

## Appendix 4G

### Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity:

Australian Ethical Investment Limited

ABN:

47 003 188 930

Financial year ended:

30 June 2019

Our corporate governance statement<sup>2</sup> for the above period above can be found at:<sup>3</sup>

- These pages of our annual report:
- This URL on our website: <https://www.australianethical.com.au/shareholders/corporate-governance/>

The Corporate Governance Statement is accurate and up to date as at 24 September 2019 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date: 29 October 2019

Name of Secretary authorising lodgement: Tom May, Company Secretary

<sup>1</sup> Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

<sup>2</sup> "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

<sup>3</sup> Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

## ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
<b>PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b>			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location] ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): <input checked="" type="checkbox"/> at <a href="https://www.australianethical.com.au/wp-content/uploads/2018/07/AEI-Board-Charter-2018-Annual-Review_FINAL.pdf">https://www.australianethical.com.au/wp-content/uploads/2018/07/AEI-Board-Charter-2018-Annual-Review_FINAL.pdf</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable

<sup>4</sup> If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
1.5	<p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	<p>... the fact that we have a diversity policy that complies with paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p> <p>... and a copy of our diversity policy or a summary of it:</p> <p><input checked="" type="checkbox"/> at <a href="https://www.australianethical.com.au/shareholders/annual-and-sustainability-reports/">https://www.australianethical.com.au/shareholders/annual-and-sustainability-reports/</a></p> <p>... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at <a href="https://www.australianethical.com.au/shareholders/annual-and-sustainability-reports/">https://www.australianethical.com.au/shareholders/annual-and-sustainability-reports/</a></p> <p>... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at <a href="https://www.australianethical.com.au/shareholders/annual-and-sustainability-reports/">https://www.australianethical.com.au/shareholders/annual-and-sustainability-reports/</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE</b>			
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="https://www.australianethical.com.au/wp-content/uploads/2019/05/AEI-PRN-Committee-Charter-2019-Annual-Review_052019.pdf">https://www.australianethical.com.au/wp-content/uploads/2019/05/AEI-PRN-Committee-Charter-2019-Annual-Review_052019.pdf</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at <a href="https://www.australianethical.com.au/shareholders/annual-and-sustainability-reports/">https://www.australianethical.com.au/shareholders/annual-and-sustainability-reports/</a></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a nomination committee and the processes we employ to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
2.2	<p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>... our board skills matrix:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	... the names of the directors considered by the board to be independent directors: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location] ... and, where applicable, the information referred to in paragraph (b): <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location] ... and the length of service of each director: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
2.4	A majority of the board of a listed entity should be independent directors.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
<b>PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY</b>			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	... our code of conduct or a summary of it: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input checked="" type="checkbox"/> at <a href="https://www.australianethical.com.au/wp-content/uploads/2017/11/171103_Code-of-Conduct_v01.pdf">https://www.australianethical.com.au/wp-content/uploads/2017/11/171103_Code-of-Conduct_v01.pdf</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING</b>			
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="https://www.australianethical.com.au/wp-content/uploads/2018/07/AEI-ACR-Committee-Charter-2018-Annual-Review.pdf">https://www.australianethical.com.au/wp-content/uploads/2018/07/AEI-ACR-Committee-Charter-2018-Annual-Review.pdf</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at <a href="https://www.australianethical.com.au/shareholders/annual-and-sustainability-reports/">https://www.australianethical.com.au/shareholders/annual-and-sustainability-reports/</a></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
4.2	<p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable
<b>PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE</b>			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	<p>... our continuous disclosure compliance policy or a summary of it:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
<b>PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS</b>			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	<p>... information about us and our governance on our website:</p> <input checked="" type="checkbox"/> at <a href="https://www.australianethical.com.au/shareholders/corporate-governance/">https://www.australianethical.com.au/shareholders/corporate-governance/</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	<p>... our policies and processes for facilitating and encouraging participation at meetings of security holders:</p> <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input checked="" type="checkbox"/> at <a href="https://www.australianethical.com.au/wp-content/uploads/2017/11/171110_AE_Investor-Relations-Policy-V01.pdf">https://www.australianethical.com.au/wp-content/uploads/2017/11/171110_AE_Investor-Relations-Policy-V01.pdf</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at [insert location]	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 7 – RECOGNISE AND MANAGE RISK</b>			
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="https://www.australianethical.com.au/wp-content/uploads/2018/07/AEI-ACR-Committee-Charter-2018-Annual-Review.pdf">https://www.australianethical.com.au/wp-content/uploads/2018/07/AEI-ACR-Committee-Charter-2018-Annual-Review.pdf</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at <a href="https://www.australianethical.com.au/shareholders/annual-and-sustainability-reports/">https://www.australianethical.com.au/shareholders/annual-and-sustainability-reports/</a></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and that such a review has taken place in the reporting period covered by this Appendix 4G:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... how our internal audit function is structured and what role it performs:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.4	<p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at <a href="https://www.australianethical.com.au/shareholders/annual-and-sustainability-reports/">https://www.australianethical.com.au/shareholders/annual-and-sustainability-reports/</a> and <a href="https://www.australianethical.com.au/ethics-approach/">https://www.australianethical.com.au/ethics-approach/</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY</b>			
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a remuneration committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="https://www.australianethical.com.au/wp-content/uploads/2019/05/AEI-PRN-Committee-Charter-2019-Annual-Review_052019.pdf">https://www.australianethical.com.au/wp-content/uploads/2019/05/AEI-PRN-Committee-Charter-2019-Annual-Review_052019.pdf</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at <a href="https://www.australianethical.com.au/shareholders/annual-and-sustainability-reports/">https://www.australianethical.com.au/shareholders/annual-and-sustainability-reports/</a></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.2	<p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at <a href="https://www.australianethical.com.au/shareholders/annual-and-sustainability-reports/">https://www.australianethical.com.au/shareholders/annual-and-sustainability-reports/</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>... our policy on this issue or a summary of it:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
<b>ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES</b>			
-	<p><i>Alternative to Recommendation 1.1 for externally managed listed entities:</i></p> <p>The responsible entity of an externally managed listed entity should disclose:</p> <p>(a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity;</p> <p>(b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.</p>	<p>... the information referred to in paragraphs (a) and (b):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
-	<p><i>Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:</i></p> <p>An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.</p>	<p>... the terms governing our remuneration as manager of the entity:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

