained on a trip by trip basis and provide insight into trends to enhance vessel and crew performance.

Austal is currently working with its customers to enable automatically-created emissions reports for compliance and regulatory reporting.

Cutting-edge structural designs

One of Austal's interesting research and development projects involves the design and testing of lighter vessel components, for example 3D printing, and the design of hull and other components trialling different materials and/or that are novel in geometric design that require less welding. A key element of this R&D project is to ensure that the lighter, novel-shaped components operate to the same mechanical performance parameters as those that are fabricated out of heavier materials or which are traditionally-shaped.



Climate disclosure standards

Austral strives to meet stakeholder expectations around the disclosure of information related to climate risks and opportunities. Austral has looked to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the standards put forward by the Sustainability Accounting Standards Board (SASB) as follows as the benchmark frameworks for disclosing the approach to climate-related risks and the transition to a lower carbon economy.

The TCFD recommendations are organised into four categories and encourage corporate disclosures related to each category:

Governance	Strategy	Risk Management	Metrics and Targets
Austral's governance around climate-related risks and opportunities	The actual and potential impacts of climate-related risks and opportunities on Austral's businesses, strategy and financial planning where such information is material	The processes used by Austral to identify, assess and manage climate-related risks	The metrics and targets used to assess and manage relevant climate-related risks and opportunities
Disclosures	Disclosures	Disclosures	Disclosures
<p>1. Austral's Health Safety, Environment and Quality (HSEQ) manager and team are tasked with ensuring that our business is conducted in a responsible, sustainable way and in a manner designed to promote a culture where environmental issues, and their control, are a primary consideration within the business. This includes delivering projects in an environmentally responsible manner; establishing, measuring, reporting on and reviewing environmental objectives, key performance indicators and targets; planning so as to control the impact of Austral's operations on the environment and community; and seeking to eliminate and reduce pollution and the use of natural resources.</p> <p>2. The HSEQ team at Austral encourages and practices economically feasible waste reduction, emission control, energy conservation and recycling programs.</p> <p>3. The Austral Board has oversight over HSEQ through the HSEQ reports that are tabled to and discussed at its Board meetings.</p>	<p>1. The research and development (R&D) team at Austral is actively tasked with developing beneficial climate-related strategies and opportunities around both the vessel production process and the product itself.</p> <p>2. Current strategies include a shorter production process timeline so as to lower the impact on the environment (for example, less manpower, lower emissions, less water used); the development and continued implementation of MARINELINK-Smart so that emissions and operating costs are reduced for Austral customers (currently in the range of a 2 to 7% reduction in emissions and operating costs).</p> <p>3. The Board is supportive of management proposals in relation to R&D ideas that support the company's aims in relation to the reduction of emissions and impact on the environment and climate, and is ultimately responsible for approving any capital expenditure for such initiatives.</p>	<p>1. Austral's 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 thorough system of risk management and internal control. The Board has delegated the specific responsibility of overseeing the Company's risk profile and management to the Audit & Risk Committee.</p> <p>2. The Audit & Risk Committee charter provides that among other things, the Committee is responsible for:</p> <ul style="list-style-type: none"> ❖ ensuring that appropriate systems and procedures are in place to identify, monitor and mitigate the Company's operational and financial risks; and ❖ reviewing management's internal control programmes, processes and policies which deal with the company's reporting systems. <p>3. In addition to these measures aimed at procedural improvement, the Company undertakes regular risk reviews that principally address risks under the following categories as they relate</p>	<p>1. Austral Henderson has a comprehensive program in place for the recycling and reuse of scrap metal involving the use of third party contractors. In the USA, Austral USA has partnered with Shapiro Metals in order to separate and recycle excess aluminium, copper and iron. The target that has been adopted in this regard is to use 25% recycled and reused scrap metal.</p> <p>2. Recycling of office light globes, paper, soft plastics and batteries. Since the implementation in April 2017 of Austral's office battery recycling program in Henderson, WA, a total of 1,390 kilograms of batteries have been recycled.</p> <p>3. The Austral team is working on the development of new vessels that could be converted from diesel to LNG fuel by way of a catalytic converter, and is in discussion with various engine manufacturers with respect to the feasibility of powering ferries using hydrogen and ammonia. The use of LNG as an alternative fuel to diesel offers significant reduction in harmful exhaust gas emissions, with the complete removal of sulphur oxide (Sox) and particulates and a reduction of</p>

