

australian**ethical** Superannuation Fund

Product Disclosure Statement

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16 January 2012**

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## About this material

The information in this document forms part of the Product Disclosure Statement for the Australian Ethical Retail Superannuation Fund ("Australian Ethical Super") dated 16 January 2012.

This document provides more detail on the information provided in the Australian Ethical Super product disclosure statement. The material in this document is incorporated into the product disclosure statement.

The information in the product disclosure statement is designed to help you:

- decide whether the Australian Ethical Super fund ('the fund') will meet your needs
- compare the fund with others you may be considering

The fund's product disclosure statement is available free of charge in hardcopy by contacting us. The product disclosure statement should be considered before deciding whether to acquire, or to continue to hold, interests in the fund.

All monetary amounts in this material are references to Australian dollars.

If you invest in the fund, you should keep a copy of this document for your records.

The way the fund operates can change. If the change is an increase in fees and charges, fund members will receive 30 days notice of the change (other than increases to these fees that are noted as being subject to indexation). Notification of other significant changes that are either adverse or potentially adverse; or material to a member, will be given before the change is made.

## About Australian Ethical Super

Australian Ethical Super invests with a forward-looking and ethical focus. We have a 25 year history of actively seeking out investments that are positive for society and the environment and avoiding investments in harmful activities. We believe investments that are socially and environmentally positive will achieve better long term returns.

The fund is a regulated superannuation fund and is registered with the Australian Prudential Regulation Authority. The fund was established in 1998 by Australian Ethical Investment Limited to provide an ethical super alternative.

The trustee of the fund is Australian Ethical Superannuation Pty Ltd, a wholly owned subsidiary of Australian Ethical Investment Limited.

Australian Ethical Investment Limited is a publicly listed company and is one of the longest established ethical fund managers in Australia. It manages in excess of \$600 million in funds on behalf of some 20,000 investors.

Australian Ethical Super is not guaranteed or underwritten by Australian Ethical Investment Limited in any way.

## How is Australian Ethical Super different?

Our investment process incorporates environmental and social criteria in addition to traditional financial analysis. We believe our ethical screening is the most rigorous in Australia.

Our approach gives members a way to create wealth with positive environmental and social impacts.

Many ethical fund managers avoid investments in a limited number of industries. This approach is known as negative screening.

Others will invest in the most responsible or least harmful companies in all industries. This approach is known as best of sector.

We go further than negative screening and best of sector. First, we apply a negative screen and then we actively seek investments in positive activities and engage with the companies we invest in to improve their corporate responsibility. The second stage of our process is known as positive screening.

Many super funds expose their members to investments in uranium mining, old growth forest logging, weapons, tobacco and gambling. Avoiding these areas, we seek investments in emerging growth sectors such as renewable energy, efficient transport, recycling and health.

## How we invest your money

The fund offers investors something beyond conventional superannuation investment because it applies a combination of financial and ethical objectives to the selection of investments.

These objectives are:

- to obtain a financial return commensurate with any risk taken
- to avoid investment in activities which are socially or environmentally detrimental
- to participate financially in profitable activities which bring social or environmental benefits.

The application of the Australian Ethical Charter defines the universe of investments for the superannuation options. Investments are across a broad spectrum of sectors ranging from new environmental and energy technologies to education and health.

## **The Australian Ethical Charter<sup>1</sup>**

The fund shall seek out investments which provide for and support:

- (a) the development of workers' participation in the ownership and control of their work organisations and places
- (b) the production of high quality and properly presented products and services
- (c) the development of locally based ventures
- (d) the development of appropriate technological systems
- (e) the amelioration of wasteful or polluting practices
- (f) the development of sustainable land use and food production
- (g) the preservation of endangered eco-systems
- (h) activities which contribute to human happiness, dignity and education
- (i) the dignity and well being of non-human animals
- (j) the efficient use of human waste
- (k) the alleviation of poverty in all its forms
- (l) the development and preservation of appropriate human buildings and landscapes

The fund shall avoid any investment which is considered to unnecessarily:

- (i) pollute land, air or water
- (ii) destroy or waste non-recurring resources
- (iii) extract, create, produce, manufacture, or market materials, products, goods or services which have a harmful effect on humans, non-human animals or the environment
- (iv) market, promote or advertise, products or services in a misleading or deceitful manner
- (v) create markets by the promotion or advertising of unwanted products or services
- (vi) acquire land or commodities primarily for the purpose of speculative gain
- (vii) create, encourage or perpetuate militarism or engage in the manufacture of armaments
- (viii) entice people into financial over-commitment
- (ix) exploit people through the payment of low wages or the provision of poor working conditions
- (x) discriminate by way of race, religion or sex in employment, marketing, or advertising practices
- (xi) contribute to the inhibition of human rights generally

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## **How do we take labour standards, environmental, social and ethical issues into account?**

The Charter addresses labour standards, environmental and social considerations. The Charter sets out the types of activities we seek to support, and the types of activities we seek to avoid.

We use the services of an independent, not for profit and staff owned company Centre for Australian Ethical Research (CAER) to assist our investment analysts in researching potential investments. CAER use their extensive industry and company knowledge to assess how investments align with the Charter.

CAER monitors the fund's investments to ensure that they remain appropriate.

## **Australian Ethical Investment Options**

Important information about all investment options

### *Investment arrangements*

Australian Ethical Super has typically invested the fund into registered managed investment schemes operated by Australian Ethical Investment Limited. So, for example, monies invested into the Balanced investment option have been invested into the Australian Ethical managed investment scheme called the Australian Ethical Balanced Trust. The Balanced Trust then invests into the market assets – such as equities or bonds.

Australian Ethical Super will continue to invest into the Australian Ethical managed investment schemes, but it may also invest in assets directly. So, for example, it may directly hold equities or real property.