## Corporate Governance Statement

We want to be the financial services company of choice for conscious consumers.

At Australian Ethical Investment Limited (Company) we believe that high standards of corporate governance benefit all of our stakeholders including our clients, employees, suppliers, regulators, shareholders and the communities in which we operate.

We expect our Directors and employees to act ethically and responsibly at all times and believe that this, combined with our policies and practices in governance, will result in the best outcomes for all of our stakeholders.

The governance processes and practices adopted by Australian Ethical take into account the principles and recommendations contained in the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (3<sup>rd</sup> edition) (ASX Recommendations). We have followed the ASX Recommendations throughout the course of the 2019 financial year.

A copy of the policies and other documents referred to in this report are also available from the following link: <https://www.australianethical.com.au/shareholders/corporate-governance/>.

This Corporate Governance Statement is accurate and up to date as at 24 September 2019 and has been approved by the Board.

### Principle 1 – Lay solid foundations for management and oversight

#### Recommendation 1.1

#### THE COMPANY SHOULD DISCLOSE THE ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

Australian Ethical is governed by a Board of Directors appointed by shareholders.

The Board has four committees:

- The Audit, Risk & Compliance Committee;
- The People, Remuneration & Nominations Committee;
- The Investment Committee; and
- The Product Disclosure Statement Committee.

These committees are delegated with the necessary authority to carry out their functions. The **Board Committee Charters** for the Audit, Risk & Compliance Committee and the People, Remuneration & Nominations Committee are available on our website.

Our Constitution requires us to operate in a way that promotes the Australian Ethical Charter. The Charter requires consideration of economic, environmental and social impacts when making investments and managing the Company.

The Company has formalised the functions reserved to the Board and those delegated to Management.

The Company is in the process of recruiting a new CEO. During this time the role of Acting CEO is held by Stephen Gibbs, the Company's Chair, and an Acting Chair, Michael Monaghan has been appointed. Mr Gibbs is delegated with the necessary authority to manage Australian Ethical other than those responsibilities reserved for the Board and delegations (general or specific) made by the Board to the Chair, Board Committees, Directors or other senior executives.