Governance	Strategy	Risk Management	Metrics and Targets
		<p>to the specific Australian, US or Philippines shipyard operations:</p> <ul style="list-style-type: none"> ❖ business risks inherent to the shipbuilding industry and the sustainability of the business, including cyber risk; ❖ operating risks associated with sales, design and production; ❖ financial and tax risks; and ❖ specific vessel risks. <p>4. During FY2019 the Company, with the assistance of its auditors, introduced additional risk management reporting software across the business to ensure risks are transparently identified and mitigated, and that the Board is kept appraised of these actions.</p> <p>5. Austal has identified a number of key matters that pose the most potential risk to the business (set out in the Company's Corporate Governance Statement), one of which is Health, Safety & Environment (including climate-related risks) in relation to which its approach is as follows:</p> <ul style="list-style-type: none"> ❖ Austal is exposed to typical health and safety risks associated with the operation of major manufacturing facilities like shipbuilding yards. Potential safety events include those arising from working from heights and in confined spaces, operation of lifting machinery, fabrication tools and the use of hazardous substances. Further, given the nature of Austal's operations, particularly their close proximity to waterways, there is also risk of impacting the surrounding environment. 	<p>nitrogen oxide(NOx) by up to 85%.</p> <p>4. Compliance with all current Emissions Control Areas (ECA) standards and requirements in relation to emissions reductions and controls.</p>

Governance	Strategy	Risk Management	Metrics and Targets
		<ul style="list-style-type: none"> <li data-bbox="855 275 1102 902">❖ Austal has a number of measures in place to mitigate these risks. Austal has Safety, Health and Environment Management Plans that underpin all of Austal's operations and clearly outline its health, safety and environment strategies. The HSEQ Plans are monitored by HSEQ teams at each shipbuilding facility. Austal's ongoing focus is achieving 'Zero Harm and Zero Waste' and ensuring it meets applicable health and safety and environmental legislative standards. <li data-bbox="855 920 1102 1597">❖ Austal has a certified management system to OHSAS 18001 and AS/NZS 4801. Austal also has a formal Risk Management Framework, designed in accordance with ISO31000: Risk Management – Principles and Guidelines, which is aligned to Australian Defence standard ABR6492 and the Royal Australian Navy Technical Regulations Manual. Austal considers itself an industry leader in overall safety performance however it is acknowledged that as an industrial manufacturer, a degree of risk will always be present. 	

Conservation of natural resources and waste management

Our Approach

In keeping with our Austal Values, as well as designing and manufacturing vessels that are at the cutting edge of environmentally sustainable technologies, it is our strategic intent to conduct our business in a responsible, sustainable way. Austal seeks to promote a culture where environmental issues, and their control and continuous improvement, are a primary consideration within the business.



Austal Henderson shipyard, Western Australia

1. Our Vision

Our Vision is to have an environmentally-aware culture based on a team approach to preventing harm to the environment.

2. Our Beliefs

We believe that:

- Incorporating environmental sustainability fundamentals in our business creates opportunities for Austal and our stakeholders
- Environmental management will be integrated into our everyday operations
- Natural resources should be conserved by reusing and recycling material as much as possible
- Caring for the environment means proactively preventing harm

3. Our Commitments

We will:

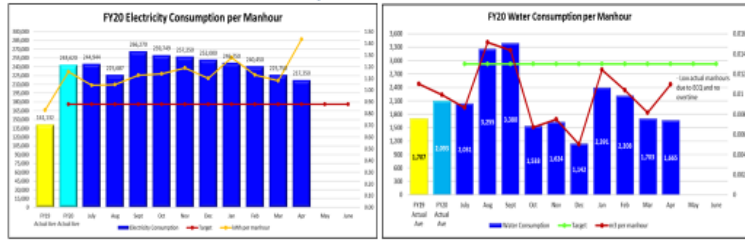
- Deliver projects and services in an environmentally responsible manner. Austal has dedicated and experienced Health, Safety and Environment teams in each of its operations who constantly assess manufacturing practices against environmental indicators and seek opportunities for improvement.
- Comply with relevant environmental laws, regulations, and industry codes of practice and project requirements specified by clients or regulators

- Maintain an environmental management system that conforms to recognised standards such as ISO 14001, integrated within the Austal Business Management System
- Control the impact of our operations on the environment and community through effective planning and risk management methodologies
- Communicate pertinent environmental responsibilities and obligations to employees, consultants and subcontractors – and hold them accountable for adhering to those responsibilities.
- Constantly look for ways to improve our environmental management system and environmental performance
- Seek to eliminate and reduce pollution and use of natural resources where practical, possible and financially viable by encouraging and practising economically feasible waste reduction, emission control, energy conservation and recycling programs

