

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 For Australian Ethical Investment Limited Non-Executive Directors appointed by the Board are subject to election by shareholders at the next Annual General Meeting (AGM). If elected Non-Executive Directors are then subject to re-election at subsequent AGM's in accordance with the Corporations Act and the company's constitution.

For Australian Ethical Superannuation Pty Limited Non-Executive Directors are appointed for an initial term of 4 years and may be reappointed for further terms subject to the tenure limits set out in clause 3 of this policy.

- 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 directors have a maximum tenure as follows:

For Australian Ethical Investment Limited (AEI) – Non-Executive Directors:

- Once a Non-Executive Director has served ten years on the AEI Board the Board will determine:
 - Whether the Non-Executive Director should consider retiring; and

- Whether the Non-Executive Director's independence has been compromised.
- The maximum tenure for a Non-Executive Director on the AEI Board under usual circumstances will be 12 years.
- In exceptional circumstances, Non-Executive directors may be re-appointed or proposed for re-election for a further term of 2 years where the Board considers this to be in the best interests of shareholders.

For Australian Ethical Superannuation Pty Limited (AES) – Non-Executive Directors:

- The maximum tenure for Non-Executive Directors on the AES Board under usual circumstances is three terms of 4 years.
- In exceptional circumstances, Non-Executive Directors may be re-appointed or proposed for re-election for a further term of 2 years where the Board considers this to be in the best interests of beneficiaries.

For Executive Directors of AEI and AES:

- Executive Directors must retire after a maximum tenure of 25 years.
- Executive Directors will remain as directors subject to fulfilling the ongoing requirements of employment.
- If an Executive Director ceases to be a director of AEI their eligibility to be a director of AES will be reviewed.
- An Executive Director may be re-appointed for a further term of up to 10 years where the respective Board considers it to be in the best interest of shareholders, in the case of Australian Ethical Investments, or in the best interests of beneficiaries, in the case of Australian Ethical Superannuation Pty Limited.

3.3 The circumstances in which it may be appropriate for a Non-Executive Director or 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.

3.4 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.

3.5 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.

3.6 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.

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) a. the existing mix of skills on the board and board dynamics;
 - b) 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) 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.

Control Sheet

Policy	Board Renewal Policy	
Version	3.0	
Location	V:\Risk and Compliance\Final Policies\AEI Group	
Entity	AEI Group: <ul style="list-style-type: none"> • Australian Ethical Investment Limited (AEI) • Australian Ethical Superannuation Pty Ltd (AES) • Australian Ethical Foundation Limited (AEF) 	
Date Effective	6 December 2018	
Approved By	Version 3.0 was approved as follows: AES Board - 6 December 2018 AEI Board – 6 December 2018	
Review Requirement	Biennial Review	
Authority to Approve	AEI & AES Boards	
Modifications		
Date of Modification	Brief Description	Drafted By
June 2017	Approval of Board Renewal Policy	Tom May Company Secretary Nick Parkin Assistant Company Secretary
February 2018	Amendments arising from APRA review	Tom May Company Secretary Nick Parkin Assistant Company Secretary
December 2018	Amendments arising from APRA Prudential Consultation	Tom May Company Secretary Karen Hughes Chief Risk Officer