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Board Charter and Code of Conduct

Australian Sustainable Finance Institute Limited

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Board charter and code of conduct

1. Introduction

- 1.1 Australian Sustainable Finance Institute Limited (**ASFI**) is an incorporated company limited by guarantee and is governed by a Board established under its Constitution (**Constitution**), attached.
- 1.2 ASFI is applying for registration with the Australian Charities and Not-for-profits Commission (**ACNC**). *[to be updated following registration]*
- 1.3 According to the Constitution, ASFI is committed to realigning the finance sector to create a sustainable and resilient financial system by directing capital to support greater social, environmental and economic outcomes consistent with the *Australian Sustainable Finance Roadmap* dated November 2020 (**Roadmap**) and, for that purpose, to:
 - (a) improve the financial system resilience and stability in managing shocks and strains, and facilitate the transition to a low carbon, resource efficient and socially inclusive economy;
 - (b) improve risk management and financial performance of the sector through explicit consideration of environmental, social and corporate governance (**ESG**) risks and opportunities in lending, insurance and investment;
 - (c) increase alignment of the financial system with community and consumer expectations that their savings, premiums and investments are being managed in a responsible manner that contributes to a healthier, stronger and more sustainable Australia; and
 - (d) align the financial system with the principles that underpin the *UN Sustainable Development Goals* and *UN Human Rights* standards, including those of equality and non-discrimination while ensuring financial inclusion and financial wellbeing of individuals,**(Objects)**.
- 1.4 ASFI's Constitution requires ASFI to pursue charitable purposes only and to apply its income in promoting those purposes.
- 1.5 Terms defined in the Constitution have the same meaning in this Board Charter and Code of Conduct (**Charter**). In this Charter, **Board** means the Directors of ASFI acting as the ASFI Board.

2. Who is covered by this Charter?

- 2.1 This Charter applies to:
 - (a) the Directors of ASFI; and
 - (b) senior executives of ASFI.
- 2.2 In this Charter, senior executive means the executive officer and other employees or officers of ASFI identified from time to time as someone who has the opportunity to materially influence the integrity, strategy and operation of the business and financial performance of ASFI.

3. Purpose

As well as detailing the legal and equitable duties owed by Directors and senior executives, the purpose of this Charter is to:

- (a) assist the Directors and senior executives to deliver effective governance by setting out their respective roles, responsibilities and authorities (both individually and collectively) and to assist in setting direction, management and control of ASFI;
- (b) promote and articulate the high standards of corporate governance, honest integrity, ethical and law-abiding behaviour expected of Directors and senior executives;

- (c) encourage the observance of those standards to protect and promote the interests of stakeholders of ASFI (including Members, employees, customers, suppliers and creditors);
- (d) guide Directors and senior executives to ensure they act in the best interests of ASFI and work towards the Objects;
- (e) clarify the role and responsibilities of the Directors, and senior executives, including guiding them to the practices thought necessary to maintain confidence in ASFI's integrity;
- (f) set out the responsibility and accountability of the Directors and senior executives to report and investigate any reported violations of this Charter or unethical or unlawful behaviour;
- (g) guide Directors and senior executives in compliance with competition law and obligations around managing competitively sensitive information;
- (h) recognise and set out the Directors' and senior executives' requirements around protection of confidential information and intellectual property; and
- (i) enable the Directors and where necessary the senior executive to provide strategic guidance for ASFI and effective management oversight.

4. Board composition

4.1 There must be a minimum of three Directors and may only be a maximum of eight Directors.

4.2 The Board should ideally comprise individuals:

- (a) with an appropriate range of skills, experience and expertise;
- (b) who can understand and competently deal with current and emerging business and ESG issues; and
- (c) who can effectively review and challenge the performance of management and exercise independent judgment,

and the Board has established the Nomination Committee to assist with this process.

4.3 Each Director and senior executive is appointed by a formal letter of appointment setting out the key terms and conditions of their appointment to ensure that he or she clearly understands ASFI's expectations of him or her, including adherence to this Charter.

4.4 Subject to paragraph 5 below, the Board will be comprised of Directors as follows:

- (a) a maximum of two Member Directors from the banking industry;
- (b) a maximum of two Member Directors from the investment industry;
- (c) a maximum of two Member Directors from the insurance industry; and
- (d) a maximum of two additional Directors who:
 - (i) are independent of ASFI; or
 - (ii) individuals who are not Member Directors but may be otherwise connected to an ASFI Member,

(together, the **Directors**), provided that, in accordance with the Constitution, at least 75% of Directors are always Member Directors.