Our Performance

1. **Recycling of scrap metal** – Austal Henderson has a comprehensive program in place for the recycling and reuse of scrap metal involving the use of third party contractors. In the USA, Austal USA has partnered with Shapiro Metals in order to separate and recycle excess aluminium, copper and iron.
2. **Operation of a multi-way waste collection system** - Paper and cardboard, hard and soft plastics, metals and food waste are stored in separate bins and collected by a third party waste management company, where recyclable materials are sorted before being sent to specialist companies for processing. Food waste for now continues to go to land fill, however it is hoped that in the near future that a contract can be arranged with a company to process our food scraps into good quality compost.
3. **Provision of information packs to Austal’s employees so that the importance of recycling is fully understood and becomes a habit.** All employees receive a free keep cup to minimise the use of one-use cups. Information packs are supported by tool box meetings to assist our staff to understand and embrace the drive to minimise waste from our work place. From there we hope our employees will take the ideas learnt at work and implement them at home and into the wider community.
4. Austal Procurement have also been tasked to discuss with our suppliers **the minimisation of single use plastics, cardboard, paper and other materials**, and the implementation of a return to user system where the materials cannot be easily recycled.
5. **Recycling of office light globes, paper, soft plastics and batteries.** Since the implementation in April 2017 of Austal’s office battery recycling program in Henderson, WA, a total of over 1,390 kilograms of batteries have been recycled.
6. **Sampling of the waters off the Henderson shipyard** to monitor any leaching that may occur through the manufacturing process.
7. **Increased adoption of greener practices by Austal USA**, such as the use of light emitting diode (LED) lighting in the company facilities, water-saving fixtures (such as automatic faucets).
8. **Introducing initiatives at Austal’s facility in The Philippines** aimed at reducing electricity and water usage as well as residual and biodegradable waste.

Electric & Water Consumption



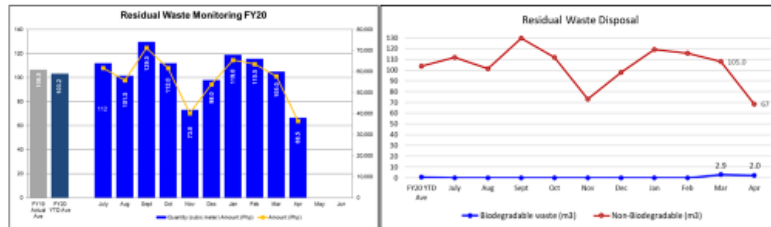
Electricity and water usage are monitored to identify unusual trends such as water pipe leaks to ensure limited wastage to protect the environment and value local resources.

Initiatives:

- Save water thru rain water catchment tanks for the fire system.
- New sheds use LED lights to reduce electricity consumption.



Residual and Biodegradable waste



- Waste disposal minimisation measures thru:
 - Scrap wood donation to Worker of the Month and local community
 - Paint cans re-used as barricade base
 - Stopped usage of plastic caution & danger tapes and replaced with yellow and red ropes
 - Stopped usage of disposable ear plugs and replaced with washable earplugs and ear muffs
 - Food plastic ban to avoid contamination and additional waste to the seas
- Reduction of biodegradable waste disposal thru onsite composting



Key Issues – Social

Human rights

Our Approach

The term ‘modern slavery’ covers a range of exploitative practices including human trafficking, slavery, forced labour, child labour, removal of organs and slavery-like practices.

Austal recognises that tackling modern slavery requires a continuing commitment.

In line with the Australian Federal Government’s passing of the Modern Slavery Act 2018 (*Cth*), Austal published its inaugural Modern Slavery Statement in November 2019 in respect of Austal Limited and the following 100% owned operational subsidiaries of Austal:

- Austal Ships Pty Ltd
- Austal Philippines Pty Ltd
- Austal Holdings Vietnam Pty Ltd

Austal took a keen interest in the development of the Modern Slavery Act and supporting regulations, having consulted with industry leaders who conduct best practice in this area and also contributing to round table discussions with the Attorney-General’s Department prior to the passage of the legislation.

The Modern Slavery Statement did not cover any of Austal’s USA operations, as those entities are subject to separate reporting requirements and the USA supply chain is controlled and operated by Austal USA LLC. Austal is also a minority participant in the Aulong joint venture in China, with the supply chain operations of that joint venture being controlled and managed by Austal’s local partner.

Austal will continue to collaborate with internal and external stakeholders to address modern slavery risks, as well as strengthening the group’s ability to ensure that modern slavery risks are notified and acted on.

Our Performance

Supply Chain Mapping

Austal’s analysis and supply chain mapping to date has focused on what Austal terms as ‘Tier One’ suppliers. These are suppliers who provide the materials and highly specialised equipment to be incorporated into Austal’s vessels, including aluminium, engines and waterjets.

Most of Austal’s Tier One suppliers have head offices in countries where national laws and internationally accepted principles in respect of human rights, labour, anti-corruption and the environment are recognised and adhered to. Most of Austal’s major equipment (highly engineered and specialised) is procured through Australian distributors whose original equipment manufacturers are located or based in European countries who have ratified the International Labour Organisation’s *Protocol of 2014 to the Forced Labour Convention, 1930*. Those Tier One suppliers are also required to report on their own supply chains under relevant thresholds of the Australian and UK Modern Slavery legislation.

