

**AUSTRALIAN ETHICAL INVESTMENT LIMITED**

**PEOPLE, REMUNERATION & NOMINATIONS COMMITTEE**

## 1. Role and Responsibilities

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### 1.1 Role

1.1.1 Australian Ethical Investment Limited (**AEI**), the Responsible Entity of the Australian Ethical Managed Investment Schemes (**Managed Funds**), has established a People, Remuneration and Nominations Committee (**PRN Committee**) to assist in the exercise of the Group's responsibilities in relation to human resources, remuneration, performance evaluation, and nomination of directors.

1.1.2 Australian Ethical Superannuation Pty Ltd (**AES**), the Trustee of the Australian Ethical Retail Superannuation Fund (**Super Fund**) and a wholly owned subsidiary of AEI, has determined to use the AEI PRN Committee to meet the relevant requirements of *APRA Prudential Standard SPS 510 – Governance (Paragraphs 38-39)*.

1.1.3 The roles of the PRN Committee are to:

- a. Have oversight of matters relevant to the Group's responsibilities in relation to human resources, remuneration, performance evaluation, and nomination of directors;
- b. Seek assurance from Management that the policies and procedures, and monitoring and reporting processes, in place to assist the Group to meet its responsibilities in relation to human resources, remuneration, performance evaluation, and nomination of directors are sound and up-to-date.

1.1.4 In performing the roles described above, the PRN Committee will undertake the tasks outlined below, subject to the relevant provisions of the Trust Deed and the Constitution, legislative and regulatory requirements, licence conditions, APRA Prudential Standards and policies and procedures.

### 1.2 Responsibilities – People

1.2.1 The PRN Committee is responsible for:

- a. Setting the Group's diversity policy, initiatives and targets and monitoring the Group's progress;
- b. Reviewing the outcomes of the annual employee engagement survey and any follow up action plans;
- c. Reviewing human resources related policies and procedures;
- d. Seeking assurance from Management that:
  - i. There is an employee performance management process in place and that it is operating effectively;
  - ii. There is an employee succession planning process in place and that it is operating effectively;
  - iii. The Group's work, health and safety obligations have been met.

### 1.3 Responsibilities – Remuneration

1.3.1 The PRN Committee is responsible for:

- a. Reviewing and making recommendations to the Board in relation to the Group's Remuneration Framework;
- b. Monitoring Management's adherence to the Remuneration Framework and the guidelines set by the Committee in relation to remuneration arrangements;
- c. Reviewing the final drafts of the Remuneration Report, which forms part of the Annual Report, and recommending the Remuneration Report to the Board for approval;
- d. Monitoring the spread of relative salaries throughout the Group;
- e. Undertaking an annual review of the Financial Institutions' Remuneration Group Inc. (**FIRG**) remuneration survey data;
- f. Making annual recommendations to the Board in relation to the remuneration of all employees, including in relation to employee benefits, having regard to Management's recommendations;
- g. Making annual recommendations to the Board in relation to the payment of performance-based pay to all employees having regard to Management's recommendation;
- h. Assessing the effectiveness of the Employee Share Plan to ensure that it satisfies the objectives of incentivising and aiding the retention of the Group's employees;
- i. Reviewing the time commitment made by non-executive directors;
- j. Making a recommendation to the Board regarding:
  - Directors' fee arrangements;
  - Fees for Board Committee memberships;
- k. Considering industry benchmarks and comparators for the CEO & Managing Director's remuneration and at least annually determining the remuneration arrangements for the CEO & Managing Director.

### 1.4 Responsibilities – Nomination

1.4.1 The PRN Committee is responsible for:

- a. Assessing the necessary and desirable competencies of prospective Directors of AEI and AES and any other entities in the Group;
- b. Ensuring that the composition of the AEI and AES Boards and any other Group Board demonstrate an appropriate mix of competencies to allow each board to discharge its responsibilities effectively;
- c. Ensuring that Directors have access to appropriate continuing education which updates and enhances their skills and knowledge;

- d. Developing and implementing a process for evaluating the performance of Group Boards, Committees and individual Directors and ensuring that regular Board, Committee and individual Director performance reviews are undertaken;
- e. Monitoring the length of service of current Directors and ensuring that each Group Board has a succession plan to ensure that an appropriate balance of skills, experience and expertise is maintained on each board at all times and, in relation to AEI, maintaining a Board Skills Matrix and approving the disclosures relating to the AEI Board's skills, experience and expertise disclosed annually in the Corporate Governance Statement;
- f. Making recommendations to Group Boards in relation to the appointment, re-election and retirement of Directors and ensuring that appropriate checks are undertaken before recommending the appointment of a person as a Director;
- g. Assessing on at least an annual basis the independence of existing Directors and in the case of a new director, assessing their independence at the time of their appointment;
- h. Seeking assurance that:
  - Prospective Directors of an AEI Group Board meet the minimum fit and proper requirements;
  - A Director Induction Program is in place and that all new Directors completed the Program within three months of appointment.

### **1.5 Responsibilities – Policy Revision**

- 1.5.1 The PRN Committee is responsible for conducting a review (at least every three years) and making recommendations to the AEI and AES Boards in relation to, the Group Remuneration Policy.

### **1.6 Responsibilities – Miscellaneous**

- 1.6.1 The PRN Committee is responsible for:
- a. Considering any other matters relevant to the Group's responsibilities in relation to human resources, remuneration of employees and nomination of directors as may be required from time to time;
  - b. Assisting the AEI Board and/or AES Board with any deliberations or issues as requested, and carrying out other functions as may be delegated by the AEI Board and/or the AES Board from time to time.

