

AUSTRALIAN ETHICAL INVESTMENT LIMITED

AUDIT, COMPLIANCE & RISK COMMITTEE

1. Role and Responsibilities

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 an Audit, Compliance and Risk Committee (**ACR Committee**) to assist it to exercise its responsibilities in relation to audit, compliance and risk management.

1.1.2 The roles of the ACR Committee are to:

- a. Have oversight of matters relevant to AEI's audit, compliance and risk management responsibilities and make recommendations to the AEI Board.
- b. Seek assurance from Management that:
 - i. AEI is complying with the obligations under its Australian Financial Services (**AFS**) Licence.
 - ii. The statutory and financial duties of AEI are being carried out with the required care, diligence and skill.
 - iii. The policies and procedures, and monitoring and reporting processes, in place to assist AEI to meet its audit, compliance and risk management responsibilities are sound and up-to-date.

1.1.3 In performing the roles described above, the ACR Committee will undertake the tasks outlined below, subject to the relevant provisions of the Managed Funds' Constitutions, legislative and regulatory requirements, licence conditions and policies and procedures.

1.2 Responsibilities – Compliance Master Plan

1.2.1 The ACR Committee is responsible for:

- a. Seeking assurance from Management that AEI is acting in compliance with the Compliance Master Plan and that the Compliance Master Plan is adequate and up to date.
- b. Making recommendations to the AEI Board about amendments to the Compliance Master Plan at least annually.
- c. Seeking assurance from Management that any incident or breach relating to obligations or controls contained in the Compliance Master Plan is being appropriately handled.
- d. Reporting to ASIC any breach of which it becomes aware or suspects if the Committee is of the view that Management has not taken, or does not propose to take, appropriate action.

1.3 Responsibilities – Audit and Financial Management

1.3.1 The ACR Committee is responsible for:

- a. Overseeing compliance with AEI's financial management obligations, and in particular:
 - Acting as a formal channel of communication between the AEI Board, the External Auditor, the Internal Auditor and the Fund Accounting and Finance Teams.
 - Seeking assurance from Management that the stated policies of AEI in relation to statutory, financial, tactical and accounting matters, internal financial controls and

discharge of 'trading company' fiduciary obligations, are being carried out and that the relevant accounting standards and techniques have been applied.

- b. Reviewing the final drafts of, and making recommendations to the AEI Board as to whether or not the Directors should approve, and where required, sign:
 - The financial statements for the Managed Funds that are required to be lodged with ASIC;
 - The Directors' Reports and declarations; and
 - Any other associated documents or statements.
- c. Reviewing the final drafts of, and making recommendations to the AEI Board as to whether or not the Directors should approve and, where required, sign:
 - The financial statements for AEI that are required to be lodged with the ASX and ASIC;
 - The Directors' Report and declaration;
 - The Annual Report;
 - The Corporate Governance Statement;
 - The Sustainability Report; and
 - Any other associated documents or statements.
- d. Reviewing the signed financial statements of the Australian Ethical Investment Limited Employee Share Plan Trust.
- e. Overseeing compliance with AEI's external and internal audit obligations, in particular:
 - Appointing the External Auditor at least annually, including an assessment of whether the External Auditor meets the independence requirements specified in applicable accounting standards. This assessment will include consideration of the nature and quantum of the non-audit services provided by the External Auditor.
 - Appointing and removing the Internal Auditor.
 - Reviewing and approving the audit plans proposed by the External Auditor and Internal Auditor annually.
 - Reviewing the adequacy and independence of both the external and internal audit functions.
 - Reviewing the content of all audit reports and monitoring the actions of Management to ensure that identified issues are being appropriately managed and rectified.

1.4 Responsibilities – Compliance and Risk Management

1.4.1 The ACR Committee is responsible for:

- a. Overseeing:
 - The completion of the compliance obligations and controls identified in the Compliance Master Plan.
 - Matters relevant to AEI and the Managed Funds' compliance with applicable legislative and regulatory requirements including taxation governance and taxation risk management as brought to the Committee's attention by Management.

- b. Overseeing the Risk Management Framework, including the identification, treatment and monitoring of:
 - Emerging and current material risks;
 - Exceptions, Incidents and breaches;
 - Complaints; and
 - The results of control testing,relevant to AEI and the Managed Funds.
- c. Conducting the annual review of the Risk Management Framework to ensure that it remains sound and making a recommendation to the AEI Board in relation to this.
- d. The lodgment of AEI and the Managed Funds' statutory reporting obligations.
- e. The findings of any examinations by regulatory agencies and the timeliness and accuracy of reporting to regulators.
- f. Seeking assurance from Management that:
 - The systems, policies and procedures in place to assist AEI to meet and monitor its audit, compliance and risk management responsibilities contain appropriate, up-to-date content and are being maintained.
 - AEI is complying with the conditions of its AFS Licence and regulatory requirements relevant to its role as a Responsible Entity.

1.5 Responsibilities – Service Providers

1.5.1 The ACR Committee is responsible for:

- a. having oversight of the compliance and risk-based reporting received from, and in relation to, all material service providers.
- b. seeking assurance from Management that there is a structure, methodology and timetable in place for monitoring each material service provider appointed by AEI.