4.5 The Board at a Board meeting will elect and appoint Directors to the positions of Chairperson (or Co-Chairperson), Deputy Chairperson, Treasurer and Secretary (if necessary) as follows:

- (a) only Member Directors may be appointed in these positions;
- (b) if there is only one nomination for any of position then that Member Director shall be appointed to that office or if there is more than one nomination for any position then the Board will hold a vote to elect and appoint a Member Director to that office;

- (c) all Member Directors elected to such a position must retire from office at the conclusion of the first Board meeting two years after the person was last appointed to that position and is eligible for re-appointment in accordance with paragraph 4.5(b) above; and
- (d) no Member Director may hold more than one of these positions at any one time.

5. Member Directors

- 5.1 Member Directors hold their position as Director in their personal capacity and the position is not held by the Member.
- 5.2 There may be no more than one Member Director from each Member at any one time.
- 5.3 Subject to the limits on the number of Directors in the Constitution and the nomination and election process adopted by the Board, a Member (not being a natural person) may by written notice to the Secretary:
 - (a) nominate an individual (being a person who holds at least a senior executive position within the Member organisation) to act in the position of Member Director; and
 - (b) remove such an individual.
- 5.4 A Member may, but is not required to, nominate its Representative to hold the Member Director position.
- 5.5 The Directorship held by that individual will become immediately vacant and managed in accordance with the Constitution, where the Member notifies the Secretary of ASFI of the removal of a Member Director in accordance with paragraph 5.3 above.
- 5.6 Where a Member Director is no longer employed by the Member irrespective of whether such individual is immediately employed by another Member, the Directorship held by that individual will become vacant at the annual general meeting immediately following the cessation of employment, and will be managed in accordance with the Constitution.

6. Appointment, removal and retirement of Directors

- 6.1 In accordance with the Constitution, ASFI may by resolution passed in general meetings by Members entitled to vote at such meeting:
 - (a) appoint or re-appoint a person as a Director;
 - (b) increase or reduce the number of Directors;
 - (c) remove any Director; and
 - (d) appoint another person in the Director's place,provided that the number of Directors complies with clause 29 of the Constitution.
- 6.2 If when electing a Director, no candidate receives a majority of votes cast in the first round of voting, the election will proceed to a second round. In the second round of voting, only the two candidates who received the most votes in the first round may be candidates. The candidate who receives the majority of votes in the second round will be elected as Director. If in the second round of voting neither candidate receives a majority of votes, the two remaining candidates must determine by lot which of them will be elected as Director.
- 6.3 At the close of each annual general meeting one-third of the Directors or, if their number is not a multiple of three, then the number nearest to but not more than one-third of the Directors, must retire.
- 6.4 The Directors to retire by rotation at an annual general meeting are those Directors who have been longest in office since their last election.
- 6.5 Directors elected on the same day may agree among themselves or determine by lot which of them must retire.

- 6.6 A Director (including a Management Director) must retire from office at the conclusion of the third annual general meeting after the Director was last elected, even if his or her retirement results in more than one-third of all Directors retiring from office, unless his or her retirement results in at least two-thirds of all Directors retiring from office, in which case the Directors who are required to retire in accordance with this paragraph 6.5 must agree among themselves or determine by lot which of them must retire.
- 6.7 A retiring Director remains in office until the end of the meeting and subject to paragraph 6.7, will be eligible for re-election at the meeting.
- 6.8 Subject to paragraphs 6.8 and 6.9, any person who has been a Director for any six consecutive years is not eligible for re-election or re-appointment.
- 6.9 The Directors may, by a two-thirds majority, resolve that a person is eligible to be a Director if that person would otherwise not be eligible solely by operation of paragraph 6.7.
- 6.10 A person who is not be eligible to be a Director solely by operation of paragraph 6.7, is eligible to be a Director for a further six consecutive years provided that a period of two consecutive years has passed since that person was a Director.
- 6.11 The Board will be responsible for managing succession issues, seeking to balance continuity, corporate memory, collegiality, diversity, skill requirements, energy and other strategic factors.

7. Honesty and integrity

ASFI expects each Director and senior executive to:

- (a) observe the highest standards of honesty, integrity, and ethical and law-abiding behaviour when:
 - (i) performing their duties; and
 - (ii) dealing with any officer, employee, customer, supplier, auditor, lawyer and other adviser of ASFI; and
- (b) foster a culture of honesty, integrity and ethical and law-abiding behaviour among other officers and employees.