### **1.7 Interaction with the Regulators**

- 1.7.1 Members of the PRN Committee must make themselves available to meet with the Group's Regulators on request.

## **2. Access and Delegated Authority**

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### **2.1 Access**

- 2.1.1 The members of the PRN Committee have, at all times, free and unfettered access to Management the External Auditor and the Internal Auditor.

- 2.1.2 Management, the External Auditor and the Internal Auditor (if appointed) have free and unfettered access to the PRN Committee through the Chair of the PRN Committee.
- 2.1.3 In reliance on an AEI Group-wide PRN Committee, the AES Board has sought and received assurance from the AEI Board that:
- a. The Chair of the AES Board will be invited to attend all meetings of the PRN Committee where people, remuneration or nomination issues relevant to the AES Board are being discussed;
  - b. The AES Board has the ability to amend any recommendations of the PRN Committee, where the Board considers that such amendments are necessary in order to ensure, and be able to demonstrate to APRA, that the recommendations made by the PRN Committee are appropriate for AES as an RSE Licensee.

## **2.2 Delegated Authority**

- 2.2.1 The PRN Committee is delegated with the general authority to request further information and any external advice it requires in order to make decisions that it considers necessary to fulfill its responsibilities, and to do so in a manner that ensures that the engagement, including any advice received, is independent.
- 2.2.2 The PRN Committee is delegated with specific authority to directly engage remuneration consultants in order to:
- a. Make determinations in relation to the remuneration of all AEI employees.
  - b. Obtain industry benchmarks and comparators in relation to the Managing Director's remuneration.
  - c. Assist in finding candidates for nomination to one or more of the Group's Boards.

## **Composition and Meetings**

### **2.3 Composition**

- 2.3.1 The AEI Board shall determine the membership of the PRN Committee from time to time.
- 2.3.2 The PRN Committee must have at least 3 members, all of whom must be non-executive directors of AEI.
- 2.3.3 Collectively, the PRN Committee is expected to have experience in setting remuneration and sufficient industry knowledge to allow for effective alignment of remuneration with obligations to beneficiaries, investors and shareholders of the Group. On this basis, it is recognised that the PRN Committee may need to supplement its expertise with appropriate external expert advice from time to time.
- 2.3.4 The Chair of the PRN Committee must immediately report to the AEI Board if it forms the view that the Committee, or a proposed member, does not have the skills necessary to fulfil their responsibilities as a Committee member.

**2.4 Quorum**

2.4.1 A quorum is two PRN Committee members being present for the whole meeting who each have the capacity to vote.

**2.5 Alternates**

2.5.1 With the approval of the Chair of the AEI Board, a PRN Committee member may appoint an alternate to serve on the PRN Committee, provided that such appointment does not continue for more than two consecutive PRN Committee meetings. An alternate can only serve on the PRN Committee if they meet the conditions of membership.

**2.6 Chair**

2.6.1 The AEI Board will appoint the Chair of the PRN Committee from time to time.

2.6.2 If the Chair of the PRN Committee is absent or unable to act as Chair for a scheduled meeting of the Committee, the Committee will appoint a Chair as required for the proper conduct of its business from its own members.

**2.7 Meetings**

2.7.1 The PRN Committee is expected to meet at least four times a year (or as otherwise directed). The Committee may also, at the request of the AEI Board (or the AES Board), meet at other times.

2.7.2 The Chair must call a meeting of the PRN Committee if requested to do so by any member of the Committee.

2.7.3 The PRN Committee may request certain individuals to attend Committee meetings in order to provide expert advice or act as an observer.

2.7.4 The PRN Committee will invite the Chair of the AES Board to attend meetings of the PRN Committee where remuneration and/or director nomination issues relating to AES are scheduled to be discussed.

2.7.5 Any director of AEI may attend the meetings of the PRN Committee as an observer.

2.7.6 The meetings of the PRN Committee 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.

2.7.7 The PRN Committee may deal with particular issues by circular resolution if desired.

**2.8 Agendas, Papers and Minutes**

2.8.1 An agenda will be prepared by the Company Secretary. The agenda and supporting papers for each meeting will be distributed to PRN Committee members and other attendees in sufficient time to enable members to read the material and prepare for the meeting.

2.8.2 The Company Secretary is appointed as secretary to the PRN Committee and is responsible for taking, writing and presenting formal minutes which are an accurate and complete recording of the proceedings and resolutions of each PRN Committee meeting. The minutes of the previous PRN Committee meeting should be approved by the Committee at the following meeting.

2.8.3 AEI retains ownership of PRN Committee papers and minutes.

2.8.4 Copies of the minutes of all PRN Committee meetings will be provided to all AEI Directors. The minutes, or parts of the minutes, may be made available to the AES Board, certain employees of the Group, as well as the External Auditor, the Internal Auditor (if appointed) and any of the Group's regulators.

## **2.9 Voting**

2.9.1 Each member of the PRN Committee shall have one vote.

2.9.2 A resolution of the PRN Committee must be passed by a majority of the votes cast by Directors entitled to vote on the resolution.

2.9.3 The Chair of the PRN Committee does not have a casting vote.

2.9.4 In the case of an equality of votes, the Chair of the PRN Committee will refer the matter to the AEI Board for a decision.