

AUSTRALIAN ETHICAL INVESTMENT LIMITED

BOARD CHARTER

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1. Role, Responsibilities and Delegations

1.1 Role

1.1.1 The roles of the board of Australian Ethical Investment Limited (**AEI Board**) are:

- a. For the Group – to decide the overall objectives and strategic direction of the AEI Group;
- b. As the Responsible Entity for the Australian Ethical Managed Investment Funds (**Managed Funds**) – to seek assurance from Management that the Managed Funds are being operated within the terms of their Constitutions and the requirements of relevant legislation, regulatory obligations, licence conditions, codes of conduct and policies and procedures and in the best interests of all investors;
- c. As the owner of Australian Ethical Superannuation Pty Ltd (**AES**), the trustee of the Australian Ethical Retail Superannuation Fund (**Super Fund**) – to seek assurance from the AES Board and Management that the Super Fund is being operated within the terms of its Trust Deed and Constitution and the requirements of relevant legislation, regulatory obligations, licence conditions, codes of conduct and policies and procedures and with reference to the best interests of all members;
- d. As the owners of Australian Ethical Foundation Limited (**AEFL**), to seek assurance from the AEFL Board and Management that AEFL is being operated within the terms of its constitution, the requirements of relevant legislation, regulatory obligations, and the aims and objectives of the Australian Ethical Foundation;
- e. To act in accordance with, and further the aims of, the Australian Ethical Charter.

1.2 Responsibilities

1.2.1 In performing the roles described above, the AEI Board will undertake the following responsibilities:

- a. Approve the Group's strategy on an annual basis;
- b. Monitor the performance of the business against the strategy;
- c. Oversee risk, including:
 - i. Approving the Risk Management Framework, including the risk appetites and risk tolerances for the activities of the Group, and overseeing the implementation of the Risk Management Framework;
 - ii. Review of emerging and current material risks, including (but not limited to) investment risks and data, technology and cyber risks;
 - iii. Monitoring IT Disaster Recovery Plans and Business Continuity Plans and annual testing;
 - iv. Instilling a strong culture of risk identification and management throughout the Group and monitoring this culture;
 - v. Reviewing the Group's insurance program having regard to the Group's business and the insurable risks associated with the business;
 - vi. Including in the operating and financial review section of its Directors' Report, a discussion of the main internal and external risk sources that could affect the Group's prospects for future financial years;
- d. Approve the Tax Risk Management Framework;
- e. Oversee investment governance, by monitoring the performance of the Investment Committee;

- f. Ensure appropriate corporate governance practices are in place and monitor the effectiveness of these practices;
- g. Protect and further the aims of the Australian Ethical Charter;
- h. Consider the recommendations of the People and Remuneration Committee in determining director fee arrangements, including:
 - i. Making a recommendation to shareholders on the aggregate level of directors' fees;
 - ii. Approval of Board Committee fees and individual director fees;
- i. Approving the Group's Remuneration Framework in light of the recommendation made by the People & Remuneration Committee;
- j. Appoint and remove the Managing Director, which requires:
 - i. Approving the position description for the Managing Director;
 - ii. Delegating powers to, establishing reporting arrangements with and monitoring the performance of the Managing Director;
- k. Overseeing the annual performance evaluation of the Managing Director conducted by the Chair;
- l. Appoint and remove a Company Secretary or Secretaries;
- m. Approve the appointment of material service providers and have oversight of the performance of, and reporting provided by, each provider;
- n. Review and approve:
 - i. The half year and full year annual audited accounts and Directors' Reports for the Group and for each of the Managed Funds;
 - ii. The annual operational and capital expenditure budget for the Group and any material revisions;
 - iii. Major contracts, acquisitions or disposals which have not been approved in the budget;
 - iv. The issue of shares and options;
 - v. Significant changes to products, product offerings or product fees;
 - vi. The terms and conditions for any employee share ownership scheme, or if shareholder approval is required, approval of recommendations to shareholders, and annual recommendations to shareholders in relation to the Managing Director's participation in any employee share ownership scheme;
 - vii. Dividend payments and any DRP;
 - viii. Indemnity, crime, director and officer and similar insurance programs;
- o. Seek assurance from Management that:
 - i. AEI is acting in conformity with:
 - A. The terms of the Trust Deed and Constitution and the requirements of relevant legislation, regulatory obligations, licence conditions, codes of conduct and policies and procedures;
 - B. Key accounting standards and other related requirements in order to give a true and fair representation of the financial position of AEI and the Schemes;
 - C. The PDSs of each of the Managed Funds;
 - D. The terms and conditions of all current investment mandates;

- ii. The investment management duties of AEI are being carried out with the required care, diligence and skill;
- iii. All policies and procedures contain appropriate, up-to-date content and are being maintained;
- iv. All monitoring and reporting processes in place to assist AEI to meet its responsibilities are up-to-date;
- v. Strategies are being developed and implemented to respond to issues and trends in the financial industry which could impact on shareholders, investors in the Schemes and/or members of the Super Fund;
- p. Seek confirmation from the Management Product Disclosure Committee that any issue of product disclosure statements for each of the Managed Funds have been issued in accordance with all applicable legislation and the relevant Managed Fund Constitutions;
- q. Maintain relationships with relevant stakeholders;
- r. Approve all relevant public disclosures, statutory returns, certificates and forms for signing, unless approval has been delegated to a Committee or a member of the Management Team.