8. Commitment to furthering ASFI's Objects

ASFI expects each Director and senior executive to:

- (a) publicly display enthusiasm for ASFI and its programs, including advocating for ASFI and its strategies and policies in particular with respect to the Roadmap, and display such enthusiasm more broadly in their public profile and actions as part of their professional work;
- (b) invest passion and energy in introducing people to ASFI and encouraging donations / funding in support of its aims;
- (c) work in partnership with other Directors, executives and staff to advance ASFI, deliver the Roadmap and work in furtherance of the Objects;
- (d) provide candid and honest feedback and evaluation when appropriate; and
- (e) provide assistance in identifying and recruiting new Directors to facilitate a diverse range of candidates for election to the Board and undertake any necessary succession planning.

9. Board meetings

- 9.1 Directors are expected to use all reasonable endeavours to attend and participate in every Board meeting and meetings of committees on which they serve and must promptly advise the Chairperson of the Board or the committee if they cannot attend.

- 9.2 Directors are expected to spend the time needed, and meet as often as necessary, to properly discharge their responsibilities.
- 9.3 Directors are expected to review meeting materials before Board meetings and committee meetings.
- 9.4 Directors are encouraged to ask questions of, request information from, and raise any issue of concern with, management. Directors are encouraged, where possible, to ask any questions and raise issues of concern before a meeting so that management is prepared to address them.
- 9.5 Directors must exercise independent judgment when making decisions.
- 9.6 At each Board meeting, time is to be allocated for the board to meet without the presence of management (including any Director who is a senior executive of ASFI).
- 9.7 Publicly, Directors are expected to support the letter and spirit of Board decisions.
- 9.8 Directors must keep Board information, discussions, deliberations, and decisions that are not publicly known, confidential.
- 9.9 The Board must meet a minimum of five times per year.

10. Directors' role and responsibilities

- 10.1 The Board acts in the best interests of ASFI as a whole and is accountable to the Members of ASFI for the overall direction, management and corporate governance of ASFI.
- 10.2 The Board and the Directors are responsible for:
 - (a) overseeing ASFI, including its control and accountability systems, managing its finances and ensuring it operates transparently;
 - (b) appointing, removing and monitoring the performance of the executive officer, to whom day to day management and administration of ASFI is delegated by the Board and if required of the senior executives;
 - (c) where appropriate, ratifying the appointment, removal and management remuneration of senior executives, organisational changes and senior remuneration policies and practices;
 - (d) monitoring senior executives' performance and implementation of strategy, and ensuring appropriate resources are available;
 - (e) providing strategic advice to management and approving management's corporate strategy and performance objectives and approving plans and policies;
 - (f) approving and monitoring the progress of major capital expenditure, and approving and monitoring financial and other reporting;
 - (g) reviewing and ratifying systems of risk management, internal compliance and control, and legal compliance to ensure appropriate risk compliance frameworks and controls are in place;
 - (h) monitoring and ensuring compliance with legal and regulatory requirements including reporting requirements and ethical standards and policies and competition law;
 - (i) reviewing and overseeing the implementation of this Charter for Directors, senior executives and all other employees;
 - (j) monitoring and ensuring compliance with best practice corporate governance requirements; and
 - (k) taking reasonable steps to be accountable to the Members of ASFI and provide the Members adequate opportunity to raise concerns about how ASFI is governed by:
 - (i) communicating effectively with the Members;
 - (ii) as requested, providing Members with ready access to balanced and understandable information about ASFI and its Objects; and

- (iii) making it easy for Members to participate in general meetings or any other meetings or communication forms between the Board and Members.
- 10.3 Together working as a Board, the Directors must comply with their legal duties when discharging their responsibilities as Directors. These duties are found under the [ACNC Governance Standards](#), specifically those found under Standard 5, being:
- (a) to act in good faith and in the best interests of ASFI and its Objects and to manage financial affairs and ensure it remains solvent and not operate should it become insolvent;
 - (b) to act with reasonable care and diligence;
 - (c) to act for proper purposes;
 - (d) to avoid a conflict of interest or duty and disclose and manage any conflict of interest that may arise;
 - (e) to refrain from making improper use of information gained through their position or taking improper advantage of their position; and
 - (f) to protect the confidentiality of information and the integrity of intellectual property of ASFI and to not misuse the intellectual property of ASFI.
- 10.4 Notwithstanding anything in the Constitution or this Charter that may indicate that Directors do not have the authority to speak publicly on behalf of ASFI:
- (a) the Chairperson or co-Chairpersons are authorised to speak publicly on behalf of ASFI on all matters related to ASFI; and
 - (b) the Directors may speak publicly about their role and personal objectives as members of the ASFI Board and their/their organisation's view on the importance of ASFI and the Roadmap. And to that end, to ensure consistent communication about ASFI and the Roadmap, a set of agreed messages shall be developed by the Directors. These messages shall guide Directors in terms of providing clear and common messages about ASFI and the Roadmap to help promulgate ASFI's Objects and progress with respect to the Roadmap with a broader stakeholder group. Guided by these key messages, Directors are able to speak about the Initiative within their own networks, forums, organisations etc.