The division of roles and responsibilities between the Board, the committees and the CEO is reviewed annually to ensure the division of responsibility remains appropriate.

## Recommendation 1.2

### FIT AND PROPER CHECKS FOR DIRECTORS

Candidates nominated for election as Directors are subject to competency and probity assessments. As part of this process, candidates are asked to provide details of their other commitments. Candidates are also given an indication of the time involved should they be successful and asked to specifically acknowledge that they will have sufficient time to fulfil their responsibilities as a Director of Australian Ethical.

The Company endeavours to ensure that sufficient information is provided to shareholders to enable them to make an informed decision on whether or not to elect or re-elect a candidate as Director. This information is provided in the Notice of Meeting issued in relation to the meeting at which the vote will occur.

## Recommendation 1.3

### TERMS OF APPOINTMENT

In the appointment process each Director is asked to sign a letter of appointment and each senior executive signs an employment contract, setting out the terms, conditions, expectations and entitlements of the appointment.

### INDEPENDENT LEGAL AND OTHER PROFESSIONAL ADVICE

Directors have the right to seek independent legal and other professional advice at Australian Ethical's expense in order to fulfil their duties and responsibilities as Directors, subject to the following:

- they must have the prior approval of the Chair (currently the acting Chair) to seek the specific independent legal and other professional advice;
- they must ensure the costs are reasonable; and
- any advice received must be made available to the rest of the Board unless either the Chair (currently the acting Chair) or the Board agree that the rest of the Board does not need to see the advice.

## Recommendation 1.4

### COMPANY SECRETARY

We have appointed two Company Secretaries who are both directly accountable to the Board, through the Chair (currently the acting Chair) on all matters associated with the proper functioning of the Board. All Directors are able to communicate directly with them.

## Recommendation 1.5

### DIVERSITY AND INCLUSION

The Board has charged the People, Remuneration & Nominations Committee with responsibility for setting measurable objectives for achieving gender diversity and annually reviewing these objectives and the Company's progress towards achieving them.

The Company has a Diversity Policy which sets out its overarching approach to diversity. Our approach is to not only avoid discrimination but to proactively foster inclusiveness and address structural inequities that prevent our workplace being reflective of society. The Policy is available on our website.

The Company's measurable objectives and its progress towards them were reviewed by the People, Remuneration & Nominations Committee during the reporting period. Our **Annual Report 2019** and **Sustainability Report 2019** contain detailed reporting in relation to diversity among Directors and employees. These reports are available on our website.

## Recommendation 1.6

### EVALUATING THE PERFORMANCE OF THE BOARD, THE COMMITTEES AND DIRECTORS

The Board undertook a formal Chair facilitated evaluation of its performance during the reporting period.

In the prior reporting period, a formal externally facilitated evaluation of Board, Committee and Director performance was undertaken. This review covered both individual director performance and the effectiveness of the Board as a whole. It is the Board's intention that it will continue to conduct annual evaluations and will periodically conduct externally facilitated reviews to ensure that the evaluation of its performance is objective.

## Recommendation 1.7

### EVALUATING THE PERFORMANCE OF SENIOR EXECUTIVES

Executive performance is evaluated in accordance with our performance review guidelines. The Chair conducts the CEO's performance review. The CEO conducts the performance reviews of the other Senior Executives.

An evaluation of the CEO and each of the Senior Executives was undertaken in the reporting period.

## Principle 2 – Structure the Board to add value

### Recommendation 2.1

#### THE BOARD SHOULD ESTABLISH AN APPROPRIATELY STRUCTURED NOMINATION COMMITTEE

The Board has a People, Remuneration & Nominations (PRN) Committee currently comprising an acting Chair and three Non-Executive Directors. A majority of the members of the PRN Committee are independent. The qualifications of the members of the PRN Committee are set out in the **Annual Report 2019**, as are the number of meetings and attendance at those meetings during the reporting period.