### *Strategic asset allocation*

The strategic asset allocations indicated below show the mix of asset classes which, on average, the investment strategy is expected to hold over the long term. You need to be aware however that the actual asset allocation at any given time is likely to vary from the strategic asset allocation. These variations arise from normal day-to-day trading decisions and because of the relative performance of the asset classes over the short term. Asset allocations are examined regularly and the investment manager adjusts the actual asset allocation from time to time to ensure it is consistent with the stated strategic asset allocation.

### *Hedging*

At present Australian Ethical Super adopts the following hedging practices:

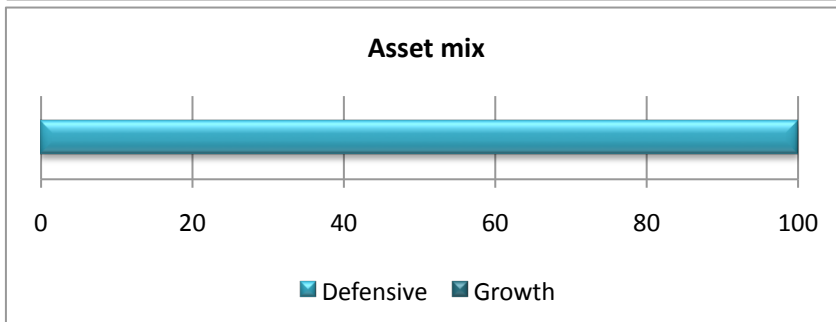
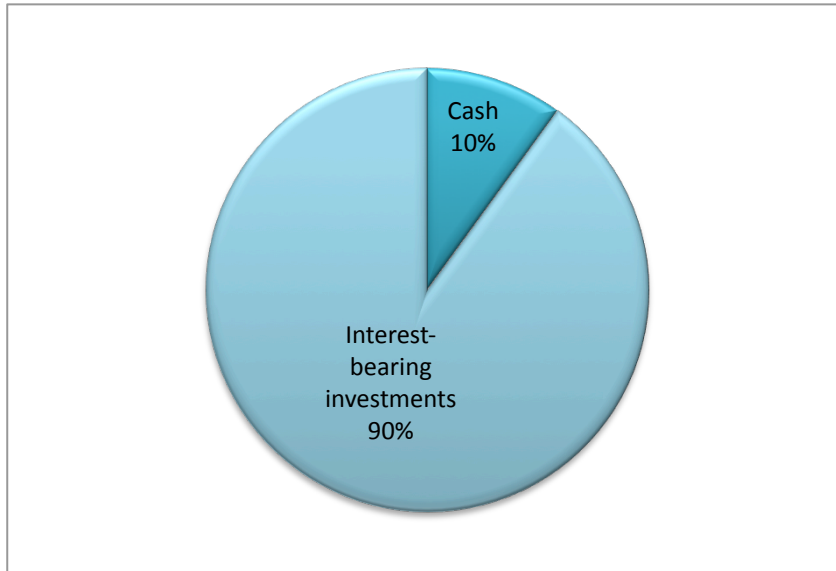
- international equity exposure in the Balanced and International Shares investment options is unhedged
- approximately the full value of international equity exposure in the Smaller Companies and Growth investment options is currently hedged against the impact of large adverse movements in currency exchange rates
- from time to time hedging arrangements will vary (and there may be no hedging) where this is considered to be in the interests of members in an investment option.

## Defensive

**Suits:** Members wanting a stable, income focused option.

**Objective:** The Defensive investment option aims to provide investors with very low levels of investment risk and preservation of capital through high grade investments that generate regular income.

**Risk:** Very low

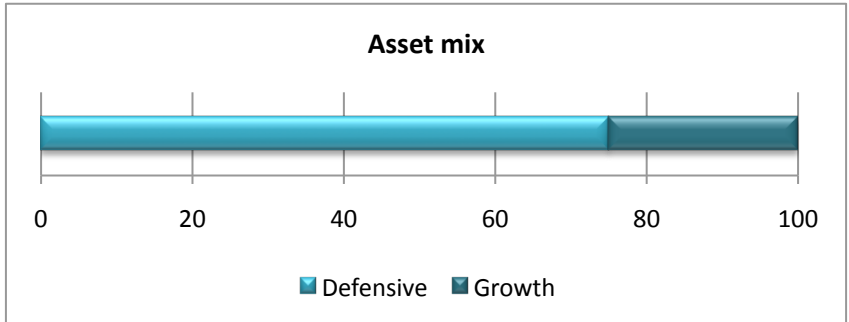
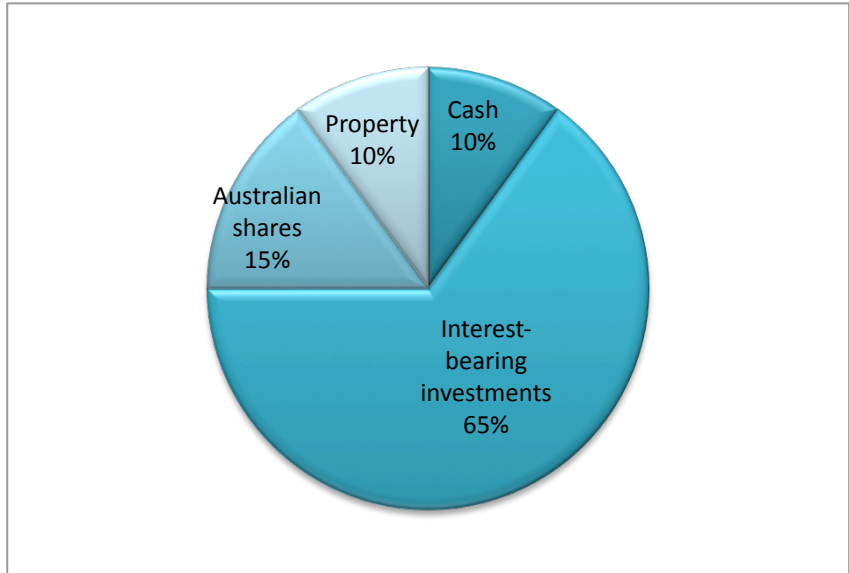


# Conservative

**Suits:** Members closer to or in retirement who need to protect their retirement savings and keep up with inflation or members who want a low volatility option.

