

Board Committee Charters Summary

Current as at: March 2009

Audit, Compliance and Risk Committee

Committee responsibilities

Audit responsibilities

The Committee shall be responsible for:

- undertaking a broad review, ensuring compliance and making recommendations in respect of the Company's internal financial controls and discharge of 'trading company' fiduciary obligations;
- assessing management policies which deal with the adequacy and effectiveness of internal controls over the Company's accounting and financial reporting systems;
- reviewing and managing the audit plans from and recommendations made by the external auditors and management responses to them;
- ascertaining the extent to which the planned scope of the audit can be relied upon to detect weaknesses in internal control, fraud and other illegal acts;
- reviewing the results of audits, any changes in accounting practices or policies and subsequent effects on the financial statements and making recommendations to the Board where necessary and appropriate;
- reviewing the performance and the appointment of external auditors if required and making recommendations to the Board if required;
- review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the company, including non-audit services, and discussion those relationships with the auditors;
- determining whether the financial and other statements that are required to be lodged *half yearly* with the Australian Stock Exchange and with the Australian Securities and Investments Commission should be signed, whether or not the Directors' Declaration should be signed and whether or not other documents or statements of a similar nature should be signed or otherwise approved; and
- recommending to the Board whether or not the Directors should sign the financial statements that are required to be lodged *annually* with the Australian Stock Exchange and with the Australian Securities and Investments Commission, whether or not the Directors should sign the Directors' Declaration and whether or not the Directors should sign or otherwise approve documents or statements of a similar nature.
- the preparation, approval and signing on behalf of the Board the half yearly managed investment scheme financial and directors' reports;
- the preparation, approval and signing on behalf of the Board the annual managed investment scheme financial and directors' reports.

Compliance and risk responsibilities

The responsibilities of the committee are:

- those responsibilities identified in section 4 of the compliance plans for the Australian Ethical registered managed investment schemes;
- to review the effectiveness of the system for monitoring compliance with laws and regulations and the results of managements investigations of instances of non-compliance;
- to review the findings of any examinations by regulatory agencies, and any auditor observations;
- to obtain regular updates from management and company legal counsel about compliance matters;
- to oversee and monitor the implementation of the company's risk management systems;
- to review on a quarterly basis the company's risk registers and recommend to the board any changes to those risk registers;
- to oversee and monitor the implementation of the company's Anti-Money Laundering / Counter Terrorist Financing (AML-CTF) programs.

Delegated authority

The committee is delegated with the general authority necessary to carry out its responsibilities.

The committee is delegated with specific authority:

- as identified in section 4 of the compliance plans for the Australian Ethical registered managed investment schemes;
- to resolve any disagreements between management and the external auditor on financial reporting;
- to retain independent counsel, accountants or others to advise the audit committee or to assist in the conduct of an investigation;
- to seek any information it requires from employees;
- to meet with company officers, external auditors, outside advisers as necessary.

Reporting obligations

The committee shall report to the board:

- as identified in section 4 of the compliance plans for the Australian Ethical registered managed investment schemes;
- by provision of minutes of committee meetings to the Board;
- by providing an annual report to the board on the effectiveness of the company's risk management system including recommended changes to those systems; and
- by providing an annual report to the board on the effectiveness of the company's AML-CTF program including any recommended changes to that program.

Remuneration and Nominations Committee

Committee responsibilities

The responsibilities of the committee are:

Remuneration

- monitor adherence to guidelines set by the board in regards Australian Ethical Investment Ltd ('AEI') remuneration arrangements;
- at least biennially, set terms of reference for work by remuneration consultants assessing AEI remuneration (excluding CEO remuneration) against industry benchmarks ('the remuneration survey');
- ensure that the industry benchmarks used for the remuneration survey are appropriate, particularly focusing on the benchmarks for the five staff members in the remuneration survey that are paid the most and also those paid least;
- review the remuneration survey;
- monitor outliers, i.e. any persons whose remuneration is outside or near the edge of the guideline set;
- monitor the spread of relativities of salaries throughout the company;
- monitor appropriate remuneration levels and or benchmarks for staff omitted from the remuneration survey;
- recommend to the board company policies for the payment of the constitutional bonus;
- recommend to the board company policies for the payment of performance based pay;
- obtain industry benchmarks and comparators for CEO remuneration and at least annually recommend to the board remuneration arrangements for the CEO;
- at least annually, recommend to the board directors' fee arrangements for AEI and subsidiary directors and fees for non-staff board committee members;

