

AUDIT AND RISK COMMITTEE CHARTER



Astron Limited

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Audit and Risk Committee Charter

Purpose

The Audit and Risk Committee Charter (**Charter**) of Astron Limited (**Astron** or the **Company**) and its wholly owned or controlled entities (together the **Group**) defines the composition, role and responsibilities of the Audit and Risk Committee (the **Committee**).

Composition

The Committee will ideally consist of:

- at least three Directors;
- only Non-Executive Directors, a majority of whom are independent; and
- an independent Director as Chair.

At least one Member of the Audit Committee is to have qualifications and experience relevant to the role and responsibilities of the Committee.

Operation

The Committee will meet as required and no less than once per annum.

The quorum is at least two members.

Committee meetings may be held by any technological means allowing its members to participate. A member who is not physically present but participating by technological means is taken to be present.

A notice of each meeting confirming the date, time and venue and agenda shall be provided to Committee members and will include relevant supporting papers for the agenda items.

Minutes of the Committee are to be kept by the Company Secretary or delegate.

From time to time, non-Committee members, including executives and senior leaders of the Group, may be invited to attend Meetings of the Committee, where considered appropriate.

Role of the Committee

The role of the Committee is to:

1. monitor and review the integrity of the financial reporting of the Company, in particular significant financial reporting judgments;
2. monitor, review, and oversee the external audit function including matters concerning external auditor appointment, remuneration and independence, as well as the provision and approval of non-audit services;
3. monitor and review the Group's risk management framework at least annually to satisfy itself that it continues to be sound and that the Group is operating with due regard to the risk appetite set by the Board;
4. monitor and review compliance with the Code of Conduct; and
5. perform such other functions as requested by the Board.

Responsibilities

Reporting, Risk Management and Internal Compliance and Control

The Committee is to:

1. Review half-year, annual and quarterly financial reports.
2. Assess management's selection of accounting policies and principles.
3. Consider the audit of the financial statements and the auditor's report thereon including an assessment of whether it is consistent with the Director's information and knowledge and adequate for securityholder needs.
4. Ensure that management establishes a comprehensive process to capture and verify information that must be disclosed to the Australian Securities Exchange and that the process is operating effectively.
5. Consider internal controls including the Company's policies and procedures to assess, monitor and manage financial and other business risks and the risk management framework and systems of the Company generally.
6. Evaluate and make recommendations to the Board regarding the adequacy and effectiveness of the Group's identification and management of economic, environmental and social sustainability risks and its disclosure of any material exposures to those risks.
7. Review and discuss with management and the Auditor the overall adequacy and effectiveness of the Company's risk and compliance programs and make recommendations to the Board regarding continuous improvement opportunities.

External Audit Arrangements

The Committee will:

1. Ensure that the appointment, reappointment or replacement and remuneration of the Auditor complies with the Policy set out in Appendix A of this Charter.
2. Review the Auditor's performance, at least annually, and as part of this review will obtain feedback from the Chief Financial Officer (**CFO**) and other members of management regarding the quality of the audit service.
3. Meet periodically with the Auditor to evaluate and discuss:
 - (a) management's choice of accounting policies and methods adopted, and any recommended changes;
 - (b) the adequacy and effectiveness of internal controls;
 - (c) any significant findings and recommendations of the Auditor and the response of management to those findings and recommendations;
 - (d) any difficulties or disputes with management encountered during the course of the audit including any restrictions or access to required information;
 - (e) permissible services that the Auditor may perform and ensure that all audit and non-audit services are approved prior to commencement in accordance with the Policy set out in Appendix B of this Charter;
 - (f) the independence of the external Auditor, including reviewing the non-audit services and related fees provided by the Auditor; and
 - (g) the overall performance of the Auditor and adequacy of audit procedures.
4. Ensure that the Auditor attends each annual general meeting of the Company to answer questions from shareholders in relation to the audit.

Internal Audit Arrangements

The Company is not currently of a size that can support an internal audit function. The need for an internal audit function will be monitored and reviewed by the Committee on a regular basis.

Other

The Committee is to:

1. assess and recommend to the Board for adoption the scope, cover and cost of insurance;
2. review and monitor any proposed related party transactions and provide recommendations to the Board regarding approvals; and
3. develop, review, and monitor procedures for dealing with complaints or employee concerns received by the Company regarding accounting, internal accounting controls and audit matters and breaches of the Code of Conduct.