**Objective:** The Conservative investment option aims to receive regular income accompanied by low levels of risk to capital and income

**Risk:** Low

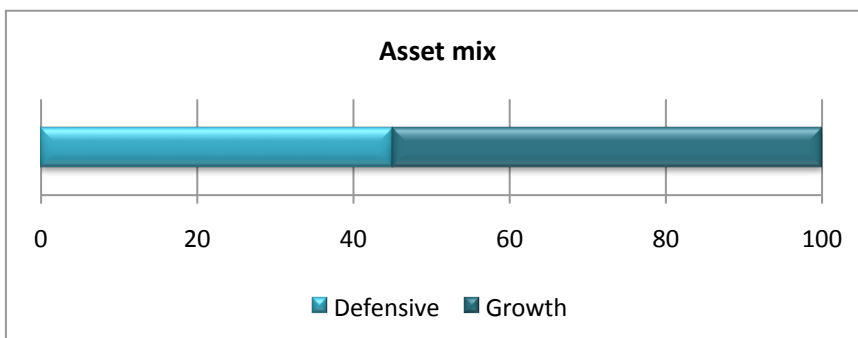
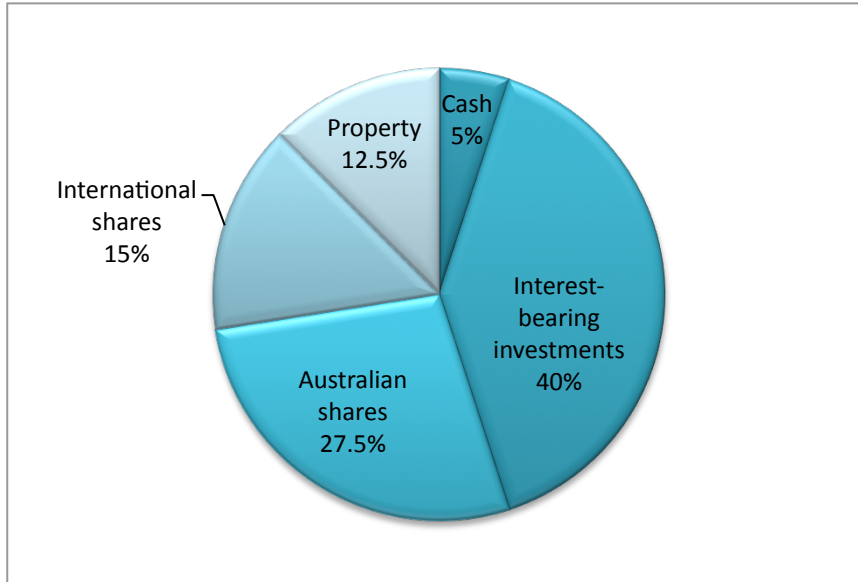


## Balanced

**Suits:** Members near to or in retirement who seek both growth and income from their retirement savings and members seeking a balance between risk and return.

**Objective:** The Balanced investment option aims to provide a balance between receipt of regular income and capital growth accompanied by modest levels of risk to capital and income.

**Risk:** Medium to high

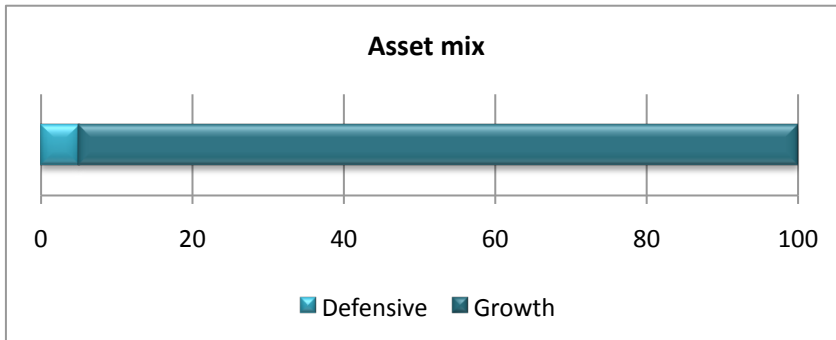
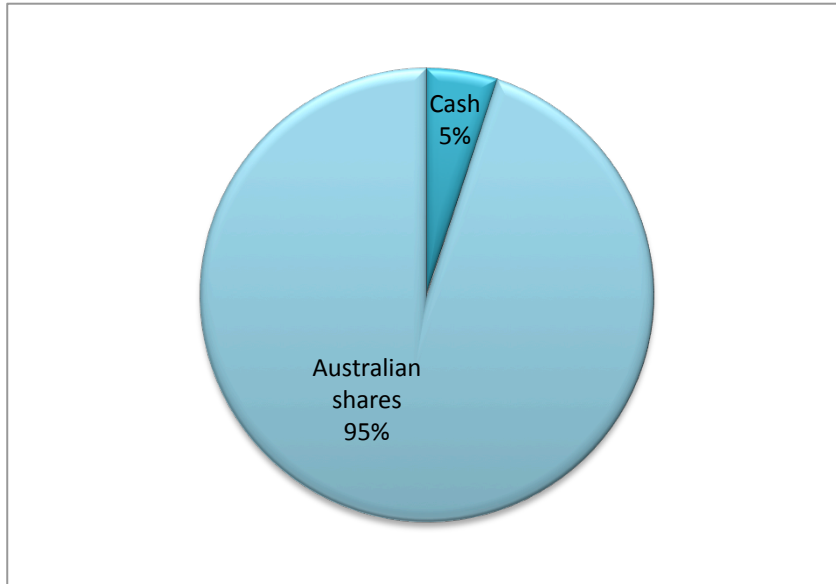


## Climate Advocacy

**Suits:** Members who want an option with returns consistent with the broad share market that engages with companies on their climate change performance.