With entities operating in different areas of the world, during 2019-20 Austal initiated an assessment of the risks of modern slavery within its supply chain to focus on risks on a geographic basis, as well as a product basis. It was determined that modern slavery risks would be assessed as a priority based on spend, with risk assessed on a geographical basis and then product risk. Austal determined that it would use publically available research and reports to determine high risk areas within the supply chain, and that product risk would be assessed individually if the product was considered to be a possible high health or environmental risk.

Austal’s operations in the Philippines and Vietnam have a higher risk exposure to those in Australia and China, with data from the Global Slavery Index indicating that there is an estimated prevalence of 7.7 modern slavery victims per 1,000 people in the Philippines, and 4.5 victims per 1,000 in Vietnam. While Austal takes steps to ensure that its direct employees and suppliers are not affected by modern slavery practices, Austal is cognisant of the possible existence of forced labour practices by local suppliers in these regions.

Austal assesses the location of direct suppliers (i.e., the contracting entity) and the location of the significant manufacturing activity in accordance with the following matrix:

Low	Suppliers/manufacturers registered and operating in countries that have legislative requirements enforcing minimum standards to prevent modern slavery shall be considered Low Risk.
Medium	Suppliers/manufacturers registered and operating in countries that have legislative requirements pending and have demonstrated a social awareness to prohibit modern slavery shall be considered Medium Risk
High	Suppliers/manufacturers registered and operating in countries that do not have legislative requirements pending shall be considered High Risk
Critical	Suppliers/manufacturers registered and operating in countries that have no legislative requirements and have more than 8 modern slavery victims per 1,000 ¹ , based on the Global Slavery Index shall be considered Critical Risk

¹ This threshold has been established by correlating reference information that supplements the Global Slavery Index. Austal will use this risk guidance to identify suppliers that warrant a deeper dive by Austal when examining those suppliers' supply chain activities.

Product risk assessment is then undertaken in accordance with the following matrix:

Low	Highly engineered products requiring complex processes and/or production skill shall be considered Low Risk.
Medium	Products that are simple to produce, but not from known high risk supply chains shall be considered Medium Risk
High	Products from known high risk supply chains such as textiles and global produce shall be considered High Risk

Austal will continue to refine the criteria for both geographical and product risk assessment as its knowledge of suppliers and the risks in these areas develops.

Actions taken to assess and address modern slavery risks

Austal recognises that the process of assessing and addressing modern slavery within all of its supply chains is a complex and ongoing task. Austal has consulted with industry leaders who conduct best practice in this area, as well as taken guidance from published materials by leading research organisations. There is a rapidly growing body of knowledge related to this area and Austal is actively engaged in keeping abreast of current information.

As a result of this research, Austal made the following improvements to its contracting, procurement and supply chain practices in the 2019-20 reporting period and since then to the date of this ESG Report:

1. Austal commenced a detailed mapping of its supply chain in Australia. Tier One suppliers were identified and further mapping continues to take place.
2. Austal standard purchase order terms and conditions for its Australia, Philippines and Vietnam entities have been updated to include warranties and commitments from suppliers in respect of modern slavery investigations in their own supply chain.
3. Austal's supplier on-boarding processes have been improved to include queries to new suppliers in respect of the Modern Slavery Act and their supply chain practices.
4. Investigations into appropriate software and online tools to assist Austal in its ongoing assessment of suppliers and modern slavery activity has been undertaken, with the view to potential investment in an appropriate tool to fit the organisation's purposes, if identified.

During 2020, Austal has either completed or is undertaking the following activities to bolster its assessment and remediation of modern slavery risks:

1. Continuation of the Australian supply chain mapping process, which has now been completed. This also involves direct benefit to assessing the supply chains for the Philippines and Vietnam shipbuilding operations, as there are common products and suppliers relevant to all three locations.
2. Mapping and assessment of the supply chain in the Philippines has been completed and has commenced in Vietnam for any differences due to regional supplier preferences and policies. This process has been and will continue to be guided by the experienced Australian procurement team.
3. A bespoke risk assessment tool will be developed and embedded into the supplier risk assessment process. Development of the tool has commenced, although Austal is not at the stage to embed the tool into the supplier risk assessment process. This part of the process is targeted for completion in FY2021.
4. Targeted training has been delivered to the Austal procurement team in Australia and will be shared with the teams in the Philippines and Vietnam in FY2021, to raise awareness of this topic.
5. Biannual procurement summits involving management from all areas of Austal operations and support will be held to facilitate the opportunity for stakeholders to share information and workshop risks. The inaugural summit took place at Austal's Henderson facility in late 2019.
6. Austal has introduced a regular supplier review process where it is able to analyse trend data for any patterns of increased risk. Peer to peer reviews will also be conducted at the biannual procurement summits. Opportunities for improvement will be captured for action through Austal's health and safety team.
7. In the regular assessment of staff competency, an assessment of modern slavery understanding will be included. Observation of the effectiveness of training will occur through this process.
8. The Australian supply chain (operated by Austal Ships Pty Ltd) performs and supports the majority of the procurement in Australia, the Philippines and Vietnam, particularly in respect of the engagement of Tier One suppliers. The Australian supply chain will continue to support and guide the operations in the Philippines and Vietnam.

