

**Australian  
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# AUSTRALIAN ETHICAL INVESTMENT LIMITED

## PEOPLE, REMUNERATION & NOMINATIONS COMMITTEE

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# 1. Role, Responsibilities and Delegated Authority

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## 1.1 Role

- a) Australian Ethical Investment Limited (**AEI**), the Responsible Entity of the Australian Ethical Managed Investment Schemes (**Managed Funds**), has established a People, Remuneration and Nominations Committee (**PRN Committee**) to assist the Board in fulfilling its responsibilities to shareholders and regulators in relation to the Group's people, remuneration and nomination of directors policies, frameworks and practices so that they:
- Align with the Group's purpose and strategy, consistent with its stated risk appetite and desired behaviours and culture, and
  - Adhere to all applicable legislation, regulations and prudential standards.
- b) In addition, the PRN Committee has been delegated authority by the Australian Ethical Superannuation Pty Ltd (**AES**), the Trustee of the Australian Ethical Retail Superannuation Fund (**Super Fund**) and a wholly owned subsidiary of AEI, to meet the relevant requirements of *APRA Prudential Standard SPS 510 – Governance (Paragraphs 38-39)*.
- c) The roles of the PRN Committee are to:
- a. Have oversight of matters relevant to the Group's responsibilities in relation to human resources, remuneration, performance evaluation, and nomination of directors;
  - b. Seek assurance from Management that the policies and procedures, and monitoring and reporting processes, in place to assist the Group to meet its responsibilities in relation to human resources, remuneration, performance evaluation, and nomination of directors are sound and up to date.
- d) In performing the roles described above, the PRN Committee will undertake the tasks outlined below, subject to the relevant provisions of the Trust Deed and the Constitution, legislative and regulatory requirements, licence conditions, APRA Prudential Standards and policies and procedures.

## 1.2 Responsibilities and Delegated Authority– People

- a) The PRN Committee is responsible for and has delegated authority to:
- i. Oversee people and culture policies and practices designed to attract, retain, develop and motivate employees, and approve where applicable;
  - ii. Set and assess the effectiveness of the Group's diversity and inclusion policy, initiatives and targets and monitor the Group's progress;
  - iii. Oversee and review the succession plans for CEO/Managing Director direct reports and other critical roles, together with talent management and development plans in place;
  - iv. Review and oversee the effectiveness of initiatives on organisational culture to instil, or reinforce, the desired organisational culture;
  - v. Seek assurance from Management that:
    - i. There is an employee performance management process in place and that it is operating effectively;
    - ii. The Group's work, health and safety obligations have been met.

### 1.3 Responsibilities and Delegated Authority– Remuneration

- a) The PRN Committee is responsible for and has delegated authority to:
- i. Review, at least annually, and make recommendations to the Board in relation to the Group's Remuneration Policy and Framework to ensure it delivers on its intent and that it complies with legislative and regulatory requirements;
  - ii. Monitor Management's adherence to the Remuneration Framework and the guidelines set by the Committee in relation to remuneration arrangements;
  - iii. Review the final drafts of the Remuneration Report, which forms part of the Annual Report, and recommend the Remuneration Report to the Board for approval;
  - iv. Assess the effectiveness of the Employee Share Plan (ESP) and Executive Long Term Incentive Plan (ELTI) to ensure that it satisfies the objectives of incentivising and aiding the retention of the Group's employees;
  - v. Review and make recommendations if required to the AEI and AES Boards regarding Director's fee arrangements and fees for Board Committee memberships annually considering market practice and relativities, and workload;
  - vi. Consider industry benchmarks and comparators for the CEO & Managing Director's remuneration and at least annually recommend to the Board the remuneration arrangements and payments for the CEO & Managing Director, having regard to the Remuneration Policy.
  - vii. Approve the annual fixed remuneration budget . The final annual salary increase which applies to each individual excluding the SLT, is determined by the MD/CEO
  - viii. Consider a report from the MD/CEO on the proposed annual fixed remuneration and STI payment to be made to each member of the SLT and approve such amounts. If the PRN does not agree with any (or all) of the proposed payments to any or all SLT members the matter will be referred to the Board for decision.
  - ix. Recommend to the AES Board the annual fixed remuneration budget for AES employees
  - x. Recommend to the AES Board any STI payments to be made to AES employees
  - xi. Approve any changes to the general conditions of employment/employee benefits which apply to all AEI employees.
  - xii. Approve termination benefits for any member of the Senior Leadership Team or the Managing Director. Where applicable, termination benefits for any other employees are to be determined by the Managing Director.
  - xiii. Recommend to Board whether and if so what amount of ELTI will be paid to employees who participate in the ELTI scheme. The employees who participate in the ELTI scheme are determined by the MD/CEO. The MD/CEO shall report to the PRN which employees participate in the ELTI and any changes to those participants.
  - xiv. Recommend to the Board:
    - whether the ELTI and ESP vesting criteria have been met; and
    - to approve the vesting of the ELTI and ESP in any given year;
  - xv. Decide if any increase in Superannuation Guarantee payments are to be paid with or without a decrease in the take home pay of employees.