11. Performance of senior executives

- 11.1 The Directors are responsible for:
- (a) regularly reviewing the performance of senior executives against measurable and qualitative indicators as decided by the Directors; and
 - (b) ensuring that induction procedures are in place to allow new senior executives to participate fully and actively in management decision-making at the earliest opportunity.
- 11.2 New senior executives must have knowledge about ASFI and the industry within which it operates. An induction program is available to enable senior executives to gain an understanding of:
- (a) ASFI's financial, strategic, operational and risk management position;
 - (b) the rights, duties and responsibilities of senior executives; and
 - (c) the respective rights, duties, responsibilities and roles of the Directors and senior executives.

12. Board Committees

- 12.1 In accordance with the delegation power in the Constitution, the Board may establish committees and delegate matters relevant to committees to assist it in carrying out its responsibilities, to share detailed work and to consider certain issues and functions in detail. These committees may include but are not limited to:

- (a) membership committee which may be responsible for reviewing, approving and admitting Members to ASFI;
 - (b) an audit committee;
 - (c) a risk committee;
 - (d) a nomination committee; and
 - (e) a remuneration committee.
- 12.2 Where it establishes committees, in accordance with its delegation powers in the Constitution, the Board:
- (a) will retain oversight and decision making powers with respect to all matters delegated to the committees; and
 - (b) must approve the charter or terms of reference of each committee setting out matters relevant to the composition, responsibilities and administration of the committee. Each committee will review its charter from time to time as appropriate, but the Board will have the ultimate right to amend such charters and terms of reference.

13. Chairperson of the Board

- 13.1 The Chairperson (or co-Chairpersons, if necessary) of the Board:
- (a) is appointed by the Directors ; and
 - (b) must not be the same person as the executive officer.
- 13.2 The division of the responsibilities of the Chairperson (or co-Chairpersons) of the Board and the executive officer have been agreed by the Board and are set out in this Charter.
- 13.3 The responsibilities of the Chairperson (or Co-Chairpersons) of the Board include:
- (a) providing leadership to the Board;
 - (b) promoting the efficient organisation and conduct of the Board's functions;
 - (c) ensuring the Board considers and adopts strategies designed to meet present and future needs of ASFI;
 - (d) ensuring the Board has an effective composition, size and commitment to adequately discharge its responsibilities and duties;
 - (e) monitoring the performance of the Board;
 - (f) facilitating Board discussions to ensure core issues facing ASFI are addressed;
 - (g) briefing all Directors in relation to issues arising at Board meetings;
 - (h) facilitating the effective contribution and ongoing development of all Directors;
 - (i) promoting constructive and respectful relations between Directors and between the Board and management;
 - (j) ensuring the Board regularly meets to consider ASFI's performance and key issues facing it;
 - (k) setting the agenda for the Board meetings after consulting with the executive officer; and
 - (l) chairing general meetings.

14. Executive team

- 14.1 Responsibility for day to day management and administration of ASFI may be delegated by the Board to an executive officer and, where appointed, the executive team.

- 14.2 The executive officer manages ASFI in accordance with the strategy, plans and policies approved by the Board.
- 14.3 The executive officer is appointed by the Board.
- 14.4 The executive officer must not be the same person as the Chairperson.
- 14.5 The responsibilities of the executive officer include:
- (a) developing and recommending to the Board strategies, business plans and annual budgets for ASFI;
 - (b) implementing the strategies, business plans and budgets adopted by the Board;
 - (c) developing and managing resources, policies and systems to ensure the effective operation of ASFI (including developing and implementing policies on risk management, internal controls and human resources);
 - (d) managing resources within budgets approved by the Board;
 - (e) ensuring compliance with applicable laws and regulations, including competition law;
 - (f) ensuring the Board is given sufficient information to enable it to perform its functions, set strategies and monitor performance; and
 - (g) acting within authority delegated by the Board.
- 14.6 The Board has in place procedures to assess the performance of the executive officer.