**Objective:** The Climate Advocacy investment option uses an indexed investment approach intended to deliver returns consistent with the broad Australian share market index, while providing an avenue for active engagement with the companies that are included in that index.

**Risk:** Medium to high

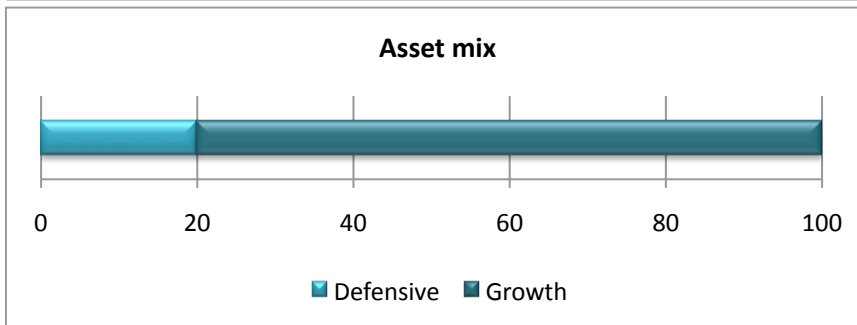
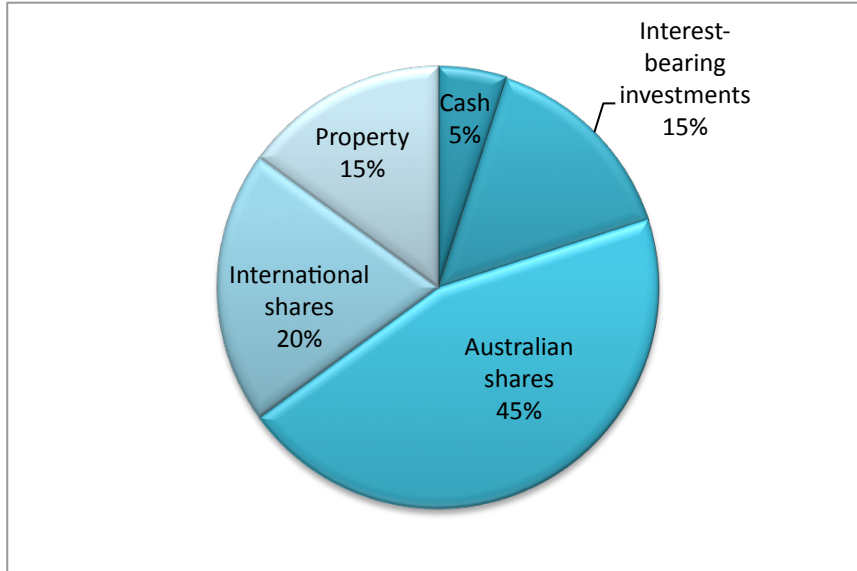


# Growth

**Suits:** Members who have a longer timeframe to accumulate retirement savings and who are comfortable with short term market fluctuations.

**Objective:** The Growth investment option aims to provide long term growth through high levels of investment in growth asset classes with the remainder in defensive assets including bonds.

**Risk:** Medium to high

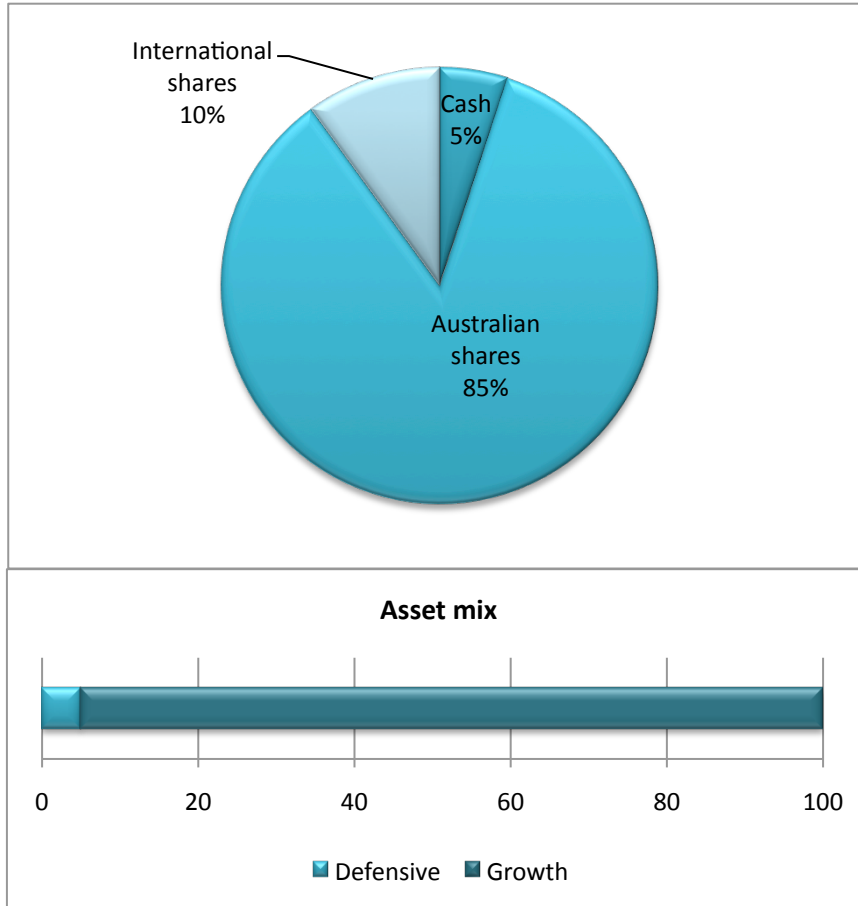


## Smaller Companies

**Suits:** Members with an interest in smaller growth focused companies and who have a longer term investment horizon.

**Objective:** The Smaller Companies investment option aims to provide long-term growth through investment in smaller Australian and overseas companies.