Looking forward to FY2021, Austal intends to undertake the following activities to bolster its assessment and remediation of modern slavery risks:

1. Complete the mapping of the Vietnam supply chain.
2. Complete the development of the risk assessment tool to be embedded into the supplier risk assessment process.
3. Continue with training for the wider business. We will consider including a section on Modern Slavery in our new employee inductions and/or compulsory training for contractors and suppliers.
4. In Australia Austal will commence a robust assessment and evaluation of suppliers and contractors who supply Austal with products in the "High" category of our Product Risk Assessment matrix. The first two areas of focus will be electrical components and textiles, both of which are incorporated into our vessels. We will aim to identify conduct an onsite assessment and evaluation of a minimum of two suppliers in these areas by the completion of FY2021.

Diversity and inclusion

Our Approach

Austal is committed to caring for its employees, as well as respecting the communities and environment in which it operates.

In line with Austal's Equity and Diversity Policy, Austal continues to recognise that developing a diverse workforce is critical in building our organisational capability and maintaining a high level of performance. Diversity may result from a range of factors including place or origin, age, gender, cultural heritage, education, physical ability, appearance, language and family responsibilities.



Henderson Shipyard Operation board room for International Women's Day 2020, featuring some of Austal's female workforce at morning tea.

Equal employment opportunity is a responsibility that exists throughout the term of the employment relationship and includes recruitment, training and professional development and promotion.

Above all, we are committed to ensuring that all employees are treated fairly and with dignity and respect. Austal achieves these objectives by:

1. Recruiting and managing on the basis of a person's competence and performance, supported by particular efforts to enhance the appeal of Austal as an employer of women (described further below)
2. Creating a culture that empowers and rewards people to act in accordance with this policy
3. Valuing and respecting the distinctive skills, experiences and perspectives each individual brings to the workplace
4. Ensuring we have clear reporting processes and procedures in place
5. Creating an inclusive, productive and safe work environment by taking action to prevent and stop discrimination, harassment and bullying.

Managing diversity is underpinned by our Austal Values, is a key accountability for our managers and a shared responsibility of every employee and contractor at our workplace.

Our Performance – Australia

Pink Ship Initiative

As outlined in our 2019 ESG Report and 2020 Corporate Governance Statement, Austal is aiming to improve diversity through increasing the participation of women across the business to 25%. It has been determined that a target of 25% across all disciplines would create the possibility of a ship design and construction being completed by an all-female project team. We call this our **Pink Ship initiative**.

To achieve this target, Austal continues to partner with schools, TAFE and external training organizations to drive a higher participation of women in trades traditionally filled by men.

Building on preparation work carried out in 2019, Austal is proud to have been a key supporter of the establishment in early 2020 of the Certificate II in Shipbuilding – Aluminium Welding qualification to be offered by South Metropolitan TAFE. This qualification will be offered as an accredited TAFE course that can be completed over 8-weeks. Austal worked closely with TAFE in the development of this new qualification, with its Fabrication Manager, Apprentice Coordinator and Head of Human Resources having provided expert advice at various stages of the industry consultation and curriculum development process. Austal considers this new Certificate II qualification to be important for the following reasons:

1. Helping to meet both Austal's and industry-wide immediate needs for aluminium fabrication and welding skills in the Western Australian shipbuilding industry.
2. Establishing this qualification as a traineeship will enable Austal to attract more women and other under-represented groups into its current workforce and will be integral to its Diversity in Workplace Employment Strategy.
3. Condensed course time provides women and other under-represented groups with opportunities for training and encouragement to return to the workforce.

Women's Apprenticeship Program

Austal's apprenticeship program as it relates to the encouragement of women entering into trades traditionally filled by men is an ongoing initiative.

Our approach involves the Austal team visiting local schools and areas and attending career fairs in order to speak with and encourage girls to consider non-traditional roles in the workplace.

Stakeholders and society

Our Approach

Austal is committed to helping all of the local communities in which it operates. As part of Austal's commitment to corporate social responsibility, it has established 'Austal Giving', which is a dedicated program with funding to provide philanthropic assistance to worthwhile community programs worldwide.

