

Product Development Committee - Charter



Role of the PDC

At its meeting on 6 April 2000, the Board resolved to appoint a Committee to assist the Board monitor management's performance in undertaking investment product development and related activities.

The PDC is an advisory committee that makes recommendations to the Board. The role of the PDC is to assist the Board by:

- examining proposed product development initiatives which are being submitted to the Board for approval; and
- monitoring significant due diligence processes undertaken by management in relation to the issuance of information memoranda or other disclosure documents. (These activities are conducted through a sub-committee of the PDC. This Sub-Committee is not a standing Committee and is established when required).

The PDC process is designed to facilitate a greater degree of scrutiny of product development initiatives by the Board.

Role of the Business and Product Management in product development

The General Manager, Client Services in consultation with the Committee Chairman is responsible for the agenda items submitted to the PDC.

QIC has in place a *Product Development Policy*. The objectives of this Policy are to:

- a) ensure that all QIC employees understand the need for, and follow, a consistent and satisfactory due diligence process in the investigation of new, or modification of existing QIC products (as evidenced by compliance with the *QIC Product Development Process*); and
- b) ensure that the General Manager sponsoring the product development initiative is aware that he/she has formal responsibility for his/her staff in adhering to the *Product Development Process*.

The role of the Product Management business unit of QIC is to ensure that the QIC product range is consistent with QIC's mission and core values, and to oversee the business performance of the QIC Sector Products and Multi-Sector Products from both the perspective of clients and QIC.

The majority of papers considered by the PDC are managed and endorsed by the Head of Product Management and the General Manager, Client Services. The Head of Product Management is responsible for Product Management services which incorporates the following elements:

- Monitoring the profitability of products;
- Performance monitoring;
- Monitoring Product administration and compliance;
- Monitoring sales and marketing; and
- Adhering to the Product Development Process:
 - providing final business acceptance of product development initiatives;
 - determining which product development initiatives require submission to

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the Board for approval and subsequently submitting those business accepted product initiatives to the PDC;

- amending the Product Development Process and associated documentation, following appropriate business review and approval of those changes, to ensure the process remains relevant, useful, and robust;
- and conducting an annual review of the PDC Charter, PD Policy, and PD Process and report the findings of that review to the PDC.

Further information on Product Management Services is provided on pages 4 and 5.

Responsibilities of the PDC

The PDC is responsible for reviewing product development initiatives requiring submission to the Board for approval. The PDC when considering a Board paper may

- discuss the proposal with the relevant GM and Divisional staff;
- consider documents and agreements that support the initiative/process, such as, the Product Development Business Case, Investment Manager Agreements, Investment Policies and Guidelines, Information Memoranda and Explanatory Brochures, Trust Deeds, Product Disclosure Documents and any other supporting document;
- review other matters related to QIC's products and its product development process which are referred to it by the Board; and
- access independent advice and appropriate resources to support its deliberation processes, subject to prior consultation with QIC's Chairman.

Product Development initiatives submitted to the PDC/Board

For initiatives that are required to follow the Product Development Process, the Head of Product Management, in consultation with the Manager CARM, is responsible for determining whether PDC or CEO approval is required. The CEO is the final arbiter where a unanimous decision is unable to be reached.

Product development initiatives required to be submitted to the PDC and subsequently submitted to the Board, include

1. material QSuper/TALC initiatives required to follow the Product Development Process,
2. all new pooled trust investment products; and
3. material enhancements to existing pooled trust products.

Approval for the following product development initiatives can be delegated to the CEO. The CEO can delegate "business as usual" matters to the relevant GM:

1. new or amended discrete portfolios established for clients under an Investment Management Agreement; and
2. product development initiatives that
 - a) are not considered material; and
 - b) do not breach or are unlikely to breach, QIC's fiduciary obligations.

Product development initiatives are not considered material where

1. the initiative is an enhancement to an existing product and/or product disclosure document as a result of which

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2. the investment risk of the product (as measured by volatility) is not likely to increase but other dimensions of risk require offsetting controls or mitigants; and
3. the profitability of the product is not adversely affected.

A product development initiative is not considered to breach or likely to breach its fiduciary obligations where:

1. the product development initiative is in the best interests of all Unitholders;
2. QIC is not gaining an advantage from the product development initiative relative to Unitholders;
3. all Unitholders are equally impacted by the initiative; and
4. the initiative should not result in QIC facing a conflict between its own interests and those of the Unitholder's in the future.

Operation of the PDC

The membership of the PDC is as follows:

- Dr D F McTaggart (appointed 6.04.00)
- Mr T C Rowe (appointed 13.12.01)
- Mr K D MacDonald (appointed 6.04.00)
- Mr J G Allpass (appointed 6.04.00)
- Mrs M M Micalizzi (appointed 6.04.00)

Board members and other invitees may attend as required and may include QIC management representatives, legal, accounting and taxation advisers.

The PDC meets as and when required and is chaired by a QIC Director. At least 3 members of the PDC must be present to form a quorum.

QIC's Corporate Secretary is responsible for calling meetings, circulating an agenda, compiling and circulating papers, recording the minutes and presenting the minutes to the Board.

Members of the PDC are entitled to access the minutes of the PDC after their membership has ceased. At each meeting of the PDC members and invitees are expected to disclose any interest, which includes financial interests, which may conflict or be perceived to conflict with the activities of the PDC.

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Product Management Services

Product Management	The Product Management business unit of QIC oversees the business performance of the QIC Sector Products and Multi-Sector Products from both the perspective of clients and QIC.
Responsibilities	The Head of Product Management (HPM) is responsible for the product management services provided to the business. The HPM reports to the General Manager, Client Services.
Product Management Services	<p>Profitability</p> <ul style="list-style-type: none"> Monitoring the costs and pricing of QIC products to ensure that expected levels of profitability are attained. Taking account of product life-cycles and competitiveness, as well as Management Expense Ratios (MER's). <p>Monitoring Performance</p> <ul style="list-style-type: none"> Monitoring individual product performance to ensure that agreed QIC and client performance objectives are being met. Reviewing performance reports covering performance relative to benchmark and/or other stated objectives, product strategies and product risk. <p>Monitoring Product Administration and Compliance</p> <ul style="list-style-type: none"> Monitoring the internal administration of QIC products as well as relationships with external providers of administration services. Reviewing compliance reports and performance reports covering adherence to agreed administration service standards. Reviewing the effectiveness of product administration including internal administration and external service providers. <p>Monitoring Sales and Marketing</p> <ul style="list-style-type: none"> Monitoring the sales and business retention performance of QIC products in comparison with competitors' products. Reviewing product marketing arrangements, as well as sales and business retention reports. <p>Product Development Process</p> <ul style="list-style-type: none"> Assisting the business in following the QIC Product Development Process. Providing final business acceptance of product development initiatives. Determining which product development initiatives require submission to the Board for approval and subsequently submitting those business accepted product initiatives to the PDC. Amending the Product Development Process and associated documentation, following appropriate business review and approval of those changes, to ensure the process remains relevant, useful, and robust.

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	<ul style="list-style-type: none">• Conducting an annual review of the PDC Charter, Product Development Policy, and Product Development Process (and associated documentation) and report the findings of that review to the PDC.
Reporting to the Product Development Committee (PDC)	The General Manager, Client Services will be responsible for agenda items submitted to the PDC.