**Risk:** High

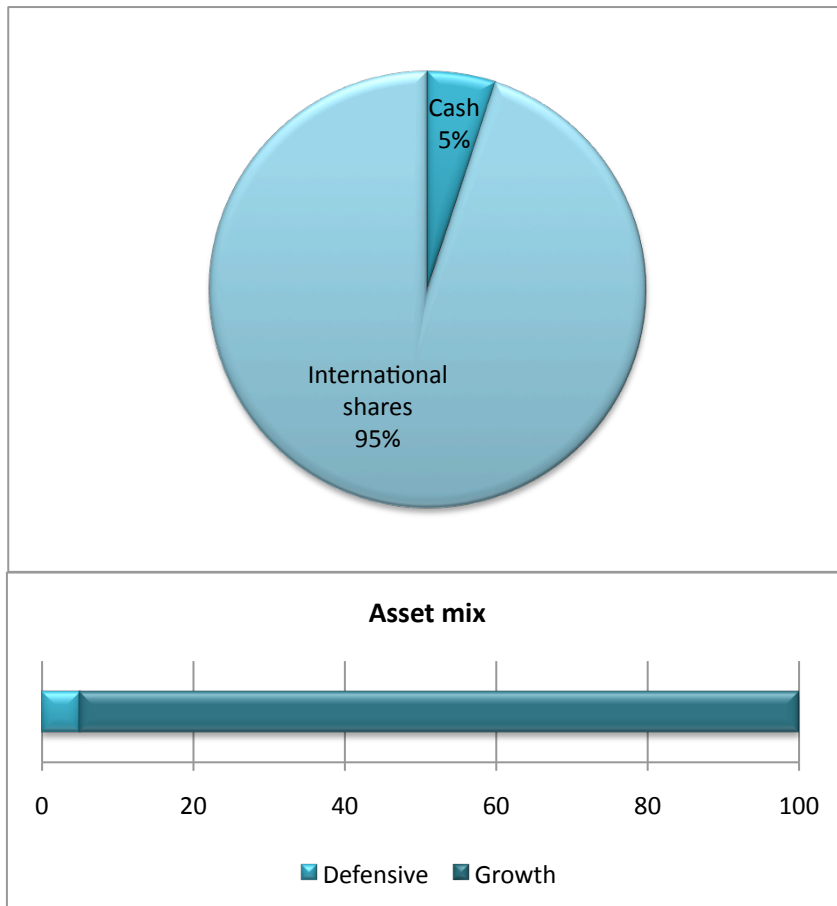


## International Shares

**Suits:** Members with an interest in international companies involved in smart energy technologies and who are comfortable with short term volatility.

**Objective:** The International Shares investment option aims to provide long-term growth through investment in overseas companies.

**Risk:** High



# How Australian Ethical Super works

## **Your account**

The trustee maintains a separate account for each member. The account records contributions and rollovers, payments made and any other transactions. It also records which investment option you have selected and the current value of your investment in each selected option. You can find out about your personal account details by logging into your account via the fund's website.

## **What sort of accounts are there and who can contribute?**

There are two sorts of accounts:

- accumulation and rollover – this account gathers and builds your savings. Benefits are usually paid out as a lump sum or transferred to a pension account on retirement.
- allocated pension – this account allows you to draw on your savings in regular payments during retirement (or in some circumstances, pre-retirement – see Allocated Pensions below).

Once we have established an account, we place your investment in the investment option you have chosen.

If you do not choose an investment option and you are under 55, your super will be invested into the Balanced option. If you are 55 or over your investment will be invested into the Conservative option.

## **Accumulation and rollover**

### Contributions

Contributions into superannuation are of two types:

- concessional contributions (previously referred to as deductible or taxable contributions). These contributions are typically made on your behalf by your employer. They include the superannuation guarantee and award superannuation payments, and superannuation salary sacrifice arrangements, and
- non-concessional contributions (previously referred to as undeducted or after tax contributions). These are typically personal after-tax contributions, but also include after-tax contributions made by your spouse.

The fund accepts concessional and non-concessional contributions and transfers from other superannuation funds. The fund also accepts government co-contributions.

There are various rules that determine the eligibility of people to make contributions.

## What are the accumulation and rollover contribution rules?

### Age and employment contribution rules

	Concessional contributions		Non-concessional contributions (can only be accepted if the member's TFN has been quoted to the Fund)	
Age of member in years	Mandated employer contributions*	Voluntary employer contributions	Member contributions	Eligible spouse contributions
Less than 65	can be accepted	can be accepted	can be accepted	can be accepted
65 but less than 70	can be accepted without restriction	can be accepted provided person gainfully employed on at least a part-time basis	can be accepted provided person gainfully employed on at least a part-time basis	can be accepted provided the receiving member spouse is gainfully employed on at least a part-time basis
70 but less than 75	can be accepted without restriction	can be accepted provided person gainfully employed on at least a part-time basis	can be accepted provided person gainfully employed on at least a part-time basis	cannot be accepted
75 or older	can be accepted without restriction	cannot be accepted	cannot be accepted	cannot be accepted

\* Mandated employer contributions are compulsory contributions and include superannuation guarantee contributions up to age 70 and employer contributions made under an industrial award or certified agreement at any age. Proposed legislation has been introduced which, if it becomes law, will remove the age restriction on the payment of superannuation guarantee contributions.

A person is gainfully employed on a least a part-time basis for a financial year if they:

- are employed or self-employed for gain or reward during the financial year
- have worked at least 40 hours in a period of not more than 30 consecutive days in that financial year.

### Contribution capping

There are limits to how much you can contribute into your super before you pay more tax.

Concessional taxation arrangements for contributions which are tax deductible to an employer or to an individual are limited to an amount of \$25,000 a year per person. The \$25,000 concessional cap will be indexed annually from 2010–11 onwards to average weekly ordinary time earnings (AWOTE) and rounded down to the nearest multiple of \$5,000.

