

14 October 2011

To: Australian Ethical Investment Limited Shareholders

Dear Shareholder,

**Notice of Annual General Meeting Thursday, 17 November 2011**

I invite you to attend Australian Ethical Investment Limited's Annual General Meeting to be held at:

Trevor Pearcey House,  
Block E, Traeger Court,  
34 Thynne Street,  
Bruce ACT 2617

on Thursday, 17 November 2011 commencing at 9.00am.

The meeting provides an opportunity for shareholders to meet with directors and management and to ask questions about the company's activities and performance. Enclosed is a shareholder newsletter which includes a summary of our 2010 financial results. I would welcome an opportunity to discuss the company's performance with you at the AGM.

Also enclosed is the AGM agenda, proxy form and a form for the submission of written questions.

Depending on your preferences a copy of the 2011 Annual Report will be mailed to you separately, however, it is also available from our website at the following link: <http://www.australianethical.com.au/annual-reports>.

The Board and CEO look forward to meeting you at the AGM.

Yours sincerely,



André Morony  
Chair  
**AUSTRALIAN ETHICAL INVESTMENT LTD**

## Notice of the 25<sup>th</sup> AGM of Shareholders

The Annual General Meeting (“AGM”) of the shareholders of Australian Ethical Investment Ltd (‘the Company’) will be held at:

**Trevor Pearcey House,  
Block E, Traeger Court,  
34 Thynne Street,  
Bruce ACT 2617**

on Thursday, 17 November 2011, commencing at 9.00 am.

### **Business**

Four motions will be proposed as ordinary resolutions.

Explanatory material for the business to be conducted is attached to and forms part of this Notice and should be read carefully.

#### **1. ACCOUNTS AND REPORTS**

To receive and consider the financial statements of the Company and its controlled entity for the year ended 30 June 2011 and the related Directors’ Report, Directors’ Declaration and Auditor’s Report.

#### **2. REMUNERATION REPORT AND THE STATUS OF EMPLOYEES**

To consider and if thought fit pass the following resolutions.

- (a) **That** the remuneration report included in the Directors’ Report to shareholders be approved.
- (b) **That** the report on the status of employees to shareholders be noted pursuant to clause 2.2 of the Constitution.

#### **3. DIRECTORS**

- (a) **That** Patrick Leslie Coleman, Director, who retires by rotation in accordance with the Company’s Constitution and, being eligible, offers himself for re-election, be re-elected as a director of the Company.
- (b) **That** Stephen Charles Newnham, Director, who retires by operation of clause 11.4 of the Company’s Constitution and, being eligible, offers himself for election, be elected as a director of the Company.

### **By order of the Board**

Tom May  
Company Secretary

## Additional information

### Annual Report

The Company's annual report is available from its website at:

<http://www.australianethical.com.au/annual-reports>

### Proxies

A shareholder has the right to appoint a proxy, who need not be a shareholder of the Company. If a shareholder is entitled to two or more votes they may appoint two proxies and may specify the percentage of votes each proxy is appointed to exercise.

To appoint a proxy, ordinary shareholders should complete the proxy form distributed with this notice of meeting. The proxy form must be deposited at the share registry, Registries Limited, or at the Company's Registered Office not later than 48 hours before the commencement of the meeting (i.e. by 9.00 am on Tuesday, 15 November 2011). Any proxy received after that time will not be valid for the scheduled meeting.

Proxies can be delivered as follows:

	<b>Share Registry</b>	<b>Company</b>
By hand	Boardroom Pty Limited Level 7, 207 Kent Street Sydney NSW 2000	Australian Ethical Investment Ltd Trevor Pearcey House 34 Thynne Street Block E, Traeger Court Bruce ACT 2617
By mail	Boardroom Pty Limited GPO Box 3993 Sydney NSW 2001	Australian Ethical Investment Ltd GPO Box 2435 Canberra ACT 2601
By facsimile	1 300 653 459	02 6201 1987
Online	Go to: <a href="http://www.boardroomlimited.com.au/vote/aeiagm2011">www.boardroomlimited.com.au/vote/aeiagm2011</a>	

**If posting your proxy, please ensure you mail it sufficiently in advance so that it arrives by the required time.**

In appointing a proxy, ordinary shareholders should consider how they wish to direct the proxy to vote. A shareholder can direct a proxy to vote "for" or "against" or abstain from voting on each proposed resolution; or they can leave the decision to the appointed proxy after discussion at the meeting.