Reporting to the Board and Shareholders

To assist the Board to carry out its audit and risk function, the Committee will compile a report to the Board, at least annually, on the following matters:

1. Assessment of whether the Company's external reporting is consistent with the Directors' information and knowledge and is adequate for shareholder needs.
2. Assessment of the management processes supporting external reporting.
3. Procedures for the selection and appointment of the Auditor and for the rotation of audit partners.
4. Assessment of the performance and independence of the Auditor and recommendations for the ongoing engagement, appointment or, if necessary, change or removal of the Auditor.
5. Where the Auditor provides non-audit services, whether the Committee is satisfied that provision of those services does not compromise the independence of the Auditor.
6. The results of the review of the risk management framework and internal control systems, including consideration of whether the Company has a material exposure to any particular risks and is managing such risks effectively and in accordance with the Board's risk appetite.

Authority and Resources

The Committee may seek provision of educational information on accounting policies as well as audit and risk matters relevant to the Committee's function to assist in fulfilling its duties.

The Committee may seek explanations and additional information from the Company's Auditor, without management present, when required.

When considered necessary or appropriate, the Committee may conduct or authorise investigations and may retain independent legal, accounting, or other advisers.

Review

The Committee will review this Charter and its appendices periodically to ensure that they are operating effectively. The Board may amend this Charter from time to time by resolution.

Appendix A: External Audit Policy

The Audit and Risk Committee (**Committee**) has the responsibility and authority (subject to *Corporations Act 2001* (Cth) requirements) for the appointment, reappointment or replacement and remuneration of the external auditor (**Auditor**) of Astron Limited (**Astron** or the **Company**) and its wholly owned or controlled entities (together, the **Group**) as well as evaluating the effectiveness and independence of the Auditor. The Committee will review the appointment of the external auditor annually based on its assessment of the auditor's performance. The Committee will also periodically assess the Company's compliance with its Policy on Non-assurance Services.

Appointment, Resignation and Removal of Auditor

Appointment

1. The first Auditor of an Australian public company is appointed by the board. This appointment is then approved by shareholders at the company's next annual general meeting.
2. The Committee conducts the selection process and recommends a preferred Auditor to the board of Directors of the Company (**Board**).
3. The Board is not under any obligation to accept the recommendation of the Committee.
4. The Board may endorse the Auditor recommended by the Committee and:
 - (a) In the case of the initial appointment – appoint the Auditor to hold office until the next annual general meeting of the Company, at which meeting shareholders will be asked to approve the appointment; or
 - (b) In the case of appointment of a replacement Auditor – arrange for a resolution to be put to shareholders at the next annual general meeting of the Company.
5. At the request of the Committee, the Chief Financial Officer (**CFO**) and/or Managing Director may assist the Committee in the selection and appointment process of the Auditor.

Resignation

1. An Auditor of an Australian public company can only resign if the Australian Securities and Investments Commission (**ASIC**) has given its consent to that resignation.
2. The ASIC will only give an incumbent Auditor consent to resign if the resignation occurs at an annual general meeting except in a small number of exceptional circumstances. The ASIC does not consider the resignation of an incumbent Auditor following a tender in which that Auditor is unsuccessful, as an exceptional circumstance.
3. Consequently, the incumbent Auditor will be required to apply for the consent of the ASIC to resign at the next annual general meeting of the Company.
4. This application needs to be made to the ASIC in sufficient time for the ASIC to consider the application and advise that Auditor of its decision prior to the date on which the notice of annual general meeting is sent to shareholders.

Also, the replacement Auditor is required to provide the Company with its consent to act as Auditor prior to the incumbent Auditor applying to the ASIC for its consent to resign.

Removal

The Auditor may be removed from office by a resolution passed at a general meeting of shareholders.

Change of Auditor

Tender

1. If the Committee elects to undertake a tender process, the CFO and/or Managing Director, together with the Company Secretary, will prepare a draft request for submissions that will be reviewed by the Committee and then submitted to the Board for approval.