## 1.4 Responsibilities and Delegated Authority– Nomination

- a) The PRN Committee is responsible for and has delegated authority to :
- i. Assess the necessary and desirable competencies of prospective Directors of AEI and AES and any other entities in the Group;
  - ii. Ensure that the composition of the AEI and AES Boards and any other Group Board demonstrate an appropriate mix of competencies to allow each board to discharge its responsibilities effectively;
  - iii. Ensure that Directors have access to appropriate continuing education which updates and enhances their skills and knowledge;
  - iv. Develop and implement a process for evaluating the performance of Group Boards, Committees and individual Directors and ensure that regular Board, Committee and individual Director performance reviews are undertaken;
  - v. Monitor the length of service of current Directors and ensure that each Group Board has a succession plan to ensure that an appropriate balance of skills, experience and expertise is maintained on each board at all times and, in relation to AEI, maintain a Board Skills Matrix and approve the disclosures relating to the AEI Board's skills, experience and expertise disclosed annually in the Corporate Governance Statement;
  - vi. Make recommendations to Group Boards in relation to the appointment, re-election and retirement of Directors and ensure that appropriate checks are undertaken before recommending the appointment of a person as a Director;
  - vii. Assess on at least an annual basis the independence of existing Directors and in the case of a new director, assess their independence at the time of their appointment;
  - viii. Seek assurance that:
    - Prospective Directors of an AEI Group Board meet the minimum fit and proper requirements;
    - A Director Induction Program is in place and that all new Directors completed the Program within three months of appointment.

## 1.5 Responsibilities and Delegated Authority– Miscellaneous

- a) The PRN Committee is responsible for and has delegated authority to:
- i. Consider any other matters relevant to the Group's responsibilities in relation to people, remuneration, and nomination of directors as may be required from time to time;
  - ii. Assist the AEI Board and/or AES Board with any deliberations or issues as requested and carry out other functions as may be delegated by the AEI Board and/or the AES Board from time to time.
  - iii. The PRN Committee is delegated with the general authority to request further information and any external advice it requires in order to make decisions that it considers necessary to fulfill its responsibilities, and to do so in a manner that ensures that the engagement, including any advice received, is independent.
  - iv. The PRN Committee is delegated with specific authority to directly engage remuneration consultants in order to:
    - I. Make determinations in relation to the remuneration of all AEI employees.
    - II. Obtain industry benchmarks and comparators in relation to the Managing Director's remuneration.
    - III. Assist in finding candidates for nomination to one or more of the Group's Boards

## 1.6 Interaction with the Regulators

- a) Members of the PRN Committee must make themselves available to meet with the Group's Regulators on request.

# 2. Access

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## 2.1 Access

- a) The members of the PRN Committee have, at all times, free and unfettered access to Management the External Auditor and the Internal Auditor.
- b) Management, the External Auditor and the Internal Auditor (if appointed) have free and unfettered access to the PRN Committee through the Chair of the PRN Committee.
- c) In reliance on an AEI Group-wide PRN Committee, the AES Board has sought and received assurance from the AEI Board that:
  - i. The Chair of the AES Board – if that person is not a member of the PRN-will be invited to attend all meetings of the PRN Committee where people, remuneration or nomination issues relevant to the AES Board are being discussed;
  - ii. The AES Board has the ability to amend any recommendations of the PRN Committee, where the Board considers that such amendments are necessary in order to ensure, and be able to demonstrate to APRA, that the recommendations made by the PRN Committee are appropriate for AES as an RSE Licensee.

## Composition and Meetings

### 2.2 Composition

- a) The AEI Board shall determine the membership of the PRN Committee from time to time.
- b) The PRN Committee must have at least 3 members, all of whom must be non-executive directors of AEI.
- c) Collectively, the PRN Committee is expected to have experience in setting remuneration and sufficient industry knowledge to allow for effective alignment of remuneration with obligations to beneficiaries, investors and shareholders of the Group. On this basis, it is recognised that the PRN Committee may need to supplement its expertise with appropriate external expert advice from time to time.
- d) The Chair of the PRN Committee must immediately report to the AEI Board if it forms the view that the Committee, or a proposed member, does not have the skills necessary to fulfil their responsibilities as a Committee member.

### 2.3 Quorum

- a) A quorum is two PRN Committee members being present for the whole meeting who each have the capacity to vote.

### 2.4 Alternates

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

## 2.5 Chair

- a) The AEI Board will appoint the Chair of the PRN Committee from time to time.
- b) If the Chair of the PRN Committee is absent or unable to act as Chair for a scheduled meeting of the Committee, the Committee will appoint a Chair as required for the proper conduct of its business from its own members.

## 2.6 Meetings

- a) The PRN Committee is expected to meet at least four times a year (or as otherwise directed). The Committee may also, at the request of the AEI Board (or the AES Board), meet at other times.
- b) The Chair must call a meeting of the PRN Committee if requested to do so by any member of the Committee.
- c) The PRN Committee may request certain individuals to attend Committee meetings in order to provide expert advice or act as an observer.
- d) Any director of AEI if they are not a member of the PRN may attend the meetings of the PRN Committee as an observer.
- e) The meetings of the PRN 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.
- f) The PRN Committee may deal with particular issues by circular resolution if desired.

## 2.7 Agendas, Papers and Minutes

- a) An agenda will be prepared by the Company Secretary. The agenda and supporting papers for each meeting will be distributed to PRN Committee members and other attendees in sufficient time to enable members to read the material and prepare for the meeting.
- b) The Company Secretary is appointed as secretary to the PRN 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 PRN Committee meeting. The minutes of the previous PRN Committee meeting should be approved by the Committee at the following meeting.
- c) AEI retains ownership of PRN Committee papers and minutes.
- d) Copies of the minutes of all PRN Committee meetings will be provided to all AEI Directors. The minutes, or parts of the minutes, may be made available to the AES Board, certain employees of the Group, as well as the External Auditor, the Internal Auditor (if appointed) and any of the Group's regulators.

## 2.8 Voting

- a) Each member of the PRN Committee shall have one vote.
- b) A resolution of the PRN Committee must be passed by a majority of the votes cast by Directors entitled to vote on the resolution.
- c) The Chair of the PRN Committee does not have a casting vote.
- d) In the case of an equality of votes, the Chair of the PRN Committee will refer the matter to the AEI Board for a decision.