1.6 Responsibilities – Miscellaneous

1.6.1 The ACR Committee is responsible for:

- a. Seeking assurance from Management that there is a Whistleblowing Policy and associated procedures in place which provides employees of the Group with the knowledge and ability to submit to the Committee, confidentially, information about AEI's accounting, internal controls, compliance, audit and other matters about which the employee has concerns.
- b. Considering any other matters relevant to AEI and the Managed Funds' compliance, governance, risk management, financial management and audit responsibilities as may be required from time to time.
- c. Assisting the AEI Board with any deliberations or issues as requested, and carrying out other functions as may be delegated by the AEI Board from time to time.

1.7 Interaction with the Regulators

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

2. Access and Delegated Authority

2.1 Access

- 2.1.1 The members of the ACR Committee have, at all times, free and unfettered access to Management, the External Auditor and the Internal Auditor.
- 2.1.2 The members of the ACR Committee will meet with the External Auditor and Internal Auditor without Management present on at least two occasions each year.
- 2.1.3 If so requested, the Risk and Compliance Manager will arrange for the members of the ACR Committee to have access to representatives from any of AEI's material service providers.
- 2.1.4 Management, the External Auditor and the Internal Auditor have free and unfettered access to the ACR Committee through the Chair of the Committee.

2.2 Delegated Authority

- 2.2.1 The ACR Committee is delegated with general authority to request further information and any external advice it requires in order to make any decisions it considers necessary to fulfil its responsibilities, and to do so in a manner that ensures that the engagement, including any advice received, is independent.
- 2.2.2 The ACR Committee is delegated with specific authority to:
 - a. Appoint the External Auditor for the Group.
 - b. Appoint an Internal Auditor.
 - c. Resolve any disagreements between Management and the External Auditor and/or Internal Auditor with respect to financial and compliance reporting.
 - d. Review the final draft of and recommend to the AEI Board as to whether or not the Directors should approve and, where required authorise an AEI Director to sign, the Managed Funds' annual and interim financial and directors' reports.
 - e. Review the final draft of, and recommend that the Board approve and that an AEI Director sign, the Company's annual and interim financial and directors' reports.
 - f. Require such reporting to it by Management on governance, risk and compliance activity as it deems appropriate.

3. Composition, Meetings and Remuneration

3.1 Composition

- 3.1.1 The AEI Board shall determine membership of the ACR Committee from time to time.
- 3.1.2 The ACR Committee must have at least three members, all of whom must be non-executive directors.
- 3.1.3 The ACR Committee must immediately report to the AEI Board if it forms the view that the Committee, or a proposed member, does not have skills necessary to fulfil their responsibilities as an ACR Committee member.

3.2 Quorum

- 3.2.1 A quorum is two ACR Committee members present for the whole meeting who each have the capacity to vote.

3.3 Alternates

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

3.4 Chairperson

- 3.4.1 The AEI Board will appoint the Chairperson of the ACR Committee from time to time.
- 3.4.2 It is not a requirement that the Chairperson of the AEI Board be appointed to the ACR Committee; however if so appointed, the Chairperson of the AEI Board may not be appointed Chairperson of the ACR Committee.
- 3.4.3 If the Chairperson of the ACR Committee is absent or unable to act as Chairperson for a scheduled meeting of the Committee, the ACR Committee will appoint a Chairperson as required for the proper conduct of its business from its own members.

3.5 Meetings

- 3.5.1 The ACR Committee is expected to meet at least quarterly. The Committee may also, at the request of the AEI Board or one or more members of the Committee, meet at other times.
- 3.5.2 The Chairperson must call a meeting of the ACR Committee if requested to do so by any member of the Committee.

Attendees

- 3.5.3 The ACR Committee must invite the External Auditor to all Committee meetings.
- 3.5.4 The ACR Committee may request certain individuals to attend Committee meetings in order to provide expert advice or act as an observer.
- 3.5.5 Any director of AEI may attend the meetings of the ACR Committee as an observer.

Meeting Method

3.5.6 The meetings of the ACR 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.

3.5.7 The ACR Committee may deal with particular issues by circular resolution if desired.

3.6 Agendas, Papers and Minutes

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

3.6.2 The Company Secretary is appointed as secretary to the ACR 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 meeting. The minutes of the previous ACR Committee meeting should be approved by the Committee at the following meeting.

3.6.3 AEI retains ownership of ACR Committee papers and minutes.

3.6.4 Copies of the minutes of all ACR Committee meetings will be provided to all AEI Directors. The minutes, or parts of the minutes, may be made available to certain employees of the Group, as well as the External Auditor, the Internal Auditor and any of the Group's regulators.

3.7 Voting

3.7.1 Each member of the ACR Committee shall have one vote.

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

3.7.3 The Chairperson of the ACR Committee does not have a casting vote.

3.7.4 In the case of an equality of votes, the Chairperson of the ACR Committee will refer the matter to the AEI Board for a decision.