15. Conflicts of interest or duty

- 15.1 Directors and senior executives are expected to be sensitive to conflicts of interest or duty that may arise and mindful of their fiduciary obligations.
- 15.2 Directors and senior executives must:
- (a) disclose to the Chairperson and/or other Directors any actual or potential conflict of interest or duty that might reasonably be thought to exist as soon as the situation arises;
 - (b) take necessary and reasonable action to resolve or avoid any actual or potential conflict of interest or duty; and
 - (c) comply with the [ACNC Governance Standards](#), ASFI's *Conflicts of Interest Policy* and ASFI's Constitution in relation to disclosing material personal interests and restrictions on voting.
- 15.3 If a conflict exists, it is expected that any Director and senior executive to whom the conflict relates will leave the room when the Board is discussing any matter to which the conflict relates, unless permitted to remain in attendance under the Corporations Act or ASFI's Conflicts of Interest Policy.
- 15.4 Directors and senior executives are expected to inform the Chairperson of the Board of any proposed appointment to the Board or executive of another ASFI as soon as practicable.

16. Access to information and independent advice by Directors

- 16.1 Directors and senior executives must have access to any information they consider necessary to fulfil their responsibilities and to exercise independent judgment when making decisions.
- 16.2 Directors and senior executives have access to:
- (a) management to seek explanations and information from management; and
 - (b) auditors, both internal and external, to seek explanations and information from them without management being present.

- 16.3 Directors and senior executives may seek any independent professional advice they consider necessary to fulfil their responsibilities and to exercise independent judgment when making decisions in accordance with the procedure agreed by the Directors.

17. Corporate opportunities

- 17.1 Directors and senior executives must not improperly use their position, property or information acquired through their position for personal gain or gain. Any goods, services, facilities or special knowledge gained as a Director or senior executive must only be used for the benefit of ASFI.
- 17.2 Directors and senior executives must not accept any improper gift from ASFI's existing or potential customers or suppliers or any other stakeholders. For the purposes of this Charter an improper gift includes but is not limited to a gift or benefit over a nominal amount of more than \$250 on any one occasion or an accumulation of nominal gifts exceeding \$1,000.

18. Confidentiality

- 18.1 Any information acquired by a Director or senior executive while performing their duties is confidential information of ASFI and must be kept confidential. Directors and senior executives must not disclose the information to a third party except where that disclosure is authorised by the Board or required by law or a regulatory body.
- 18.2 Each Director's and senior executive's obligations of confidentiality continue after he or she leaves ASFI.

19. Compliance with laws, regulations, policies and procedures

Each Director or senior executive must:

- (a) comply with the letter and spirit of any applicable law, rule or regulation;
- (b) comply with the protocols, policies and procedures of ASFI; and
- (c) encourage other officers and employees to do the same.

20. Compliance with competition law

- 20.1 As ASFI brings together participants from across the financial sector (who may be competitors or potential competitors), Directors and senior executives must be aware of their obligations under the *Competition and Consumer Act 2010* (Cth) (**CCA**).
- 20.2 The CCA prohibits Members, Directors and senior executives who are competitors from reaching an understanding to:
- (a) fix prices (including discounts, rebates or credits) for products or services supplied or acquired in competition with each other;
 - (b) share markets or rig bids (e.g. by territory or deciding who will sell to which customers, or who will sell what products);
 - (c) collectively boycott suppliers or customers (e.g. by not dealing with particular suppliers or customers, or dealing with them only under certain terms or conditions); and
 - (d) enter into anti-competitive agreements that have the purpose, effect or likely effect of substantially lessening competition in a market.
- 20.3 Directors and senior executives should be aware that the CCA prohibits businesses from engaging in certain 'concerted practices', such as information exchange which reduce the uncertainty of competition and can therefore be said to have the purpose or effect of substantially lessening competition.
- 20.4 The following rules apply to all interactions between Directors and/ or senior executives:

- (a) only share or exchange information and engage in discussions to the extent that is reasonably necessary for the execution of Board or executive functions;
- (b) be mindful of email chains and consider the content before forwarding;
- (c) do not share in relation to ASFI any competitively sensitive information which is non-public information that impacts a party's competitive position (including pricing information, highly sensitive financial information, strategic information or negotiation/tender information);
- (d) document all meetings, including by taking minutes with accurate records of attendees; and
- (e) meeting and communication procedures should, if possible, be reviewed specifically to ensure there are no discussions creating CCA risk.

21. Reporting of unlawful and unethical behaviour

ASFI expects each Director and senior executive to report promptly and in good faith any actual or suspected violation by an officer or employee of the standards, requirements or expectations set out in this Charter.

22. Review of Board performance

The Nominations Committee will annually review:

- (a) the Board's role;
- (b) the processes of the Board and any Board committees; and
- (c) the Board's performance.

23. Review of Charter

This Charter will be reviewed annually by the Board. Any changes to the Charter will be promptly communicated to all Directors and senior executives.

24. Approved and adopted

This Charter was approved and adopted by the board on **26 October 2021**.

28 October 2021

Date



Chairperson of the Board of ASFI