If the Chairman of the Meeting is appointed as your proxy or may be appointed by default, and you do not wish to direct your proxy how to vote in respect of resolution 2(a), please mark the last box under the heading "Step 1 – Appointment of Proxy" on the proxy form. By marking this box, you acknowledge that the Chairman of the Meeting may vote as your proxy even if they have an interest in the outcome of resolution 2(a) and votes cast by the Chairman of the Meeting for resolution 2(a), other than as proxy holder, will be disregarded because of that interest. If you do not mark this box on the proxy form and you have not directed your proxy how to vote the Chairman of the Meeting will not cast your votes on resolution (a) and your votes will not be counted in calculating the required majority if a poll is called.

The Chair will vote all undirected proxies in favour of all the resolutions including resolution 2(a).

### Voting entitlements

The Directors have determined that the shareholding of each shareholder for the purposes of ascertaining the voting entitlements for the AGM will be as it appears in the share register at 9.00 am on Tuesday,

15 November 2011 (Section 1074E; Regulation 7.11.37 Corporations Act 2001, ASTC Settlement Rules, Section 5.6).

### **Written questions**

Members are able to put written questions to directors or to the auditors. To submit a written question please complete the question form distributed with this notice. Questions directed to the auditor should relate to the content of the auditor's report or the conduct of the audit of the annual financial report to be considered at the meeting.

The question form should be deposited at the Company's Registered Office not later than five business days prior to the meeting - by 9.00am on Thursday 10 November 2011. Written questions can be delivered to the Registered Office by hand, posted to Australian Ethical Investment Ltd, GPO Box 2435, Canberra ACT 2601 or faxed to 02 6201 1987. If posting your question form, please ensure that you mail it sufficiently in advance so that it arrives at the Registered Office by the required time. Please include the shareholder name on the form exactly as it appears on your holding certificate.

Written questions addressed to the auditor will be passed onto the auditor for consideration.

### **Recording of proceedings**

Please note that the Company intends to record the proceedings of the AGM.

## Explanatory material for AGM Agenda items

### Accounts and Reports

The financial statements of the Company for the 2010/2011 financial year have been lodged with the Australian Securities Exchange and with the Australian Securities and Investments Commission in accordance with statutory lodgement timetables and requirements. The financial statements are tabled at the AGM to be received and considered by shareholders. No formal resolution on the financial statements and reports is required.

### Remuneration Report

Section 250R(2) of the Corporations Act 2001 requires directors to put forward, and afford shareholders an opportunity to vote upon, a resolution to accept the remuneration report included in the directors' report. Under section 250R(3) the vote on the resolution is advisory only and does not bind the directors or the Company.

### Status of Employees

Under clause 2.2 of the Constitution, the Company is required to have regard for the status of its employees and, in particular, to promote employee ownership of the Company and to report on the status of employees at the time of the AGM. The Company seeks to be an exemplary employer, valuing each individual as a member of a cohesive team.

Consistent with our established practice reporting on the status of employees will be included in the Company's detailed Sustainability Report, prepared under the Global Reporting Initiative, which will be available from the Company's website ([www.australianethical.com.au](http://www.australianethical.com.au)).

### Election of Directors

In accordance with the Constitution three directors will retire by rotation at the conclusion of the AGM. They are Patrick Leslie Coleman, Stephen Charles Newnham and Howard Pender.

Howard Pender has decided not to stand for re-election and his appointment will cease at the end of the AGM. The Board is in the process of identifying directors who are independent and who will bring skill sets that will make a contribution to the Board.