From a nominations perspective, the PRN Committee is responsible for the following matters:

- a. assessing the necessary and desirable competencies of prospective Directors;
- b. ensuring that the current composition of the Board demonstrates an appropriate mix of competencies to allow the Board to discharge its responsibilities effectively;
- c. ensuring that Directors have access to appropriate continuing education which updates and enhances their skills and knowledge;
- d. developing and implementing a process for evaluating the performance of Group Boards, Committees and individual Directors and ensuring that regular Board, Committee and individual Director performance reviews are undertaken;
- e. monitoring the length of service of current Directors and ensuring that the Board has a succession plan to ensure that an appropriate balance of skills, experience and expertise is maintained on the Board at all times and maintaining a Board Skills Matrix;
- f. making recommendations in relation to the appointment, re-election and retirement of Directors and ensuring that appropriate checks are undertaken before recommending the appointment of a person as a Director;
- g. assessing on at least an annual basis the independence of existing Directors and in the case of a new director, assessing their independence at the time of their appointment; and
- h. seeking assurance from Management that:
  - i. prospective Directors meet the minimum fit and proper requirements; and
  - ii. there is an induction program in place and that new Directors undertake the program within three months of appointment.

The **PRN Committee Charter** is available on our website.

## Recommendation 2.2

### THE BOARD SHOULD ESTABLISH AND DISCLOSE A BOARD SKILLS MATRIX ON THE MIX OF SKILLS AND DIVERSITY OF BOARD MEMBERS

Our Board has a broad range of financial knowledge and experience relevant to overseeing the business of an ethical investment and superannuation company and collectively has appropriate skills to perform its roles during the reporting period.

A summary of the skills and experience of the Directors is included below:

Board Skill	Number out of 5 Directors
Leadership	5
Governance	5
Financial	5
Legal	3
Strategy	5
Risk/Audit	5
Regulatory/Compliance	5
Insurance	3
Remuneration	5
Talent and HR	5
Information Technology	2
Industry	5
Directors' Duties	5
Managed Investment Schemes Operation	3
Superannuation Fund Administration	2
Investment Governance	4
Custody	3
Managing Outsourced Service Providers	4
Unit Pricing	2
Marketing	3
Investment Management	4

More details regarding the Directors' qualifications, special responsibilities, skills and expertise is available on our website.

## Recommendation 2.3

### THE COMPANY SHOULD DISCLOSE WHETHER ITS DIRECTORS ARE INDEPENDENT

A Director is an Independent Director if they are a Non-Executive Director and:

- are not a substantial shareholder (as defined in the *Corporations Act 2001*) or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
- has not been a principal or employee of a material professional adviser or a material consultant to the Company or another Group member, or an employee materially associated with the service provided in the last three years;
- is not a material supplier or customer of the Company or another Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Company or another Group member other than as a director of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

The classification of Directors who held office during the reporting period is set out below:

<b>Director</b>	<b>Status</b>	
Michael Monaghan (acting Chair)	Independent Non-Executive Director	Appointed by the Board on 22 September 2018 and elected at the 2018 AGM. On 27 August 2019, Michael Monaghan was appointed as acting Chair, with effect from 1 September 2019, until such time as a new CEO is appointed and Stephen Gibbs resumes his role as Chair.
Mara Bun	Independent Non-Executive Director	Appointed by the Board on 4 February 2013 and re-elected at the 2017 AGM.
Kate Greenhill	Independent Non-Executive Director	Appointed by the Board on 22 February 2013 and re-elected at the 2018 AGM.
Julie Orr	Non-Independent Non-Executive Director	Appointed by the Board on 20 February 2018 and elected at the 2018 AGM. Ms Orr was formerly a member of the senior management team of IOOF Limited which is a substantial shareholder through one of its subsidiary entities and on this basis is not considered to be an independent director for the purposes of the ASX Recommendations though Ms Orr brings independent judgement to all matters considered by the Board.
Stephen Gibbs	Acting CEO	Appointed by the Board on 25 July 2012 and appointed Chair on 1 March 2013. Re-elected at the 2018 AGM. On 27 August 2019, Stephen Gibbs was appointed as Acting CEO, with effect from 1 September 2019, until such time as a new CEO is appointed.
Phillip Vernon	Executive Director	Mr Vernon resigned his position with effect from 31 August 2019.

There were no other changes to the Independent Non-Executive Directors' interests, positions, associations or relationships that bear on their independence during the reporting period.

## Recommendation 2.4

### THE MAJORITY OF THE BOARD SHOULD BE COMPRISED OF INDEPENDENT DIRECTORS

The Board is comprised of a majority of Independent Directors which is consistent with the ASX Principles and Recommendations. The Board intends to keep this balance as it represents best practice corporate governance and alignment with the Australian Ethical Charter.