If your concessional contributions exceed \$25,000 you will be taxed at 31.5% (in addition to the 15% paid on the contribution when it is received by the super fund). Any concessional contributions in excess of the cap will also count towards your non-concessional contributions cap. Limited relief is available to eligible individuals for first time breaches of the concessional contributions cap from 1 July 2011; if you are in this position please contact us if you require further details.

Non-concessional contributions (after tax personal contributions) are limited to \$150,000 per year. If you are under 65 years old at any time during the financial year the limit is \$450,000 over three years. This allows, for example, a non-concessional contribution of \$350,000 in one year but only a maximum of \$100,000 over the next two years. Alternatively, if contributions of \$450,000 are contributed in one financial year, no further contributions can be made in the next two years. We cannot accept contributions over the non-concessional cap.

If you make contributions in excess of the non-concessional cap you will be taxed 46.5% on the amount over the cap.

Special contribution capping rules apply to those aged 50 years old or over. Please contact us if you require further details about this.

There are two ongoing exemptions to the non-concessional cap. These are:

- proceeds from the disposal of assets that qualify for the small business capital gains tax retirement exemption or have been held for 15 years. Both types of proceeds are subject to a single lifetime cap. The cap is indexed and you should contact the Australian Taxation Office to find the applicable cap for any particular financial year; and
- proceeds from a settlement for an injury resulting in permanent disablement.

### Timing and types of contribution payments

We accept contributions on an irregular or regular basis. Payment can be by cheque, BPay electronically or direct debit from a bank or credit union account. We do not accept postal orders, money orders or credit card payments.

The trust deed which governs the fund permits the trustee to reject any contribution with or without a reason.

### Co-contributions

You may be entitled to super co-contributions from the government by making eligible personal super contributions to your account. Currently, the maximum government co-contribution payable is \$1,000. A \$1 co-contribution is paid for each \$1 of eligible contributions.

The full co-contribution is available for members whose taxable income is below a minimum income threshold. The full co-contribution is reduced by 3.333 cents for each dollar of taxable income above the minimum threshold, up to the maximum income threshold, at which point no co-contribution is paid.

You don't need to apply for the co-contribution. At the end of each financial year, the Australian Taxation Office will receive your tax return and a statement from the fund indicating your level of contributions. The Australian Taxation Office will then determine the level of co-contribution required, based on your income.

For further information on eligibility and the applicable income thresholds for any financial year, please contact the Australian Taxation Office.

### Consolidating your superannuation

If you have superannuation accounts with other superannuation funds you may be able to transfer those investments to the fund. A rollover transfer form is available from the website. Complete the form and we will arrange to rollover your superannuation from the other superannuation fund(s).

### Superannuation choice

Most employees have the right to choose which superannuation fund will receive their employer superannuation guarantee contributions.

The process of offering choice of fund occurs via a standard choice form which is available from your employer or the Australian Taxation Office.

The fund can be used by both employers and employees under the choice of fund legislation.

Employees can nominate the fund on their standard choice form as their chosen fund.

The fund can also be nominated by an employer as the employer's chosen fund – the employer's chosen fund is the fund to which employee's superannuation guarantee contributions will be paid if an employee does not make a different choice.

### Contribution splitting

The fund can facilitate contribution splitting. You should seek professional financial advice if you are considering contribution splitting.

## Spousal contributions

Contributions to your account can be made by your spouse or de facto partner and there may be tax advantages in making spousal contributions – refer to the Australian Taxation Office for more information.

## **Allocated pensions (account based income stream)**

An allocated pension (post retirement) can be purchased with unrestricted non-preserved superannuation benefits held with the fund or with another superannuation fund. A pension also gives you the option to make lump sum withdrawals at any time (subject to attaining a condition of release – see details below and also the information in the Pre-retirement pensions section)

Payments from your pension will be made until your account is reduced to nil or until the date of your death. You can elect to automatically index your payment amount to the consumer price index (CPI) or another discretionary fixed percentage each year provided that you meet the minimum payment requirements set by the Australian Government.

The income stream you can draw from your account in a year is subject to a minimum amount prescribed by the Australian Government.

It is important that you understand that the pension from the fund may not provide an income stream for the rest of your life. Payments will cease when your account balance is reduced to nil.

If you are receiving a pension through the fund, then upon your death your account will either be paid as a pension to a revisionary pensioner nominated by you at the time of establishment, or will be paid as a lump sum to your dependents or to your estate. There is more information on the payment of death benefits and the taxation of death benefits in the section on taxation.

## Establishment

To start an allocated pension you must:

1. be entitled to have your superannuation account paid out to you. This usually means you will either have reached 55 and retired, or have reached 65. The amount that can be paid out to you will be described on your superannuation statement as 'unrestricted non-preserved'
2. have a minimum amount of \$30,000 (there is no maximum).

There is no tax payable in setting up your allocated pension if you use money from a superannuation fund to establish the account, unless the amount transferred contains an untaxed component. A transfer of an untaxed component attracts the 15% tax on contributions. A higher rate of tax also applies to transfers over \$1 million from an untaxed scheme to a taxed scheme.

For details about taxation arrangements when payments from an allocated pension are made to you, see the section on taxation.

## Receiving your pension payment

You can choose whether to have your payment paid to you monthly, quarterly, six-monthly or annually. You may also choose how much you wish to have paid to you at these times (and you can alter that amount over time). However, under Australian Government regulations, there is a minimum amount you must receive in any one year – refer to the Australian Taxation Office website for details.

Your pension payment is calculated annually and following this you will be sent information required to complete your annual tax return, including details of any tax withheld from your income stream and other information required by Centrelink.

If you invest in a pension before 1 June a payment must be made to you before 30 June of that year. The payment will be as specified by you or at least the proportional amount of the minimum payment based on the number of days in the financial year for which the investment is held.

If you invest in an account based income stream after 1 June in any year you can choose whether to have an income stream payment in that financial year. However, you must receive a pension payment by 30 June in the following year.

