



Australian Ethical Investment

For Investors, Society And The Environment

Dividend Reinvestment Plan

Plan Rules

November 2005

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DIVIDEND REINVESTMENT PLAN

PLAN RULES

1. DEFINITIONS

- 1.1 In these Rules, unless the context otherwise requires:
- (a) 'Application' means an application by a Shareholder to become a Participant;
 - (b) 'ASX' means the Australian Stock Exchange Limited.
 - (c) 'Constitution' means the constitution of the Company;
 - (d) 'CHES' means the Clearing House Electronic Subregister System operated by the Securities Clearing House.
 - (e) 'Company' means Australian Ethical Investment Limited;
 - (f) 'Directors' means the directors for the time being of the Company;
 - (g) 'Election Notice' means an Application to participate in the Plan in the form approved by the Company from time to time, which form may be combined with or form part of any other form or notice;
 - (h) 'Ordinary Shares' mean fully paid ordinary shares in the Company;
 - (i) 'Participant' means a Shareholder who elects to participate in the Plan;
 - (j) 'Participating Shares' means Shares which are subject to the Plan, the dividend from which is invested in new Shares;
 - (k) 'Plan' means the Australian Ethical Investment Limited dividend reinvestment plan established by these Rules;
 - (l) 'Plan Account' means an account in the name of a Participant established by the Company pursuant to Rule 7.1 and maintained in accordance with these Rules;
 - (m) 'Record Date' has the meaning given in the ASX Listing Rules;
 - (n) 'Rules' means these Rules of the Plan as amended from time to time;
 - (o) 'Shares' means Ordinary Shares or any other shares issued by the Company which the Directors determine to be included under the Plan;
 - (p) 'Shareholder' means a registered holder of Shares;
 - (q) 'Variation Notice' means a notice to vary or terminate participation in the Plan substantially in a form approved by the Company from time to time, which form may be combined with or form part of any other form or notice.
- 1.2 Words importing any gender include all genders.
- 1.3 The singular includes the plural and vice versa.
- 1.4 Headings are included for convenience only and do not affect the construction of these Rules.
- 1.5 The word "person" and references to individuals or to "him" or "her" includes a corporation.
- 1.6 Where a Shareholder has, in respect of a distinct number of Shares held by that Shareholder, separate Shareholder Reference Numbers or Holder Identification



Numbers, the Shareholder shall, for the purposes of these Rules, be deemed to be a separate and distinct Shareholder in relation to:

- (a) each such Shareholder Reference Number or Holder Identification Number; and
- (b) the Shares from time to time allocated to that Shareholder Reference Number or Holder Identification Number.

2. THE PLAN

- 2.1 The Plan will commence operation on such date as the directors in their sole discretion determine.
- 2.2 When active, the Plan is a means by which Shareholders may elect to receive Ordinary Shares instead of cash for dividends paid by the Company in respect of all or part of their holdings of Shares.
- 2.3 When active, the directors will in their sole discretion determine whether the Plan will operate in respect of a dividend that is payable by the Company to Shareholders.
- 2.4 Participation in the Plan is:
 - (a) optional;
 - (b) not transferable; and
 - (c) subject to these Rules.

3. ELIGIBILITY TO PARTICIPATE

- 3.1 Subject to Rule 4 all Shareholders are eligible to participate in the Plan.

4. NON-ELIGIBILITY

- 4.1 A Shareholder who is subject to the laws of a country or a place other than Australia may not be eligible to participate in the Plan because of legal requirements that apply in that country or place.
- 4.2 Allotments of Ordinary Shares to Shareholders who are not resident in Australia at the time of allotment are subject to all necessary governmental approvals. It is the responsibility of each Shareholder to obtain any such approvals.
- 4.3 Before electing to participate in the Plan, Shareholders who are not resident in Australia should seek professional advice to ascertain if any restrictions apply.
- 4.4 The Directors may on any occasion determine that the right to participate in the Plan is not available to Shareholders:
 - (a) whose participation in the Plan would, in the reasonable opinion of the Directors, be unlawful, impractical, impossible or would have an adverse effect on the company for any reason;
 - (b) whose registered address is in a place where, in the opinion of the Directors, participation or the making of an offer or invitation to participate in the plan would, either under the law of Australia or of another country, be unlawful or would otherwise require the issue of a prospectus or other disclosure document.