## Recommendation 2.5

### THE CHAIR SHOULD BE AN INDEPENDENT DIRECTOR

Under our Constitution, the Board elects a Chair from the Non-Executive Directors. This means that the roles of Chairman and Chief Executive Officer are not exercised by the same individual.

The role of Chair is currently held on an acting basis by Michael Monaghan who is considered to be an Independent Non-Executive Director.

## Recommendation 2.6

### ESTABLISH A PROGRAM FOR INDUCTING NEW DIRECTORS AND PROVIDE APPROPRIATE PROFESSIONAL DEVELOPMENT OPPORTUNITIES FOR DIRECTORS

New Directors complete an induction on appointment. The program is created for each individual and reflects their knowledge of the Company and the markets in which the Company operates.

The PRN Committee is responsible for ensuring that the Board has the skills, knowledge and familiarity with the Company and its operating environment to be able to fulfil its role effectively. Where gaps are identified, the PRN Committee identifies the training and professional development required to fill those gaps.

The time in office, skills, experience and expertise of each Director during the reporting period is set out in the **Directors' Report**.

## Principle 3 – Act ethically and responsibly

We are an ethical investment company and we manage money in accordance with the **Australian Ethical Charter**. The Charter is contained within the **Company's Constitution** and informs all aspects of the Company's operations. The Charter is available on our website.

## Recommendation 3.1

### COMPANIES SHOULD ESTABLISH A CODE OF CONDUCT

We have a **Code of Conduct** that outlines what we regard as acceptable business practices for Directors and employees. The Code of Conduct is addressed in induction training for new Directors and employees and is promoted to current Directors and employees during corporate and personal development sessions.

### CONFLICTS MANAGEMENT

We have a Conflicts Management Framework which documents the procedures in place for identifying, managing, monitoring and reporting situations giving rise to actual, potential and perceived conflicts of duty and interest for the Company and for its Directors and employees.

We maintain a **Register of Relevant Duties** and a **Register of Relevant Interests**. The Registers are tabled quarterly at meetings of the Board and the Audit, Compliance and Risk Committee. A **Summary of the Conflicts Management Policy** is available on our website.

## Principle 4 – Safeguard integrity in corporate reporting

## Recommendation 4.1

### THE BOARD SHOULD ESTABLISH AN APPROPRIATELY STRUCTURED AUDIT COMMITTEE

#### *Audit, Risk & Compliance Committee*

The Board has an Audit, Risk & Compliance (ARC) Committee consisting of five Non-Executive Directors (since 1 September 2019 the ARC Committee comprises four Non-Executive Directors). The Committee is chaired by an Independent Chair who is not the Chair of the Board. A majority of the members of the ARC Committee are independent. The qualifications of the members of the ARC Committee are set out in the **Annual Report 2019**, as is attendance at Committee meetings during the reporting period.

The ARC Committee is responsible for:

- a. Overseeing compliance with AEI's financial management obligations and, in particular:
  - i. acting as a channel of communication between the Board, the External Auditor, the Internal Auditor and Management;
  - ii. seeking assurance from Management that policies relating to statutory accounting matters, internal financial controls and discharge of fiduciary obligations are being carried out and relevant accounting standards have been applied.
- b. Reviewing and making recommendations to the Board on whether the Directors should approve and sign the Managed Funds and Group financial statements and related documents including the Directors' declarations;
- c. Overseeing compliance with the Group's audit obligations, in particular:
  - i. appointing the External Auditor and the Internal Auditor;
  - ii. reviewing the scope of the audit plans proposed by the External Auditor and Internal Auditor; and
  - iii. reviewing audit reports and monitoring Management's responses.

The Committee considers and monitors the performance and independence of the Auditor. In selecting an Auditor, the Committee seeks competence, industry experience, integrity and independence. Rotation of audit engagement partners occurs in accordance with the Corporations Act 2001.

The **ARC Committee Charter** is available on our website.

## Recommendation 4.2

### CEO AND CFO CERTIFICATION OF FINANCIAL STATEMENTS

The CEO and the Chief Financial Officer certify to the Board that:

- a. the financial reports present a true and fair view, in all material respects, of the Company's financial condition;
- b. operating results have been prepared in accordance with relevant accounting standards; and
- c. the financial statements are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to identifying, managing and mitigating financial reporting risks.