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2. The request should contain sufficient information to enable a proposal and fee estimate to be given to the Company, and should include information about the Company and its:
 - (a) operations;
 - (b) key personnel;
 - (c) structure;
 - (d) financial information; and
 - (e) any other relevant information as determined by the Committee.
 3. The CFO and/or Managing Director will arrange for candidates to meet with the Committee, together with any other person the Committee considers appropriate to assist it to assess the suitability of the candidate, as the Auditor.

Selection Criteria

The preferred Auditor should best satisfy the following selection criteria:

Fees

A candidate must provide a firm fee quotation for its audit services.

Independence

1. A candidate must satisfy the Committee that it is independent and outline the procedures it has in place to maintain that independence.
2. In monitoring Auditor independence, the Committee will have regard to the following principles:
 - (a) The number of former employees of the Auditor who were involved in an audit and who are currently employed in senior financial positions by the Company and assess whether this impairs or appears to impair the Auditor's judgement or independence in respect of the Company.
 - (b) Any member of an audit team who was engaged by the Auditor and participated in an audit shall be precluded from employment as CFO or Managing Director of the Company for a period of at least 12 months from the time of completion of that audit.
 - (c) Consider whether taken as a whole, the various relationships between the Company and the external Auditor and the value of fees paid to the Auditor for the audit and the provision of non-audit services, impair or appear to impair the Auditor's judgement or independence in respect of the Company.

Scope of Audit and Resolution of Issues

1. A candidate must outline in the response to the request for submissions, any proposed procedures to address any issue of material significance or matter of disagreement with employees of the Company.
2. The Auditor and the CFO will be required to disclose to the Committee all such issues of material significance and all matters of disagreement, whether resolved or unresolved.

Non-Audit Services

1. A candidate must detail in the response to the request for submissions, its approach to the provision of non-audit related services to the Company.
2. The Committee must consider the circumstances under which the Company may use the Auditor for non-audit services.
3. Matters to be considered include:
 - (a) The extent, scope, and potential value of non-audit fees; and
 - (b) Any circumstance where the Auditor may be required to review and rely upon work conducted by the audit firm in a non-audit capacity.

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4. The scope of non-audit work must not impinge upon the Auditor's independence (refer further below).

The selection criteria may include such other matters as the Committee thinks fit.

Policy on Audit and Non-Audit Services

1. The Committee will develop a policy that sets out the circumstances in which the Company may use the Auditor for other services.
2. A copy of this policy will be provided to the Auditor.
3. The policy will be based on the following principles:
 - (a) The Auditor may provide audit and audit-related services which, while outside the scope of the statutory audit, are consistent with the role of Auditor.
 - (b) The Auditor should not provide services that are perceived to be materially in conflict with the role of Auditor.
 - (c) Subject to the approval of the Committee, the Auditor may provide non-audit services that are not perceived to be materially in conflict with the role of Auditor.
 - (d) Exceptions may be made to this policy, provided it has been approved by the Board, where the variation is in the interests of the Company and arrangements are put in place to preserve the integrity of the audit process.

Rotation of Audit Partner

1. The Committee will ensure that the Auditor has in place arrangements regarding any legislative or regulatory requirements for rotation of audit partners.
2. Audit partners must rotate at least every five (5) years.
3. At least two (2) years must expire before that audit partner can again be involved in the audit of the Company.

Appendix B: Policy on Non-assurance Services

Prior to providing any non-assurance services to Astron Limited (**Astron** or the **Company**) and/or its wholly owned or controlled entities (together the **Group**), external auditors are required to seek pre-concurrence from the Audit and Risk Committee (**Committee**). As part of the pre-concurrence process, the auditor is requested to outline:

- the nature of the services offered;
- typical fee arrangements;
- independence threats and safeguards; and
- whether the combined effect of providing multiple services creates additional threats to independence.

There may be recurring non-assurance services that will be provided during a financial year. These services will be pre-concurred annually, with fees and scope of specific engagements for these recurring services subsequently approved by a delegate of the Committee (being the Committee Chair or the Company's Chief Financial Officer) prior to the external auditor being engaged for the recurring non-assurance services.

All non-recurring non-assurance services will require pre-concurrence by the Committee Chair (or in the Committee Chair's absence another member of the Committee) before the external auditor can be engaged to perform the services.

Exceptions may be made to this policy, provided that:

- the exception(s) is in the interests of the Company;
- arrangements are in place to preserve the integrity of the audit process; and
- the exception(s) is recommended by the Committee and approved by the Board.

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