'Austal Giving' targets mental and physical health, in addition to carefully chosen initiatives promoting higher learning. Aligning with its own corporate culture, Austal carefully considers and chooses to support programs and organisations that can demonstrate a high degree of operational efficiency – ensuring the delivery of maximum benefit to the targeted people in need.

Austal also focuses its employment training initiatives on the local area near the shipyard south of Perth, to maximise the impact on our local community and also to enhance the prospects of improving Austal's own workforce by attracting employees from locations near the shipyard.

Our Performance

Australia

1. Providing a training programme, accommodation and meals for the Pacific Islander crews that have been based in Fremantle as part of the Australian Government's foreign aid provision of 21 defence patrol vessels (that are being manufactured by Austal for the Australian Government) to Pacific Island nations.
2. Donations through Anglicare to provide funding for the provision of counsellors in the Rockingham/Mandurah area.
3. Recruitment program and ongoing focus on the Rockingham/Mandurah area through Austal Giving and also employment of apprentices from this region.

The Philippines

1. Coastal clean-up initiatives by Austal management and employees.
2. Prioritising the training and employment of local residents, providing them with the benefit of opportunities provided by Austal.
3. Providing work experience opportunities for high school and university students.
4. Offering skills development in the areas of computer proficiency and English language as a second language.

Coastal Clean up



There are poor and rural areas without good garbage collection system. Waste are brushed to the shores and forests. Each year, Austal volunteers participate and take part in clean ups organised by the local councils.



Production Technical Training Program

Prioritizing locals in training and employment. This program aims to train non or semi skilled candidates on shipbuilding skills in different trades and to provide employment to those who pass the training.

AP also cross trains its existing employees to other trades so they can learn other skills and for longevity of employment.



Accepting On the Job Trainees (University Students) and Senior High School Immersion students

Provides students the opportunity to immerse and experience working in a shipbuilding firm. This helps students select an appropriate career through exposure.



Computer Skills and Basic English Training



These courses are a few of those regularly offered to AP's leaders for self development and to support them in being more efficient and effective in fulfilling their roles.



United States

1. **Alabama Community College System (ACCS) Conference:** Austal had the pleasure of speaking with presidents and administrators of the ACCS at the request of the Governor's Office. We talked about Austal's apprentice and pre-apprenticeship (high school training) programs. Jakoby Taliferro gave his testimonial of his experience working with Austal while in high school and then becoming an employee upon graduation. Jakoby is currently a TA at Austal and will be featured on Alabama Public Television later this summer.



2. **Girls Can Camp (June 3- 7, 2019):** In this camp, girls trained in welding and worked with sliding mitre saws. Twenty ninth-grade students from around Mobile County participated in Girls Can Camp, which introduced young girls to non-traditional jobs for women. Girls Can Camp shows Austal's commitment to meeting our affirmative action goals by making this an annual community outreach event for females.



3. **JROTC STEM (June 3-7, 2018):** Over 100 JROTC students graduated from this year's JROTC STEM Camp. Austal sponsored 10 JROTC students from Williamson High School's Maritime Academy. This shows Austal's commitment to our Affirmative Action Goals of providing outreach to our minority, female and future military veterans. The Mobile County Public School System received a \$1 Million grant for three years awarded to the JROTC STEM Academy from the National Science Foundation. The grant focuses on studying how the camp can help develop a local STEM workforce. This is the first year of the three-year grant.



4. **Mobile County Commission Summer Intern Program** - The Mobile County Summer Internship Program is a workforce development program designed to enhance the skills of the Mobile County workforce by providing 60 students with soft skills and hard skills training. In addition, the students or interns are provided on-the-job training from participating corporations and organizations. We selected Graham Simmons, a female student intern showing our commitment to our Affirmative Action goals of introducing female students to professional careers at Austal. We are very proud to have the support of senior level leadership for our internship program. Graham worked in Austal's Communications Department and graduated from the internship on Friday August 2, 2019. Graham will start her senior year at the University of Alabama this fall. Graham introduced the keynote speaker at the graduation.



- Alabama Department of Rehabilitation Services (ADRS) Project Search** - Austal provided a presentation for Commissioner Jane Elizabeth Burdeshaw of the Alabama Department of Rehabilitation Services and staff members Tina Dortch and Karen Jenkins of ADRS Project Search. ADRS Project Search also presented to our team. We discussed Austal's internship program and are looking at ways to provide internships for Project Search participants. Project Search participants are high school students with disabilities. WIOA is the funding source for the internship program. We are scheduling internal meetings to see if Austal can take part in this program.



