

Australian  
Ethical



# AUSTRALIAN ETHICAL SUPERANNUATION

## GOVERNANCE FRAMEWORK

Document Owner      Executive Officer Superannuation

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# 1 Purpose and Scope

Australian Ethical Superannuation Pty Limited (AES) is committed to a culture of high ethical standards and behaviour. This Framework sets out the governance arrangements of Australian Ethical Superannuation Pty Ltd, the Trustee of the Australian Ethical Retail Superannuation Fund (Super Fund) to ensure that it meets its obligation to promote strong and effective governance.

# 2 Reference

This Framework has been written with reference to:

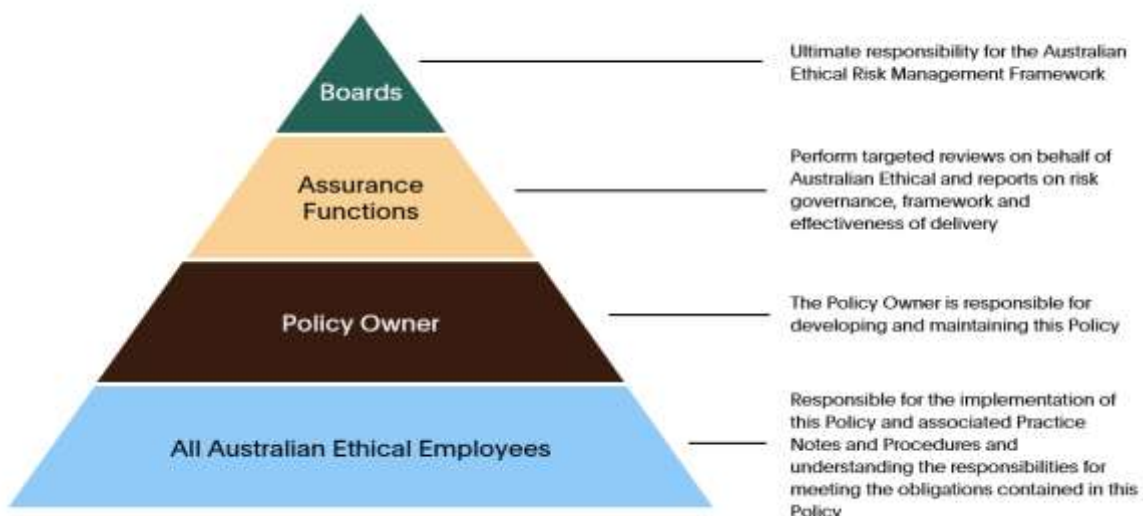
- APRA Superannuation Prudential Standard 510 Governance
- APRA Superannuation Prudential Practice Guide 510 Governance
- Superannuation Industry (Supervision) Act 1993

# 3 Risk Management and Capacity

Risk	Response	Comments
Risk Appetite Statement	Compliance	This Framework relates to Australian Ethical Superannuation.
Board's Appetite	Minimise / Avoid	
Risk Tolerance	Low	

Adherence to this Framework will ensure the promotion of strong and effective governance.

# 4 Roles and Responsibilities



## 5 Governance Principles

The Trustee is expected to abide by the following governance principles in order to underpin a sound and effective governance framework.

- a. Responsibility — The Board is ultimately responsible and accountable for the decisions and actions taken by AES in relation to the Trustee and the Super Fund.
- b. Independence — the Board discharges its review and oversight roles effectively and independently of the **interests of management and competing or conflicting business interests**.
- c. Renewal – the Board ensures that it is open to new and independent thinking whilst retaining expertise.
- d. Expertise — **the Board has the necessary expertise to fulfil its role and functions**, and has access to independent expertise if not readily available amongst the current Directors.
- e. Diligence — the Board discharges its duties and responsibilities carefully and conscientiously.
- f. Prudence — the Board has a clear focus on prudent management.
- g. Transparency — the Board is open and honest in its dealings.
- h. Oversight — **the Board is able to satisfy itself that its management and operation conforms to AES’s strategy, direction and policies**

## 6 Key components of the Governance Framework

The key components of the Governance Framework are outlined below.

