

AEI

Board Charter

Control Sheet

Policy	AEI Board Charter	
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Entity	Australian Ethical Investment Limited	
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Modifications		
Authority to Approve Modifications	AEI Board	
Date of Modification	Brief Description of Modification	Drafted By
December 2014 – April 2015	Development of Charter	Simone Thompson Risk and Compliance Manager Tom May General Counsel/Company Secretary
January 2016	Annual Review	Simone Thompson Risk and Compliance Manager Tom May General Counsel/Company Secretary

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. 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. Monitor the progress of business and strategic objectives.
- b. Manage risk, including:
 - Agreeing on the risk management methodology and overseeing its implementation.
 - Instilling a strong culture of risk identification and management throughout the Group.
 - Reviewing the Group's insurance program having regard to the Group's business and the insurable risks associated with the business.
 - 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.
- c. Oversee investment governance, including:
 - Reviewing and approving any changes to the use of derivatives and subsequent amendments to the Derivatives Risk Statement.

- Reviewing and approving any changes to the Trust Investment Parameters.
- Having oversight of:
 - The processes which govern the investment of monies in the Managed Funds for which AEI is the Responsible Entity and the investment of monies for which AEI has a mandate.
 - Investment performance and risk.
- Seeking assurance from the Chief Investment Officer that:
 - Investment risk parameters and controls have been set and are being monitored.
 - The Derivatives Risk Statement is being adhered to.
 - The Trust Investment Parameters are being adhered to.
- d. Ensure appropriate corporate governance practices are in place.
- e. Protect and further the aims of the Australian Ethical Charter.
- f. Undertake an annual appraisal of the competency, operation and effectiveness of the Board.
- g. Undertake director fee considerations, including:
 - Making a recommendation to shareholders on the aggregate level of directors' fees.
 - Approval of Board Committee fees and individual director fees.
- h. Appoint and terminate the Managing Director, which requires:
 - Approving the position description for the Managing Director.
 - Delegating powers to, establishing reporting arrangements with and monitoring the performance of the Managing Director.
 - Undertaking an annual appraisal of the Managing Director.
- i. Approve the appointment of material service providers and have oversight of the performance of, and reporting provided by, each provider.
- j. Review and approve:
 - The half year and full year annual audited accounts and Directors' Reports for the Group.
 - The annual operational and capital expenditure budget for the Group and any material revisions.
 - Major contracts, acquisitions or disposals which have not been approved in the budget.
 - The issue of shares and options.
 - Significant changes to products, product offerings or product fees.

- The terms and conditions for any employee share ownership scheme, or if shareholder approval is required, approval of recommendations to shareholders.
 - Dividend payments and any DRP.
 - Indemnity, crime, director and officer and similar insurance programs.
- k. Seek assurance from Management that:
- AEI is acting in conformity with:
 - 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.
 - 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.
 - The PDSs' of each of the Managed Funds.
 - The terms and conditions of all current mandates.
 - The investment duties of AEI are being carried out with the required care, diligence and skill.
 - All policies and procedures contain appropriate, up-to-date content and are being maintained.
 - All monitoring and reporting processes in place to assist AEI to meet its responsibilities are sound and up-to-date.
 - 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.
- l. Review and authorise the issue of product disclosure statements for each of the Managed Funds.
- m. Maintain relationships with relevant stakeholders.
- n. 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/or to one or more of its external service providers, to perform and/or oversee the performance of critical business functions.¹ 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 See **Clause 13.10 of the AEI Constitution (27 November 2008)**.

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. 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. Employee remuneration.
- g. Policies and procedures relevant to employees.
- h. Representing the AEI Board in correspondence with shareholders, service providers, regulators, government, the media and other relevant stakeholders.

1.3.3 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, Meetings and Remuneration

2.1 Composition

2.1.1 The AEI Board must have at least three Directors and not more than ten Directors at all times.² Alternate Directors may be appointed.³

2.1.2 The composition of the AEI Board gives consideration to the following best practice recommendations:

- a. The majority of Directors are independent.⁴
- b. The Chairperson of the Board is independent.⁵
- c. The roles of the Chairperson and the Managing Director are not exercised by the same individual.⁶

2.2 Quorum

2.2.1 A quorum is two Directors being present for the whole meeting who each have the capacity to vote.⁷

2.3 Chairperson

2.3.1 The AEI Board shall elect from among their number a Chairperson to chair its meetings and decide the period for which that Director is to hold office.⁸

2.3.2 If the Chairperson of the AEI Board is absent or unable to act as Chairperson for a scheduled Board Meeting, the remaining Directors will nominate a Director to assume the role and duties of the Chairperson for that meeting.

2.3.3 If the Chairperson of the Board is absent or unable to act as Chairperson 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 Chairperson 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 Chairperson as appropriate.

² See **Clause 11.1 of the AEI Constitution (27 November 2008)**.

³ See **Clause 13.7 of the AEI Constitution (27 November 2008)**.

⁴ See **ASX Corporate Governance Principles and Recommendations (Third Edition 2014) (Recommendation 2.4)**.

⁵ See **ASX Corporate Governance Principles and Recommendations (Third Edition 2014) (Recommendation 2.5)**.

⁶ See **ASX Corporate Governance Principles and Recommendations (Third Edition 2014) (Recommendation 2.5)**.

⁷ See **Clause 13.3 of the AEI Constitution (27 November 2008)**.

⁸ See **Clause 13.9 of the AEI Constitution (27 November 2008)**. As at the date of approval of this Charter, the AEI Board does not have specific procedures in place for determining the period in which a Director or Chairperson will hold office. These procedures will be developed as part of a specific Board Renewal Policy during 2015.

2.3.4 If the Chairperson of the AEI Board is no longer willing or able to act as Chairperson, 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 assume the role and duties of the Chairperson 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 Chairperson must call a meeting of the AEI Board if requested to do so by any Director of AEI.

Attendees

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.

Meeting Method

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 if desired.

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 appointed, ex officio, as secretary to the AEI Board and 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 shall have 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 Chairperson 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.⁹

⁹ See **Clause 13.6 of the AEI Constitution (27 November 2008)**.