## Recommendation 4.3

### EXTERNAL AUDITOR AVAILABILITY AT AGM

The External Auditor attends the AGM to answer audit-related questions from shareholders.

## Principle 5 – Make timely and balanced disclosure

### Recommendation 5.1

#### COMPANIES SHOULD ESTABLISH CONTINUOUS DISCLOSURE POLICIES AND ENSURE COMPLIANCE WITH THOSE POLICIES

The Company has a **Continuous Disclosure Policy** designed to ensure compliance with continuous disclosure requirements. The Policy is available on the corporate governance section of our website.

## Principle 6 – Respect the rights of security holders

### Recommendation 6.1

A COMPANY SHOULD PROVIDE INFORMATION ABOUT ITSELF AND ITS GOVERNANCE TO SHAREHOLDERS ON ITS WEBSITE

#### *Information provided on the website*

Our website includes a **Corporate Governance Page** where shareholders and other stakeholders can access relevant corporate governance information including Company announcements.

### Recommendation 6.2

COMPANIES SHOULD DESIGN AND IMPLEMENT AN INVESTOR RELATIONS PROGRAM TO FACILITATE TWO-WAY COMMUNICATION WITH SHAREHOLDERS

#### *Investor Relations Program*

In addition to the information contained on its website the Company has an Investor Relations Policy that provides:

- a. an active social media presence that keeps shareholders and other stakeholders continually updated on relevant issues;
- b. a regular sequence of communication points with investors and members including a newsletter for investors, **Good Money**, a shareholder newsletter and an annual investor update;
- c. a **Sustainability Report** based on the GRI Standards;
- d. a facility for shareholders to be advised by e-mail when ASX announcements are made; and
- e. the opportunity for shareholders and investors to vote on recipients of grants from the community grants program. The **Company's Constitution** requires it to distribute 10% of profit after tax and before bonuses for a useful charitable, benevolent or conservation purpose before a dividend can be declared.

### Recommendation 6.3

COMPANIES SHOULD DISCLOSE THE POLICIES AND PROCESSES IT HAS IN PLACE TO FACILITATE AND ENCOURAGE PARTICIPATION AT MEETINGS OF SHAREHOLDERS

The Company recognises the importance of the AGM to provide shareholders with the opportunity to interact with the Board, the Auditors and Senior Management. To encourage participation at the AGM, the Company:

- a. announces the date well in advance;
- b. ensures that the AGM is held at a location that is easily accessible to shareholders; and
- c. provides a facility for shareholders to submit written questions before an AGM.

### Recommendation 6.4

COMPANIES SHOULD PROVIDE THE OPTION TO SEND AND RECEIVE COMMUNICATIONS FROM THE COMPANY AND ITS SHARE REGISTRY IN ELECTRONIC FORM

The Company encourages shareholders to receive and send communications electronically.

## Principle 7 – Recognise and manage risk

### Recommendation 7.1

COMPANIES SHOULD ESTABLISH AN APPROPRIATELY STRUCTURED RISK MANAGEMENT COMMITTEE FOR THE OVERSIGHT OF MATERIAL BUSINESS RISKS

From a risk and compliance perspective, the ARC Committee, described in Principle 4 is responsible for:

- a. overseeing compliance obligations and completion of controls identified in the Compliance Plan;
- b. the identification and management of emerging and current material risks, incidents and breaches;
- c. the meeting of all statutory reporting obligations;
- d. the findings of any examinations by regulatory agencies and the timeliness and accuracy of reporting to regulators; and
- e. seeking assurance from Management that the Group:
  - i. has in place systems, policies and procedures designed to meet and monitor its audit, compliance and risk management responsibilities and that these policies and procedures are appropriate and contemporaneous;
  - ii. is complying with the conditions of its AFSL and APRA authorisations; and
  - iii. has a structured and methodical program in place to monitor material service providers.

The **ARC Committee Charter** is available on our website.

### Recommendation 7.2

THE BOARD OR A COMMITTEE OF THE BOARD SHOULD REVIEW THE COMPANY'S RISK FRAMEWORK AT LEAST ANNUALLY TO SATISFY ITSELF THAT IT CONTINUES TO BE SOUND

We have an established framework for the oversight and management of material risks.