- Hispanic American Business Association of the Gulf Coast** - We are forming a partnership with the Gulf Coast Hispanic Community. We attended the Opportunity Puerto Rico event hosted by the Mobile Area Chamber of Commerce and presented the Gulf Coast Hispanic Community with pictures, prints, programs and coins from USNS Puerto Rico and Supreme Court Justice Sonia Sotomayor visit to Austal as the Ship's Sponsor.



7. **SAWDC WOO (Worlds of Opportunity) Event** – Austal participated in the SAWDC Worlds of Opportunity event for the tenth consecutive year. On September 18-19, 2019, we hosted over 8,000 eighth grade Alabama private and public school students at the Mobile Civic Center. Over the course of a two-day period, students participated in hands-on, interactive career exploration experiences led by Austal employees. Eighth grade is a critical career discovery year for students because this is the year students select their coursework pathways for the remainder of their high school years and beyond. Austal is a member of the shipbuilding (maritime) manufacturing and repair world. We also hosted WOO Varsity this year for over 250 high school students that are former WOO participants.



8. **Diversity and Inclusion Consortium meeting** - Austal has been a part of the formation of the Diversity Consortium of the Gulf Coast for the past two years. We participate in round table discussions with SHRM, Chevron, SUPSHIP, Keesler Air Force Base, Mississippi Power, Ingalls Shipbuilding and Singing River Health Systems. We discussed industry best practices for businesses on the Gulf Coast. This consortium will meet quarterly at rotating locations.
9. **Mobile County Public Schools Academy Showcase** - The showcase included all 12 Mobile County High Schools and their business and industry partners. Austal USA is the lead partner in Williamson High School's Academy of Maritime, Engineering & Entrepreneurship. This showcase was an opportunity for us to introduce parents, students and the general public to our Maritime Academy and our Signature Partners. The Showcase was held at the University of South Alabama Mitchell Center.



10. **Chickasaw City Schools Strategic Planning Meeting** - Austal participated in the development of the 5 year strategic plan for Chickasaw City School with Career Tech focus. We are planning an Austal site tour with the administration, faculty, staff and students of Chickasaw City Schools. Chickasaw High School welding students will visit Austal USA in partnership with Bishop State Community College in October for Manufacturing Day.



11. **Business Advisory Council Meeting** - Austal's Community Outreach facilitated the Fall 2019 Signature Academy Business Advisory Council Meeting for Williamson High School. Educational, business and community leaders attended the meeting and are working together to provide training and employment pathways for our students. One business partner from each of MCPSS's 12 Signature Academies facilitated the meeting at their school.



12. **Partners for Environmental Progress** - Austal's HR and Supply Chain participated in a trade show hosted by Partners for Environmental Progress. We collected 75 business cards and will make connections between suppliers and Austal USA buyers.



13. **Alabama A&M University** - Austal's HR, Engineering, Business and Supply Chain participated in a job fair at Alabama A&M University. Alabama A&M is a Historically Black College and University (HBCU) and is well respected for its engineering programs. This shows Austal's commitment to our AAP Goals by providing career opportunities for minority students.



14. **Mobile Area Chamber of Commerce** - Austal is a proud sponsor of the Mobile Area Chamber of Commerce Eagle Awards. The Eagle Awards recognizes minority and small businesses and their supporters in the Mobile Area. Austal was recognized as a past award winner for receiving the Minority Business Advocate of the Year Award in 2014.




15. **A+ Education Partnership** - Austal's HR met with A+ Education Partnership which is an extension of the Business Educational Alliance (the educational arm of the Business Council of Alabama). The goals of A+ are strong foundations, high expectations, and quality teaching and leading and reimagining schools. A+ is funded by the State Education Trust Fund Budget but also develop financial partnerships with industry leaders around the State of Alabama. A+ will send us a sponsorship proposal for review.

16. **Mobile Area Committee on Employment of People with Disabilities** - Austal attended the Mobile Area Committee on Employment of People with Disabilities Annual Governors Awards Breakfast. We are researching the possibility of becoming a Project Search site which will provide internship opportunities for students with disabilities.



17. **Mobile County Public School System (MCPSS)** – Austal’s very own Napoleon Bracy, Jr. was featured in the MCPSS Career Tech Tribune.



In Austal's effort to make a difference in our local community, we are excited to be the lead partner with Williamson High School. We were excited about this opportunity in 2014 and remain committed to the success of our students, community, and school. Austal deeply believes in the "It Starts With Us" campaign because it gives each and every person in the community some level of responsibility to support our students. These are our student's today and our coworkers' tomorrow.

Napoleon Bracy, Jr., Manager, Diversity, Inclusion & Affirmative Action, AUSTAL USA

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18. **100 Black Men of Greater Mobile** - Austal's HR provided a presentation on essential skills, mock interviews, resume building and dressing for success to students of Williamson High School in partnership with the 100 Black Men of Greater Mobile. Austal employees Napoleon Bracy, Jr. and Rodney Patrick are members of the 100 Black Men of Greater Mobile.