Constitution	The document that specifies the rules governing Australian Ethical Superannuation.
Board Charter	<p>Formal Charter adopted by the Board that sets out the roles, responsibilities and objectives of the Board to ensure that the Super Fund is being soundly and prudently managed and operated in the best interests of all members and in accordance with, and to further the aims of, the Australian Ethical Charter.</p> <p>In addition, the Charter contains:</p> <ul style="list-style-type: none"> <li>• the policy on voting rights and procedures for the decisions of the Board</li> <li>• the size and composition of the Board</li> </ul> <p>Whilst some functions and responsibilities have been delegated to the Audit, Risk and Compliance Committee, the Insurance Benefits Committee and the People, Remuneration and Nominations Committee the Board retains ultimate responsibility for ensuring that these duties are performed.</p>
Delegations Policy	Appendix B contains the Delegations Policy.
Audit, Risk and Compliance Committee Charter	Formal Charter adopted by the Board that sets out the roles and responsibilities of the Audit, Risk and Compliance Committee. The Charter sets out the size and composition of the Committee.
Insurance Benefits Committee Charter	<p>Formal Charter adopted by the Board that sets out the roles and responsibilities of the Insurance Benefits Committee (IBC) to:</p> <p>(a) determine the payment of benefits from the Super Fund including:</p> <ol style="list-style-type: none"> <li>i. A Death benefit;</li> <li>ii. A Terminal Illness benefit (terminal medical condition under SIS Law);</li> <li>iii. A Total and Permanent Disability benefit (permanent incapacity under SIS Law);</li> </ol>

	<p>(b) in relation to insurance provided by the Super Fund's insurer to ensure that any impact on the member or beneficiary is minimised by overseeing the investigation, determination and payment of claims by the insurer (including underwriting decisions and declined claims)</p> <p>(c) Manage and resolve complaints in relation to the above.</p>
People, Remuneration and Nominations Committee	Committee of Australian Ethical Investment Limited (group company) to whom Australian Ethical Superannuation has delegated authority to act on its behalf in respect of fulfilling certain obligations.
Board Renewal Policy	Board approved policy that sets out the approach to the nomination, appointment and removal of directors to ensure appropriate renewal arrangements are in place so that the Board remains effective and open to new and independent thinking while retaining expertise.
Board nomination, appointment and removal	The Board Renewal Policy contains nomination, appointment and removal of directors, including defined director terms in office and maximum tenure periods.
Fit and Proper Policy	Board approved policy and procedures to manage risks relating to fitness and propriety of responsible persons.
Conflicts Management Framework	Board approved framework relating to the management of conflicts.
Board Remuneration	Directors are remunerated in accordance with the objectives and remuneration arrangements set out in the Board adopted Remuneration Policy.
Board Performance Assessment	Appendix A contains the Board Performance Assessment Policy.
Investment Management Agreement and Trustee Services Agreement	The Investment Management Agreement and Trustee Services Agreement govern the arrangements between Australian Ethical Superannuation and Australian Ethical Investments Limited.
Independent Professional Advice	<p>The Board as a whole, and each individual Director, is expected to have the necessary experience to make appropriate decisions. It is appropriate for the provision of advice that is specifically sought by the Board to be channelled through the Chair, who has an ongoing right to seek independent professional advice.</p> <p>There may be circumstances that could arise where an individual Director may require advice from an independent professional adviser in order to make a decision on an issue that relates to their specific responsibilities. An individual Director should only proceed to seek this independent professional advice following consultation with the Chair and upon making an application to the Chair, who will determine whether to approve or not approve the application. The application should clearly spell out the reasons for the Director seeking the separate professional advice and why the Director believes that they should have access to this advice. In circumstances where the Chair has not approved the</p>

application, the Director will be entitled to refer the matter to the Board for their consideration. The Board may then either reject or approve the application.

## 7 Exceptions

It is not expected that any exceptions to this Framework will occur. In the unlikely event that exceptions are required these must be approved by the Executive Officer Superannuation.

## 8 Adherence with Group Policies, Practice Notes and Procedures

Employees must adhere to, and is responsible for familiarising themselves with, all Australian Ethical Group's policies, practice notes and procedures.

## 9 Whistleblower provisions

In certain circumstances an individual may be concerned that unacceptable behaviour, misconduct or other reportable conduct (as defined in the Whistleblowing Policy) has occurred in relation to this Framework but be in a position where he or she believes it would be personally damaging to pursue through normal channels. The Whistleblowing Policy sets out the guidelines and procedures for dealing with information that may be provided with regard to unacceptable behaviour, misconduct, breaches of the Corporations Act 2001, the Australian Securities and Investments Commission Act 2001, the Superannuation Industry (Supervision) Act 1993 and all other matters relevant to whistleblowing. All employees are encouraged to report any known or suspected incidences of reportable conduct to the Whistleblower Protection Officer (WPO) (the Primary WPO is the Group General Counsel and the Secondary WPO is the Chief Risk Officer).