The Board oversees the management of risk, including agreeing the risk management methodology and overseeing its implementation, instilling a strong culture of risk identification and management throughout the Company. The Board also reviews the insurance program, with regard to the business and the insurable risks associated with the business.

The Board has delegated responsibility for overseeing the implementation and maintenance of the risk management framework to the ARC Committee. The ARC Committee requires management to implement and maintain the risk management framework and report whether material risks are being appropriately identified, managed and mitigated.

During the reporting period, regular reporting of risks was provided to the ARC Committee and a review of the risk management framework was completed.

The **ARC Committee Charter** is available on our website.

### Recommendation 7.3

COMPANIES SHOULD DISCLOSE THE STRUCTURE AND ROLE OF ITS INTERNAL AUDIT FUNCTION

Our internal audit function is outsourced to PricewaterhouseCoopers (PwC). PwC have a direct reporting line to the ARC Committee.

The findings and recommendations generated by internal audits are evaluated and reviewed by the ARC Committee and are used to drive improvements in the risk management and internal control processes applying to the business functions audited.

### Recommendation 7.4

COMPANIES SHOULD DISCLOSE THEIR ECONOMIC, ENVIRONMENTAL AND SOCIAL SUSTAINABILITY RISKS AND HOW THOSE RISKS ARE MANAGED

Since listing, we have produced a **Sustainability Report** in accordance with the Global Reporting Initiative. In these reports, exposure to economic, environmental and social sustainability risks and the way in which these are managed is addressed in detail. The reports are available on the Company's website.

We are a certified B Corporation. B Corporations are an emerging movement of companies that use the power of business to create a positive impact on the world and generate a shared and durable prosperity for all.

In addition, the **Australian Ethical Charter** informs all aspects of the Company's operations and our investment philosophy is designed to engage with economic, environmental and social sustainability risks in an open and constructive manner.

## Principle 8 – Remunerate fairly and responsibly Remuneration Committee

### Recommendation 8.1

#### THE BOARD SHOULD ESTABLISH AN APPROPRIATELY STRUCTURED REMUNERATION COMMITTEE

From a remuneration perspective, the PRN Committee, described in Principle 2, is responsible for:

- a. reviewing and making recommendations to the Board in relation to the Group's Remuneration Framework;
- b. monitoring adherence to the Remuneration Framework;
- c. monitoring salary relativities throughout the Group and undertaking an annual review of remuneration using externally sourced data;
- d. determining, with reference to Management's recommendation, the remuneration of AEI employees and the payment of performance-based pay;
- e. making recommendations to the Board regarding Directors' fees and fees for Board Committees;
- f. assessing the effectiveness of the Employee Share Plan to ensure that it satisfies the objectives of incentivising and aiding the retention of employees; and
- g. considering industry benchmarks and comparators for the CEO's remuneration and at least annually determining the remuneration arrangements for the CEO.

The **PRN Committee Charter** is available on our website.

### Recommendation 8.2

#### THE COMPANY SHOULD DISTINGUISH BETWEEN NON-EXECUTIVE DIRECTORS' REMUNERATION AND THE REMUNERATION OF EXECUTIVE DIRECTORS AND EXECUTIVES

The remuneration paid to Directors and Senior Executives during the reporting period is set out in the **Annual Report 2019**.

Non-Executive Directors receive fees for serving as Directors in the form of cash plus superannuation contributions. They do not participate in bonus or equity schemes designed for the remuneration of Executives.

### Recommendation 8.3

#### THE COMPANY SHOULD ESTABLISH A POLICY ON WHETHER PARTICIPANTS IN EQUITY BASED REMUNERATION SCHEMES ARE ABLE TO ENTER INTO TRANSACTIONS WHICH LIMIT THE ECONOMIC RISK OF PARTICIPATING IN THOSE SCHEMES

We have equity based remuneration schemes in which all permanent employees participate. The Share Trading Policy contains restrictions on employees to prohibit them from transferring the economic risk of participating in these schemes. The Share Trading Policy is disclosed to the ASX whenever it is updated. Further information about the Company's equity based remuneration schemes is set out in the **Remuneration Report in the Annual Report 2019**.