19. **Pathways 2 Possibilities** - P2P is an interactive career expo designed for all 8th graders in private and public schools in the six lower counties of Mississippi. Each student experienced a variety of the 19 Pathways, which are aligned with the career Pathways set forth by the Mississippi Department of Education. The students were prepped during class before attending the event in order to familiarize them with the Pathways ahead of time. Each Pathway was led by a Pathfinder who coordinated the Pathway members to design and implement hands-on activities intended to inspire the students to further explore that Pathway. Software was used before and after the event to help the students corral their thoughts about the event and encourage a direction for their high school Pathway choice.



20. **Gulf Coast Diversity and Inclusion Roundtable** - Austal's Community Outreach participated in the Gulf Coast Diversity and Inclusion Roundtable. We are in the infant stages of creating this consortium. We completed the vision and mission of the organization. This meeting was hosted by Chevron in Pascagoula, MS.



21. **Toys for Tots** - Austal's Toys for Tots toy drive was a huge success. Austal employees made toy and monetary donations the week of December 9-13, 2019 at the Austal USA Branch of the Alabama Credit Union, Admin Building and Office Complex. Marines and Austal's Community Outreach met employees at the main gate from 0400-0800 December 10-11, 2019 and received toys and/or monetary donations. All donations were voluntary. Special thanks to Austal's Engineering Department for their total department contribution of \$660. Austal raised over \$2,000 and donated over 10 full boxes of toys.



Thanks for your donation to our Annual Toys for Tots Toy Drive

Together we are making a difference in the lives of children in our community.



22. **Davison High School** - Austal's President, Community Outreach and Marketing attended the 50 Anniversary Celebration of Davison High School JROTC. Davison is the only Naval JROTC in Mobile County and they recently provided the Colour Guard for the Christening Ceremony of the USNS Puerto Rico.



23. **Saraland and Satsuma High School Visits** - Austal's Community Outreach and Workforce Development provided a workforce development presentation for the welding students of Saraland and Satsuma High Schools. This is a targeted attempt to peak student's interest in Austal's new pre- Apprenticeship. Dr. Aaron Milner, Superintendent of Saraland City Schools attended and encouraged the students to apply.



24. **Austal Youth Apprenticeship Signing Day at Chickasaw High School** - Austal's Community Outreach and Workforce Development attended a signing day ceremony for our first youth apprentice at Chickasaw High School. A picture and news link from the event is attached.

<https://myNBC15.com/news/local/chickasaw-student-hired-by-austal-through-apprenticeship-program>



25. **Alabama Council on Economic Education Austal USA Tour and Workshop** - The Alabama Council on Economic Education is a non-profit whose mission is to promote and improve economic and financial education for K-12 students in Alabama's schools. This is done by comprehensive professional development for teachers and classroom programs for students. Workshops in the series, Made in America: Economic Opportunities for Alabama Students sponsored by the Alabama Bicentennial Commission, focus on manufacturing in America and its impact on state and local economies. We presented about skills needed by students to be adequately prepared for the demands of the work place and Austal USA's economic impact locally, state wide and nationally.



26. **Mobile Project Homeless Connect** - Austal's Community Outreach, Recruiting and Ms. Betty Fain (Production) hosted employment workshops with members of Mobile's homeless community in partnership with Mobile Project Homeless Connect on January 31, 2020. The homeless connect project is designed to provide needed services, legal assistance, dental and vision screening, and access to housing assistance and mainstream resources (food stamps, state ID's, Social Security Cards, etc.). This community event includes government agencies, academia, health care facilities, faith based organizations, transportation, law enforcement/court, United Way, businesses, workforce development and other non-profit agencies together to provide necessary services for the homeless in our community, at no cost to them.



27. **Sen. Doug Jones HBCU Summit - Job Fair** - Austal's Employee Relations attended Sen. Doug Jones Second Annual HBCU Summit- Job Fair in Birmingham, AL at Miles College. The summit included grant writing workshops for college administrators and career ready workshops for students. Participating in this event shows Austal's continued commitment to providing employment opportunities to minorities.





28. **National Federation of Independent Businesses (NFIB)** - Austal attended a workforce development meeting hosted by NFIB in Montgomery. NFIB is in the process of sharing information about apprenticeships and youth apprenticeships with their members. NFIB attended the Alabama Apprenticeship Summit last fall and wanted Austal to present at their board meeting.



29. **Austal USA Charity Golf Tournament 2020** - Austal USA lead by Talent Acquisition Manager Keith Randle raised a record breaking \$336,233 for the United Way of Southwest Alabama. The United Way of Southwest Alabama fights for the health, education, financial stability, and access to life's basic essentials for every person in every community they serve.