Stephen Charles Newnham was appointed during the course of the financial year under rule 11.4 of the Constitution which requires that any director so appointed holds office only until the next following general meeting and is then eligible for election. Stephen offers himself for election.

### Nominations supported by the Board

Patrick Leslie Coleman and Stephen Charles Newnham are standing for election. Details of their qualifications and experience follow:

*Patrick Leslie Coleman*  
*Non-Executive Director*  
B.Eng.(Hons), B.Sc.(Hons), M.Ec., PhD

Les has been a trustee of two superannuation funds, and a director of ten companies involved in finance, retail and distribution. He has over 20 years experience in senior operational, planning and finance roles in Australia and overseas with Anglo American Corporation and ExxonMobil Corporation. He is currently a member of the investment committee of United Funds Management (a subsidiary of IOOF Holdings Limited) and has taught in the Finance Department of the University of Melbourne since 2004. His particular research interests are corporate risk and non-financial indicators of superior firm performance, especially ethics and sustainability. He is a regular contributor to print and broadcast media, including four years as a weekly columnist with *The*

*Australian* newspaper and has published several books and numerous articles and papers. Les is on the audit, compliance and risk committee.

*Stephen Charles Newnham*  
*Non-Executive Director*  
Appointed 20 December 2010

Steve has over 20 years experience in the distribution and marketing aspects of the industry. For the last six years Steve has consulted to Lonsec Limited on the marketing and distribution of their research and stockbroking services. Prior to that, Steve was head of distribution at Zurich Financial Services for four years, involved in investment, life and general insurance products and services. During this time he was also chairman of a financial planning dealer group of about 180 advisers, director of a wrap platform and director of an adviser administration and back office services business. Steve spent 13 years at BT including time as the executive vice president responsible for the national distribution of BT's retail products through a period of significant growth and market success for BT. In addition, Steve has had significant involvement with community and social justice issues, where he has worked on homeless shelter support schemes, indigenous fellowship programmes, environmental and drought relief projects and mental health awareness initiatives. Steve is on the audit, compliance and risk committee.

The Board believes that Les and Steve provide significant and valuable contributions in their capacity as directors and supports their election.

End./

## 25<sup>th</sup> AGM – written questions from shareholders

The directors of Australian Ethical Investment Ltd invite you to ask written questions on:

- the management of the company;
- the content of the auditor's report to be considered at the meeting;
- the conduct of the audit of the annual financial report to be considered at the meeting.

This question form should be deposited at the Company's Registered Office not later than five business days prior to the meeting - by 9.00 am on Thursday, 10 November 2011. Written questions can be delivered to the Registered Office by hand, posted to Australian Ethical Investment Ltd, GPO Box 2435, Canberra ACT 2601 or faxed to 02 6201 1987. If posting your question form, please ensure that you mail it sufficiently in advance so that it arrives at the Registered Office by the required time.

Written questions addressed to the auditor will be passed onto the auditor for consideration.

Please note that the company intends to respond to written questions thematically. Answers to questions will be provided at the Annual General Meeting and will also be published on the company's website. The company may not provide individual answers to written questions at the meeting.

Please note that the company will not respond to or publish questions which in its view are defamatory, vexatious or which are the subject of or related to potential legal action by or against the company.

The company may choose not to answer questions which:

- would require the publication of confidential or commercially sensitive information which could cause detriment to the company; or
- are not posed by shareholders in their capacity as shareholders: for example questions asked by employee shareholders about specific staffing issues; questions asked by a contractor / shareholder about outsourcing arrangements; or questions asked by former directors or employees using confidential information obtained in their capacity as a director or employee.

Directors provide this opportunity to enable shareholders who may not be able to attend the Annual General Meeting to ask questions. This is something that directors choose to do, not something that they are compelled to do.

### Shareholder name (exactly as it appears on holding statement)

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### Address and contact details

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### Question(s)