## 10 Point of contact

The Executive Officer Superannuation is the point of contact for matters arising from this Framework.

## 11 Review cycle

This Framework will be reviewed on an annual basis or as deemed necessary by the Executive Officer Superannuation and Company Secretary.

## Appendix A – Board Performance Assessment

### 1 Overview

The Trustee assesses the performance of the Board and the performance of individual Directors against the documented objectives set out in Section 3 and any additional assessment criteria set out in Section 4.

### 2 Assessment timeframes

Assessment type	Timeframe	Conducted by
Board performance	Annually	The Board will determine whether the board and individual director assessments will be undertaken internally, or outsourced to an appropriately qualified and experienced service provider who is free from connection to the Board.
Individual director	Annually	At a minimum the Board is committed to ensuring that the performance assessment process is undertaken by an external party at least one in every three years.

### 3 Objectives for Board and individual director performance assessments

In undertaking the performance assessments, the Board will consider the extent to which the following annual objectives that it has set for the Board collectively and for individual Directors have been met. These objectives will be reviewed annually as part of the review of the Governance Framework and any changes included in the next performance assessments.

Objectives for the Board	Objectives for individual directors
<ul style="list-style-type: none"> <li>Establish the overall strategy for Australian Ethical Superannuation and ensure reporting against the strategy</li> </ul>	<ul style="list-style-type: none"> <li>Demonstrating the required expertise for their role</li> </ul>
<ul style="list-style-type: none"> <li>Assessing operating and financial conditions against forecasts</li> </ul>	<ul style="list-style-type: none"> <li>Attendance and participation at Board meetings</li> </ul>
<ul style="list-style-type: none"> <li>Assessing senior management performance against agreed criteria, including the effectiveness of risk controls</li> </ul>	<ul style="list-style-type: none"> <li>Contributing to Board deliberations and the overall direction of the entity</li> </ul>
<ul style="list-style-type: none"> <li>Making key decisions in a timely manner</li> </ul>	<ul style="list-style-type: none"> <li>Establish the overall strategy for Australian Ethical Superannuation</li> </ul>

### 4 Objectivity of performance assessments

Sufficient objectivity in both board and individual performance assessments is achieved by utilising a third party to conduct the assessments at least one in every three years. Open discussion of the board performance assessment is actively encouraged.

## 5 Additional assessment criteria

### Additional performance criteria to be assessed as part of the board performance assessments:

- Whether the Board's division of time between its various responsibilities is appropriate
- Whether the Board has the appropriate mix of skills and experience for its responsibilities
- How effectively the Board is functioning
- How effectively the Board is addressing key responsibilities with regard to risk and compliance
- Board Meetings and operations are efficient, including procedural matters such as scheduling of meetings, timing of meetings, receipt of minutes, Board papers and agendas
- Ensuring that resolutions of the Board are implemented and complied with

The additional assessment criteria will be reviewed annually as part of the review of the Governance Framework and any changes included in the next performance assessment.

## 6 Reporting on the outcomes of the assessment

Assessment	Outcomes reported to	Reported by
Board performance	Board	Either internal or external party that conducted the assessment
Individual director	Director	Chair of Board or external party that conducted the assessment

## 7 Managing the outcomes of the assessments

The outcomes of the assessments will be reviewed to identify any training and education needs both at board and individual director level which will lift any identified underperformance. Any identified education will be added into the board calendar by the Company Secretary.

### Board performance assessment

Any recommended courses of action to improve board performance will be considered by the Board. Once the courses of action are agreed they will be documented and a timetable for implementation set. The status of completion of the actions will be discussed by the Board to ensure that all are being implemented in a timely and effective manner. It is expected that over the course of the next assessment period each of the recommended actions will be implemented.

### Individual director performance assessment

Any recommended courses of action to improve an individual director's performance will be agreed between the director and the Chair. The Chair is responsible for monitoring the implementation of these agreed actions with the individual director.



## Appendix B – Delegations Policy

### 1 Background

In the context of this Delegations Policy, a delegation involves a grant of power from the Board to a Board Committee, an individual, or an external service provider.

A delegate is the entity authorised by the Board to do a certain thing or make a certain decision that the Board would ordinarily be empowered to do or to make.

The Board retains responsibility for the decisions made, and discretions exercised, by its delegates.