5. LEVEL OF PARTICIPATION

- 5.1 Shareholders may elect one of the two following levels of participation in the Plan.
 - (a) **Full Participation:**
 - (i) A Shareholder may participate in the Plan in respect of all Shares registered in the name of the Shareholder as at each Record Date.

(b) Partial Participation:

- (i) A Shareholder may nominate a specific number of Shares, less than the Shareholder's total holding, to be subject to the Plan. However, if at the Record Date for a dividend, the number of Shares then held by the Participant is fewer than the nominated number, then the Plan will apply only to that lesser number for that dividend;
 - (ii) A Shareholder may nominate a specific proportion of Shares held by the Participant at the relevant time.
- 5.2 Neither full participation nor partial participation will apply to Shares in respect of which, as at a Record Date, a full dividend is not then payable.
- 5.3 For those participants that are full participants in the Plan, all Ordinary Shares allotted to them under the Plan will be added to the number of Participating Shares of that Participant.
- 5.4 Shares which are sold or otherwise transferred to a person not on the Company's share register immediately prior to the transfer, will cease to participate in the Plan upon registration of the transfer.
- 5.5 Shares which are sold or otherwise transferred to a person on the Company's share register immediately prior to the transfer, will participate in the Plan upon registration of the transfer in accordance with the Plan election of the transferee (if any) in place at the time of transfer (and as may be amended by the transferee under these Rules from time to time).
- 5.6 The Directors may from time to time by written notice to Shareholders specify that a Shareholder can only elect to participate in the Plan for a minimum number of Shares.

6. ELECTION NOTICE TO PARTICIPATE TO BE GIVEN

- 6.1 An Election Notice must be lodged for each Shareholding account for which the Shareholder wishes to participate in the Plan.
- 6.2 An Election Notice to participate in the Plan must be signed by the Shareholder. Where Shares are held jointly, all joint Shareholders must sign the Election Notice.
- 6.3 An Election Notice must be properly completed in accordance with its instructions to be valid.
- 6.4 The Directors may in their absolute discretion accept or refuse an Election Notice without being bound to give any reason for doing so. If the Directors refuse to accept an Election Notice, the Company will notify the Shareholder as soon as practicable of the rejection. The Company will not be liable to the Shareholder for any loss, damage or claim in respect of either the Shareholder's participation or non-participation in the Plan.
- 6.5 To be effective for a dividend, the Election Notice must be received by the Company by 5.00 pm on the Record Date for that dividend.
- 6.6 An Election Notice remains in force until:
- (a) the Participant:
 - (i) formally varies the Election Notice;
 - (ii) formally terminates their participation in the Plan; or
 - (iii) dies; or
 - (b) the Participant's participation in the Plan is deemed to be terminated or varied by the operation of these Rules; or
 - (c) the Company terminates or suspends the Plan.
- 6.7 An Election Notice that is signed but does not specify the level of participation desired, and that is otherwise accepted, will be deemed to be for full participation. No notice need be given to the Shareholder where this Rule operates.



- 6.8 An Election Notice that is signed but which does not indicate the Shareholding account to which it relates, and that is otherwise accepted, will be deemed to be for all Shareholding accounts of the Shareholder. No notice need be given to the Shareholder where this Rule operates.
- 6.9 The provisions of Rule 21 apply to the execution of Election Notices.