## Pre-retirement pensions

If you have reached your preservation age but have not satisfied a condition of release (typically by retiring or attaining age 65) you may commence a non-commutable account based pension (commonly referred to as a transition to retirement pension). These pensions are not able to be cashed as a lump sum benefit unless a full condition of release has been satisfied.

Information about tax implications of pre-retirement pensions is available from the Australian Taxation Office. It is strongly recommended that you seek advice from a licensed taxation adviser or financial planner if you are interested in a pre-retirement pension.

## Government announcements affecting superannuation

The Australian Government has made a number of announcements and introduced draft legislation that proposes changes to the superannuation regime in Australia over the coming years.

The most significant of these changes is for the superannuation guarantee to increase from the current 9% to 12%, phasing in from 1 July 2013 through to 2020.

Other announcements concern:

- introduction of MySuper arrangements for receipt of default superannuation guarantee contributions
- notification of superannuation contributions on payslips
- some relaxation of taxation treatment where excess concessional contributions are made
- higher concessional contribution caps for those aged 50 and over
- potential tax offsets on concessional contributions made by low income earners.

Further information about possible changes to the superannuation regime are available from Australian government websites.

## Account valuation

The fund must be valued at least monthly. Valuations normally occur weekly, and it is possible that valuations will occur daily in the future.

The value of the fund is the total of the market values of all assets of the fund, less the value of the liabilities of the fund including accrued and contingent liabilities.

As part of valuing the fund, each investment option is also valued and this determines the value of each member's account. The value of members' accounts is affected by changes in the value of the fund's assets and liabilities, the fees and costs charged against the account, contributions made into the account, payments made out of the account and any provision against the account to meet any fund liabilities.

## Valuing interests in the Fund when investing and withdrawing

Once an investment option is valued, a price is determined for interests (or units) in that investment option. That price is used when contributions are made into the fund to determine the number of interests or units that will be issued. The price is also used when you make a withdrawal from the fund. The price for interests or units is normally determined weekly on a forward pricing basis. This means that when processing contributions or withdrawals the price used will be a price calculated after the contribution or withdrawal request is received. In other words, the end of a week price is used for contributions or withdrawal requests received during that week. It is possible however that the price for interests or units will in future be determined on a daily basis and that the daily price will apply to contributions or redemptions received on that same day.

## Cooling off

If you make an investment with us and you change your mind, you must tell us in writing. You have 14 days to do so, starting on the earlier of:

- the day on which we send you confirmation that you are invested

- the end of the fifth day after the day on which we issue interests or units to you.

If you exercise your right to cool off, note that preserved and restricted non-preserved amounts can only be rolled over to another fund – they cannot be paid directly to you.

The amount rolled over or repaid will be adjusted to take into account the increase or decrease in the value of the investment from the date it was invested until the date we receive the notification from you. In addition, any transaction costs and reasonable administrative fees will be deducted. The contribution fee will be refunded.

The cooling off period does not apply to:

- a wholesale investor as defined by the Corporations Act 2001
- an investor who has previously exercised rights as a member of the fund
- switches between investment strategies.

### **When can you withdraw your superannuation?**

Superannuation is a long-term investment for your retirement. The Australian Government has placed restrictions on when you can get access to most of your superannuation savings.

These restricted superannuation savings are called preserved benefits, and the age at which you can gain access to them is called the preservation age. At present, your preserved superannuation benefits can be paid out only in the following circumstances:

- when you reach age 65
- when you cease employment on or after age 60
- if you retire on or after your preservation age, as set out in the following table

Preservation ages	
Born before 1/7/1960	55
Born between 1/7/60 and 30/6/1961	56
Born between 1/7/61 and 30/6/1962	57
Born between 1/7/62 and 30/6/1963	58
Born between 1/7/63 and 30/6/1964	59
Born after 1/7/64	60

- if you have a terminal medical condition (two registered medical practitioners have certified, jointly or separately, that you suffer from an illness, or have incurred an injury, that is likely to result in your death within a period (the certification period) that ends not more than 12 months after the date of the certification; and at least one of the registered medical practitioners is a specialist practicing in an area related to the illness or injury suffered by you)
- if you become permanently unable to work
- if you die, your superannuation will be paid to either your dependants or your legal personal representative
- if you suffer severe financial hardship or are eligible on specified grounds which are subject to government rules and the discretion of the trustee - in such cases, only some of your super savings may be withdrawn
- if you are a foreign national who has permanently left Australia (in this situation, tax rates different from those outlined in this document may apply), or
- where we receive a request from you to pay tax on excess concessional contributions.

You may be able to cash out some of your superannuation savings earlier. For example, when you change jobs you may be able to take out your own after-tax contributions paid into the fund prior to 1 July 1999.

## **Payment of benefits**

In normal circumstances, benefit payments, rollovers or withdrawal requests will be met within 10 business days of receipt.

At some times, particularly around the end of financial years and around the end of financial half-years, timeframes for payment can be longer because of fund accounting and audit requirements.

Payments out of the fund to a member (including account-based income stream payments) will only be made by electronic funds transfer to Australian financial institutions. No cheque payments will be made.

## **What will happen to your Australian Ethical Super if you die?**

### Death and investment options

It can take some time to finalise the release of your superannuation benefits to your dependents in the event of your death. There is a risk that after your death, your superannuation benefit could decline, particularly if it is invested into higher risk investment options. For this reason, we have decided that, upon verification of the death of a member, that member's superannuation balance will be placed into the Defensive option (which has the lowest risk of capital loss of the fund's available investment options).

### Beneficiary nominations

To provide greater certainty about who will receive your benefit in the event of your death, the fund provides two alternatives:

- a preferred beneficiary nomination, or
- a binding death benefit nomination.

The most appropriate nomination depends on your personal circumstances. There may be taxation and other implications in nominating your beneficiary, so we suggest that you seek professional advice before making a nomination.