Nominations

- assess the necessary and desirable competencies of Directors;
- ensure the Directors have the appropriate mix of competencies to enable the Board to discharge its responsibilities effectively;
- ensure that Directors have access to appropriate continuing education to update and enhance their skills and knowledge;
- develop Board succession plans to ensure an appropriate balance of skills, experience and expertise is maintained;
- make recommendations to the Board relating to the appointment and retirement of Directors;
- review the time commitment required from Non-Executive Directors and whether Directors are meeting that commitment;
- ensure there is a regular Board performance review;
- ensure that there are Director Induction Programs in place;
- ensure that new Directors undertake an Induction Program which enables them to gain an understanding of the company's business environment and its financial, strategic, operational and risk management position;

Delegated authority

The committee is delegated with the general authority necessary to carry out its responsibilities.

The committee is delegated with specific authority to directly engage remuneration consultants to obtain industry benchmarks and comparators for CEO remuneration for the purpose of making recommendations to the board.

The committee is delegated with specific authority to directly engage director search and recruitment consultants to assist in finding board candidates.

Reporting obligations

The committee shall report to the board at least annually on adherence to the guidelines set by the board in regards AEI remuneration arrangements.

The committee shall report to the board at least biennially on outcomes of the remuneration survey covering (without reference to individual staff members) outliers and the spread of relativities of salaries throughout the company.

Investment Committee

Committee responsibilities

It is the responsibility of the investment committee to oversight the processes which govern the investment of monies of the Trusts for which AEIL is the Responsible Entity and the investment of monies for which AEIL has a mandate.

In discharging their responsibilities the committee will:

- Set Prudential limits
 - Set and monitors high level investment risk controls
 - Review/amend the Derivatives Risk Statement and review adherence to same
 - Review/ recommend amendments to Trust Investment Parameters ('TIPs'), including ethical guidelines and investment risk parameters.

- Monitor Investments
 - Review investment processes, systems and resources
 - Ensure adherence to compliance plan
 - Measure and monitor investment performance and risk
 - Review performance and conflict of interest issues for material service providers to the Investment function, such as CAER
 - Review the CAER Service agreement, every two years unless an earlier review is requested by the board.
 - Approve Limits, as a final arbiter only, where the usual investment process fails to reach a conclusion

- Monitor Products
 - Against Trust Investment Parameters
 - Against Derivatives Risk Statement

- Oversight Ethics
 - Develop policy to ensure the desired and consistent application of the Ethical Charter
 - Monitor product consistency with the Ethical Charter, including
 - Review of trusts' ethical positioning
 - Review and audit of stock universe ethical ratings

- Review the IC Charter, and the Committee's performance

Delegated authority

The committee is delegated with the general authority necessary to carry out its responsibilities.

The committee is delegated with specific authority to:

- Authorise an “approved list of broker counterparties”
- Authorise the Derivatives Risk Statement and any reviews/amendments to it governing the use of derivatives
- Require such reporting to it by management on investment activity as it deems appropriate

Reporting obligations

The committee shall report to the board as follows:

Following each IC meeting:

- committee minutes or meeting report

Annually:

- Review of Trust Investment Parameters, including trusts’ adherence to TIPs and recommended amendments.
- Review of performance and conflict of interest issues for material service providers to the Investment function, such as CAER.
- Derivative Risk Management Statement certification
- Review of Trusts’ ethical ratings profile
- Evaluation of performance against Committee’s charter

Biennially

- Review of investment process, systems, resources
 - Review of CAER Service agreement
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