7. OPERATION OF THE PLAN

- 7.1 The Company will maintain a separate Plan Account for each Participant.
- 7.2 In respect of each dividend subject to the Plan the Company will, in respect of each Participant:
- (a) calculate the value of the dividend on Participating Shares;
 - (b) determine the number of Ordinary Shares, valued in accordance with the provisions of the Plan which most nearly equals (but does not exceed) the value of the dividend on Participating Shares (less any withholding tax where applicable) plus any residue from any previous dividend in the Participant's Plan Account;
 - (c) on the date the dividend is paid, allot that number of Ordinary Shares to the Participant's holding;
 - (d) retain in the Participant's Plan Account any amount of residue of dividend less than the value of one Ordinary Share (as valued in accordance with the Plan). No interest will accrue on the residue so retained.
- 7.3 The value of Shares to be allotted under the Plan for each dividend will be the weighted average market price of Ordinary Shares sold on the Australian Stock Exchange Limited ('ASX') during the ten days of trading prior to and inclusive of the Record Date for the relevant dividend on those Ordinary Shares, less a discount, if any, not exceeding 5% as determined by the Directors from time to time.
- 7.4 For the purposes of Rule 7.3:
- (a) the calculation of the weighted average market price will only include arm's length sales. The calculation may also exclude any day during which trading patterns do not represent the Company's normal trading patterns;
 - (b) if the Ordinary Shares of the Company are not traded on the ASX during any of the ten ASX trading days specified in Rule 7.3, the weighted average market price of the Ordinary Shares will be deemed to be a price determined by the Directors using some other method they consider appropriate to calculate the market price of Ordinary Shares in the Company's circumstances.
- 7.5 Notwithstanding any provision in this Rule, the price of Ordinary Shares to be allotted under the Plan may be adjusted in such manner as the Directors consider appropriate to preserve equity between Participants and Non-Participants.
- 7.6 Ordinary Shares will not be issued under the Plan if the issue would breach any provision of any applicable law.

8. SHARES ALLOTTED UNDER THE PLAN

- 8.1 All Ordinary Shares issued under the Plan will:
- (a) rank equally in every respect with existing fully paid ordinary shares of the Company; and
 - (b) participate in all dividends subsequently declared.
- 8.2 Shares allotted under the Plan will be registered on a register selected by the Company being a register on which the Shareholder already holds Shares.
- 8.3 Unless required by relevant State or Commonwealth legislation or other relevant Australian law, a share certificate for the Ordinary Shares allotted to a Shareholder

under the Plan will not be sent to that Shareholder following allotment. Shareholders should however receive holding statements relating to the allotment from the Company's share registry or from CHES.

9. STATEMENTS TO PARTICIPANTS

9.1 The Company will send to each Participant as soon as possible after each dividend payment date (where such dividend was included in the Plan), a statement detailing in respect of that Participant:

- (a) the number of Participating Shares as at the relevant Record Date;
- (b) the amount of residue in the Participant's Plan Account immediately prior to that dividend;
- (c) the value of the dividend referable to the Participating Shares;
- (d) the value of Ordinary Shares allotted under the Plan and the amount of variation from market price applicable to that dividend;
- (e) the number of Ordinary Shares allotted under the Plan;
- (f) the amount of residue remaining in the Participant's Plan Account after reduction of the value of the Ordinary Shares allotted;
- (g) if applicable, the amount of withholding tax which has been deducted in respect of the dividend on the Participating Shares.

9.2 Statements to partially participating Shareholders will not include information as to Non-Participating Shares.

10. LIMITS ON SUBSCRIPTION, LIMITS ON PARTICIPATION

10.1 The Directors may limit the amount of dividend which may be reinvested under the Plan by giving one month's notice in writing to Shareholders.

11. STOCK EXCHANGE LISTING

11.1 The Company will make application, promptly after the allotment, for Shares issued under the Plan to be listed for quotation on the official list of the ASX if the Ordinary Shares of the Company are quoted on the ASX at that time.

12. COSTS TO PARTICIPANTS

12.1 No brokerage, commission or other transaction costs are payable by Participants on Ordinary Shares allotted under the Plan and under the present law no stamp or other duties are payable by Participants.

13. RESIDUES

13.1 The residue retained in a Participant's Plan Account is not available to the Participant other than as expressly provided in these Rules.

13.2 Where a Participant's participation in the Plan is terminated for any reason the Company will pay the amount of the residue in a Participant's Plan Account, without interest, to the Shareholder or the legal personal representative of the Shareholder as the case may be.

14. ALTERATION BY PARTICIPANT TO DEGREE OF PARTICIPATION

14.1 A Participant may at any time:

- (a) vary participation in the Plan; or
- (b) give notice of termination of participation in the Plan, by completing and returning to the Company a Variation Notice.

14.2 Where Shares are held jointly, all joint Shareholders must sign the Variation Notice.

14.3 A Variation Notice must be received by the Company by no later than 5.00 pm on a Record Date to be effective for the dividend to which that Record Date relates.

14.4 The provisions of Rule 21 apply to the execution of Variation Notices.

15. TERMINATION BY COMPANY OF PARTICIPATION

15.1 If a Participant dies, participation in the Plan is terminated by the Company upon receipt of the notice of death.

15.2 The death of one of two or more joint Shareholders terminates the participation of the remaining Shareholder or joint Shareholders. The remaining Shareholder or joint Shareholders may recommence participation in the Plan by forwarding a completed Election Notice to the Company.

