

AEI GROUP – BOARD RENEWAL POLICY

1 Purpose

- 1.1 This Policy sets out our approach to the nomination, appointment and removal of directors to ensure that:
- a. the Boards of AEI Group companies have in place appropriate renewal arrangements so that they remain effective and open to new and independent thinking while retaining adequate expertise;
 - b. the Boards of AEI Group companies include Non-Executive Directors with an appropriate mix of diversity, skills, personal attributes and tenure; and
 - c. Australian Ethical Superannuation Pty Limited, the Trustee of the Australian Ethical Retail Superannuation Fund, meets the requirements of *APRA Prudential Standard SPS 510 – Governance* in relation to board renewal.
- 1.2 The Policy should be read in conjunction with the Corporations Act, the ASX *Corporate Governance Principles and Recommendations*, the relevant AEI Group company's constitution and board charter, and the AEI Board's People, Remuneration and Nominations Committee (PRN Committee) Charter.

2 Composition & Term

- 2.1 Information about the composition of individual boards is set out in the relevant constitution and board charter.
- 2.2 Subject to the Corporations Act and the ASX Listing Rules, Non-Executive Directors are initially appointed for 3 years commencing on the date of their appointment as a director. In the case of subsequent terms, the term of appointment commences on the date of the Non-Executive Director's reappointment or re-election as a director.
- 2.3 Subject to the maximum tenure specified below and the Non-Executive Director continuing to meet the 'fit and proper' requirements, a Non-Executive Director is eligible for re-appointment or re-election at the end of a term.

3 Tenure Limit

- 3.1 To ensure Board renewal, Non-Executive Directors must retire after a maximum tenure of three terms of 3 years.
- 3.2 In exceptional circumstances, a Non-Executive Director may be re-appointed or proposed for re-election for one further term of 3 years where the Board considers this to be in the best interests of shareholders, in the case of Australian Ethical Investment Limited, or in the best interests of beneficiaries, in the case of Australian Ethical Superannuation Pty Limited. The circumstances in which it may be appropriate for a Non-Executive Director to hold office for a further term, include where this is necessary to:

- retain the skill, experience and expertise of the director for the purposes of Board continuity; or
- to better manage the process of Board renewal and transition including the transfer of knowledge and skills to new directors.

3.3 A Non-Executive Director who has previously served their maximum tenure can be re-appointed as a director if 3 or more years have elapsed since they ceased to be a director.

3.4 However, Non-Executive Directors may only serve a maximum of two non-consecutive periods in office. Non-consecutive periods in office less than the maximum tenure are aggregated to determine the length of tenure except where more than 3 years have elapsed between these periods.

3.5 In accordance with the ASX Listing Rules and the AEI constitution, Non-Executive Directors on AEI's Board retire by rotation and stand for re-election by shareholders at the company's annual general meeting. More detailed information in relation to this is included in AEI's constitution.

3.6 Executive Directors will remain as directors subject to fulfilling the ongoing requirements of their employment and are not subject to a maximum tenure.

4 Vacancies & Nominations

4.1 The PRN Committee has authority to identify, assess and nominate candidates for appointment as Non-Executive Directors to AEI Group companies. The role and responsibilities of the Committee are set out in detail in its Charter. In summary the Committee will consider:

- a. the existing mix of skills on the board and board dynamics;
- b. a candidate's skills, experience and personal attributes (relative to the requirements of the board), independence (with reference to the ASX Corporate Governance Principles), ability to meet the required time commitment and likely contribution to the board; and
- c. diversity, including the measurable objectives set in relation to gender diversity;

4.2 The PRN Committee will identify and assess suitable candidates to ensure that the reappointment, appointment of additional or replacement of directors can be made as soon as practicable upon the vacancy arising. The Committee may engage executive search consultants.

5 Reappointment

5.1 The PRN Committee will consider the Non-Executive's Director performance and tenure in assessing their suitability for reappointment.

5.2 In relation to Non-Executive Directors of AEI required to retire by rotation and stand for election by rotation, the AEI Board will make a recommendation to shareholders in relation the re-election of these directors.

5.3 A Non-Executive Director will play no role in the decision made in relation to their re-appointment or any recommendation made to shareholders in relation to their re-election as a director.

6 Appointment Process

- 6.1 Non-Executive Directors appointed to the AEI Board must, in accordance with the ASX Listing Rules and the AEI constitution, retire and stand for election by shareholders at the next annual general meeting. The AEI Board will make a recommendation to shareholders in relation to Non-Executive Directors standing for election in this way.
- 6.2 All candidates are required to meet fit and proper requirements prior to appointment. In assessing these requirements, appropriate checks are conducted including character, experience, education, and criminal record and bankruptcy checks.
- 6.3 An appointment letter is provided to each Non-Executive Director setting out the terms of their appointment and requesting disclosures of offices held and potential conflicts.
- 6.4 Following appointment, each Non-Executive Director undertakes an induction program relevant to the AEI Group and their roles.

7 Removal

- 7.1 A Non-Executive Director will be removed from office if they:
 - a. are not permitted by the *Superannuation Industry (Supervision) Act 1993* (or an order is made under the SIS Act) to be a director;
 - b. become disqualified from managing corporations under Part 2D.2 of the Corporations Act and are not given permission to continue to manage a company by ASIC;
 - c. become of unsound mind or physically or mentally incapable of performing the role;
 - d. fail to attend (either personally or by an alternate) six consecutive board meetings (not including meetings of a board committee) without leave of absence.
- 7.2 More information on the removal of directors is contained in the constitution of the relevant AEI Group company.

8 Dispute Resolution

- 8.1 Disputes regarding the nomination, appointment, re-appointment and removal of directors will be resolved by the PRN Committee.