1.3 Delegations

- 1.3.1 The AEI Board may delegate any of its powers to one or more of its Committees and to one or more of its external service providers, to perform or oversee the performance of critical business functions. The specifics of these delegations are captured in the Charters in place for each of the Committees and the Service Provider Agreements in place with each of the material service providers.
- 1.3.2 The AEI Board has delegated to the Managing Director all necessary authority to run the Group on an ongoing, day-to-day basis, other than those responsibilities reserved to the Board and delegations (general or specific) made by the Board to the Chair, Board Committees, Directors or other members of the Management Team.
- 1.3.3 Specifically, the Managing Director is delegated with responsibility and authority for the following:
 - a. Implementing the strategic direction as set by the AEI Board;
 - b. Implementing the risk management and compliance programs approved by the AEI Board;
 - c. Approving and maintaining expenditure and payment guidelines;
 - d. Approving and maintaining employee authorisations;
 - e. Appointment, termination and suspension of employees;
 - f. Setting employee remuneration and formulating policies and procedures relevant to employees;
 - g. Representing the AEI Board in correspondence with shareholders, service providers, regulators, government, the media and other relevant stakeholders.
- 1.3.4 The AEI Board has mechanisms in place for monitoring the exercise of delegated authority and remains accountable for any delegated powers. The AEI Board is aware that it cannot abrogate its responsibility for functions delegated to management.

1.4 Interaction with the Regulators

- 1.4.1 Members of the AEI Board must make themselves available to meet with the Group's Regulators on request.

2. Composition and Meetings

2.1 Composition

- 2.1.1 The AEI Board must have at least three Directors and not more than ten Directors at all times. Alternate Directors may be appointed.
- 2.1.2 The composition of the AEI Board gives consideration to:
 - a. The majority of Directors are independent;
 - b. The Chair of the Board is independent;
 - c. The roles of the Chair and the Managing Director are not exercised by the same person.

2.2 Quorum

- 2.2.1 A quorum is three Directors present for the whole meeting who each have the capacity to vote.

2.3 Chair

- 2.3.1 The AEI Board shall elect from among their number a Chair to chair its meetings and decide the period for which that Director is to hold office.
- 2.3.2 If the Chair of the AEI Board is absent or unable to act as Chair for a scheduled Board Meeting, the remaining Directors will nominate a Director to assume the role and duties of the Chair for that meeting.
- 2.3.3 If the Chair of the Board is absent or unable to act as Chair for a continuous period of 90 days or longer (Extended Absence), the remaining Directors will nominate a Director to assume the role and responsibilities of the Chair for the period of the Extended Absence. If required, the AEI Board may appoint an additional person to assist in discharging the responsibilities of the Chair as appropriate.
- 2.3.4 If the Chair of the AEI Board is no longer willing or able to act as Chair, the position becomes vacant. The AEI Board will, as soon as practicable, appoint the most appropriate person possible to fill the vacancy for the remainder of the current term of office. In the interim period, the remaining Directors will nominate a Director to assume the role and duties of the Chair whilst the AEI Board determines the most appropriate action in the circumstances.

2.4 Meetings

- 2.4.1 The AEI Board is expected to meet at least quarterly. The Board may also, at the request of one or more Directors, meet at other times.
- 2.4.2 The Chair must call a meeting of the AEI Board if requested to do so by any Director of AEI.
- 2.4.3 The AEI Board may request certain individuals to attend Board meetings in order to provide expert advice or act as an observer provided that there are no issues relating to independence and/or conflicts of interest.
- 2.4.4 The AEI Board must provide the External Auditor and the Internal Auditor (if appointed) with the opportunity to raise matters directly with the Board.
- 2.4.5 The meetings of the AEI Board may be held face to face or using any means of audio or audio-visual technology by which each Director participating is able simultaneously to hear each other and to participate in discussion.

- 2.4.6 The AEI Board may deal with particular issues by circular resolution which must be passed by a majority of Directors.

2.5 Agendas, Papers and Minutes

- 2.5.1 An agenda will be prepared by the Company Secretary. The agenda and supporting papers for each meeting will be distributed to Directors and other attendees in sufficient time to enable attendees to read the material and prepare for the meeting.
- 2.5.2 The Company Secretary is responsible for taking, writing and presenting formal minutes which are an accurate and complete recording of the proceedings and resolutions of each meeting. The minutes of the previous AEI Board meeting should be approved by the Board at the following meeting.
- 2.5.3 AEI retains ownership of AEI Board papers and minutes.
- 2.5.4 Copies of the minutes of all AEI Board meetings will be provided to all Directors. The minutes, or parts of the minutes, may be made available to certain employees of the Group as well as the Internal Auditor (if appointed), the External Auditor and any of the Group's regulators.

2.6 Access to Information and Independent Advice

- 2.6.1 The AEI Board may commission independent legal and professional advice as is reasonably necessary.

2.7 Voting

- 2.7.1 Each member of the AEI Board has one vote.
- 2.7.2 A resolution of the AEI Board must be passed by a majority of the votes cast by Directors entitled to vote on the resolution.
- 2.7.3 In the case of an equality of votes, the Chair of the AEI Board has a casting vote so long as there are more than two Directors present or competent to vote on the question.