16. REDUCTION OR TERMINATION WHEN NO NOTICE GIVEN

16.1 Where a partially participating Shareholder:

- (a) disposes of a number of his or her Shares; and
- (b) does not notify the Company to the contrary,

the Shares being disposed of will, to the fullest extent possible, be assumed by the Company firstly to be Non-Participating Shares and then Participating Shares.

16.2 Where a Participant:

- (a) disposes of all of his or her Shares; and
- (b) does not give notice to the Company of termination of participation in a Variation Notice, then

such Shareholder's participation in the Plan ceases on the date on which the Company registers the last transfer.

17. MODIFICATION, SUSPENSION AND RECOMMENCEMENT OF THE PLAN

17.1 The Directors may modify these Rules from time to time by giving one month's notice in writing to Shareholders. It is deemed that an existing Participant continues under the modified Plan unless a Variation Notice from that Participant notifies the Company to the contrary.

17.2 The Plan may be suspended or recommenced by the Directors by giving one month's notice to Shareholders.

17.3 A suspension or recommencement of the Plan will take effect:

- (a) the day after one month's notice has been given to Shareholders; or
- (b) a later date determined by the Directors.

17.4 Whilst the Plan is suspended, dividends on Participating Shares will not be applied by the Directors on the Participant's behalf to subscribe for Ordinary Shares.

17.5 The accidental omission to give notice of modification, suspension or recommencement to any Shareholder or the non-receipt of any notice by any Shareholder will not invalidate the modification, suspension or recommencement of the Plan.

18. TERMINATION OF THE PLAN

18.1 The Directors may terminate the Plan after giving one month's notice in writing to Shareholders of their intention to do so.

18.2 A termination of the Plan will take effect:

- (a) the day after one month's notice has been given to Shareholders; or
- (b) a later date determined by the Directors.

19. TAXATION

- 19.1 Neither the Company nor its Directors, officers, employees, representatives or agents take any responsibility or assume any liability for the taxation liabilities of Participants.
- 19.2 As individual circumstances and laws vary considerably, the Participant should obtain specific taxation advice from professional advisers.

20. GENERAL

- 20.1 The Directors may resolve any difficulties which arise with the Rules or the Plan in any way they think fit and may also adopt such administrative procedures for the management and implementation of the Rules and the Plan as they think fit.
- 20.2 The Plan does not apply in any case where, in accordance with the Constitution or otherwise by law:
- (a) the Directors are entitled to retain all or part of a dividend payable in respect of Shares which a Participant has nominated as participating in the Plan; or
 - (b) the Company is entitled to a charge over such Shares or over any dividend payable in respect thereof.

21. NOTICES

- 21.1 An Election Notice, a Variation Notice or any other notice given by a Shareholder to the Company in respect to the Plan (in this Rule 21 all referred to as a 'Notice') must be:

- (a) in writing; and
- (b) in such form as the Company directs or approves from time to time.

- 21.2 Notices to the Company must be sent to:

Registries Limited
ABN 14 003 209 836
Level 2, 28 Margaret Street
Sydney NSW 2000

PO Box R67
Royal Exchange
Sydney NSW 1223

Telephone: 02 9290 9600
Facsimile: 02 9279 0664
Email: registries@registriesltd.com.au

or such other address as the Company notifies Shareholders from time to time.

- 21.3 A Participant which is a corporation must execute a Notice under power of attorney, through an authorised officer or in accordance with section 127(1) or 127(2) of the Corporations Act 2001. If a Notice is signed by an authorised officer, a certified copy of the resolution of the directors appointing the officer must either have been previously exhibited to the Company or accompany such Notice.
- 21.4 If a Notice is completed by an individual or a corporation under a power of attorney that power must:
- (a) be duly stamped; and
 - (b) accompany the completed Notice unless the Company has previously noted such power.
- 21.5 The provisions of the Constitution relating to service of notices on Shareholders apply to service by the Company of notices on Participants.



22. GOVERNING LAW

- 22.1 The law of the Australian Capital Territory shall govern the Plan, the Rules and the operation of the Plan.

Geoff Pasley