### 2 Types of Delegations

The Board has delegated powers to its Committees, to members of the AEI Group Leadership Team, and to external service providers, to perform or oversee critical functions associated with the day-to-day management, operation and administration of the Super Fund.

The specifics of the delegations are captured in the Committee Charters, the Position Descriptions in place for members of the AEI Group Leadership Team and for employees and in Service Provider Agreements as appropriate.

The Board has mechanisms in place for monitoring the exercise of delegated authority and remains accountable for all delegated powers. The Board is aware that it cannot abrogate its responsibility for functions delegated and for decisions made under delegation.

**In accordance with the AEI Group's Outsourcing Policy, the Trustee may engage specialised service providers to perform a number of material business activities required to operate the Super Fund pursuant to service level agreements which govern the arrangement. Where delegations are made to service providers, these delegations are established, monitored and reported on pursuant to the terms and conditions of the service level agreement in place between the service provider and AES.**

### 3 Delegations Process

All delegations must attach to a position title, or Committee, or service provider, and not a specific person, to ensure that if there is a change in personnel, the delegations can continue to be exercised without requiring amendment, subject to the new personnel meeting the fitness (competency) and propriety obligations.

Each delegation must be clearly documented in, as applicable, Committee Charters, Position Descriptions and/or service level agreements. Delegations may also be referenced in specific policies and procedures.

### 4 Responsibility of Delegates

Delegates must act at all times within the prescribed limits of their delegations and must exercise their powers for proper purposes.

Decisions made under delegations, particularly in relation to the exercise of discretion (e.g. insurance claims, complaints and other decisions with a discretionary element which involves weighing up facts and determining the outcome) must not be fettered in any way. This means that a delegate cannot bind himself or herself before making a decision and must ensure that he or she gives real and genuine consideration to the decision at hand, taking into account only the relevant facts, and not irrelevant concerns.

Delegates must ensure that all decisions made under delegated authority are documented in writing.

Delegates who have been granted a delegation from the Board cannot delegate their powers or delegations to any other person, committee or organisation.

## 5 Evidence Required to Exercise a Discretion or Make a Decision

The evidence that may be required for any decision made or action taken under delegation will vary according to the type of decision/action and whether or not it was discretionary.

In most cases, the evidence required to be obtained in order to make a decision or exercise discretion will be contained in other documents, such as internal policies and procedures or instructional documents for outsourced service providers. In some cases, this information may be contained in a service level agreement.

There are some general and overriding matters that all delegates are required to take into account when making decisions and/or exercising discretions:

- Fraud concerns (e.g. the veracity of the documents and proofs that will be relied upon to make the decision and/or exercise discretion).
- The appropriateness and reasonableness of the decision a delegate is being asked to make.
- Appropriate certification when making the decision (e.g. name, signature, position title and date).

## 6 Training of Delegates

Any new delegates appointed will receive appropriate induction training on exercising their delegations.

## 7 Monitoring of Delegates

The responsibility for monitoring delegates rests with the entity or person making the delegation. Breaches will be dealt with via the most appropriate response in each given circumstance. Responses may include additional training, suspension of delegations or the removal of the delegate.

## 8 Delegations Registers

The delegations made to each of the Committees are outlined in the table below.

Committee	Delegations
<p><b>AES Audit, Risk and Compliance Committee</b></p>	<ul style="list-style-type: none"> <li>a. Appoint the RSE Auditor.</li> <li>b. Appoint the Internal Auditor.</li> <li>c. Resolve any disagreements between Management and the RSE Auditor and/or Internal Auditor with respect to financial and compliance reporting.</li> <li>d. Review the final draft of the annual audit report following receipt of assurance from the RSE Auditor that the statements and reports have been prepared in accordance with the relevant Australian Accounting Standards.</li> <li>e. Review the final drafts of and make recommendations to the Board as to whether or not the Directors should approve and sign, the <b>Trustee and the Fund’s financial statements and Directors’ Declarations</b>.</li> <li>f. Require such reporting to it by Management on governance, risk and compliance activity as it deems appropriate</li> </ul>
<p><b>AES Insurance Benefits Committee</b></p>	<ul style="list-style-type: none"> <li>a. Approve involuntary benefit payments up to \$500,000.</li> </ul>

Committee	Delegations
	b. Undertake claims staking.

### AEI Group Standing Employee Authorisations

AEI maintains a separate document, called the Standing Employee Authorisations, listing all standing employee authorisations. This document is maintained by the General Counsel/Company Secretary and updated as required.