Although you can nominate who your death benefit will be paid to, superannuation law and the fund's trust deed limits those people to whom a death benefit can be validly paid. A death benefit can only be paid to your dependents or your legal personal representative (estate). A dependent includes your spouse (including a de facto or same sex partner), your children, a person with whom you have an interdependency relationship or a person who is financially dependent on you.

### Preferred beneficiary nomination

Where you make a preferred beneficiary nomination, we will take into account your nomination, but it will not be binding. In this situation, in the event of your death, we will pay your benefit to your dependents or legal personal representative in proportions determined by us (while taking into account your preferred nomination). A preferred nomination will remain in place until it is amended or replaced, or until you make a valid binding death nomination. A valid binding death nomination overrides a preferred nomination.

### Binding death nominations

If you make a binding death nomination, then provided your nomination is valid and effective as at the date of your death, we will pay your benefit in accordance with your nomination.

A valid binding death nomination remains in effect for three years from the date it was first signed, last amended or confirmed. It is your responsibility to ensure that the nomination is confirmed or amended before it expires. A binding nomination does not take effect until it has been received and accepted by the trustee. If you have more than one superannuation account with us, a valid binding death nomination will apply to all accounts.

For a nomination to be valid it must meet certain conditions required by superannuation law. You can get more details and the relevant form from our website. If the nomination form is not in accordance with superannuation law or is unclear, the binding nomination may not be valid.

To revoke your binding death nomination you will need to give us a written notice which meets certain requirements – further details are available from our website.

If a binding death nomination expires or becomes invalid for any reason, it will no longer bind the trustee. The trustee will however take it into account in deciding how to pay your benefit.

### Changing circumstances

If your circumstances change (for example if you get married, have children or if a nominated beneficiary dies) it is important to consider whether your nomination still reflects your wishes – make sure you keep your nomination up to date.

### If you make no nomination

If you make neither a preferred or binding nomination then in the event of your death we will pay your benefit to one or more of your dependents and/or legal personal representatives in proportions determined by us. If you do not have any dependents or a legal personal representative at the date of your death, we will pay your benefit to any other person we determine as required by superannuation law.

### Anti-detriment payments

An additional amount may be included when a lump sum death benefit is paid to a member's spouse or child. This amount, called an anti-detriment payment, represents a reimbursement for contribution tax that was paid in respect of the member's benefit. If the trustee decides to make this payment, it will add the anti-detriment amount to your benefit (and subsequently receive a tax deduction in respect of the payment from the ATO).

### Keeping you informed

Every six months, as long as we have your current address you will receive a member statement showing the activity in your account – earnings, contributions and withdrawals, switches and any other transactions – together with current account values and your investment option selections. If you have provided an email address to us, your member statement will be provided via your online account, unless you request a hard copy by calling us on 1300 134 337.

An annual financial report for the fund will be provided on the Australian Ethical website. It will detail the financial position of the fund over the last financial year and any relevant superannuation issues which have arisen during that time. Hardcopy reports can be requested by calling 1300 134 337.

Members will also receive a twice yearly newsletter produced by Australian Ethical Investment which contains information on some of the underlying investments of the fund (those in the Australian Ethical investment trusts) and performance results of the investment options.

You can contact us or visit the Australian Ethical website for up-to-date information about the investment options.

You can also obtain a password to access your investment account details online.

### Enquiries and complaints

We welcome comments by phone, email, fax or letter. If members have problems or complaints about any aspect of our operation, please contact us. Some matters can be resolved over the phone or by email but we encourage you to put complaints in writing.

The appropriate supervisor will respond to any complaint within five working days, and seek a resolution of the complaint as soon as possible, certainly within 90 days. If you are not satisfied with our handling of your complaint or our decision, you may contact the Superannuation Complaints Tribunal. The tribunal is an independent body set up by the Australian Government to assist members or beneficiaries to resolve certain types of complaints with fund trustees.

The tribunal may be able to assist you to resolve your complaint, but only if you are not satisfied with the response received from our handling of your complaint. If you wish to find out whether the tribunal can handle your complaint and the type of information you would need to provide, phone the tribunal on 1300 780 808.

## Keeping your investment secure

When you invest with us, you will be given a member number which will appear on all our correspondence with you. We will assume you have authorised the release of the information you have given us, or details regarding your investment, to any person who quotes your member number together with other verification details. Do not give your member number to anyone unless you wish them to be able to obtain this information. If you wish to prevent someone to whom you have provided your member number from continuing to access your investment details (such as a previous adviser) you must notify us.

To make sure that your investment is secure you need to:

- make sure your details are up to date. You should advise us in writing of any changes including a change of name and address
- keep us informed of any changes to your adviser details
- ensure your member number and website access password are secure.

## How super is taxed

The following tax information is based on the tax laws that were current as at the date of the product disclosure statement.

Further information is available from the Australian Taxation Office. This information is not a substitute for professional advice. It is strongly recommended that you seek advice from a professional taxation adviser.

The tax treatment of superannuation is concessionary but complex and may be subject to regulatory change.

### **Taxation of contributions to the fund**

#### Non-concessional contributions

No tax is paid by the fund on contributions you make to the fund from income on which you have already paid tax – these are non-concessional contributions.

There is a cap on the amount of non-concessional contributions that you can make to superannuation funds before there are significant taxation implications (contribution caps are described earlier in this document).

If you exceed the cap on non-concessional contributions then the excess contributions will be taxed at the top marginal rate plus Medicare levy.

A member will be able to direct a superannuation fund to pay any tax due arising from such action.

#### Concessional contributions

All contributions paid by employers on your behalf, and personal contributions for which you claim a tax deduction (for example, where you are self-employed), are called concessional contributions.

Concessional contributions are part of the assessable income of the fund and therefore 15% is deducted from concessional contributions to meet tax liabilities.

There is a cap on the amount of concessional contributions that you can make to superannuation funds (contribution caps are described earlier in this document).

Any contributions paid in excess of the cap will be taxed at the top marginal rate plus Medicare levy.

### **Taxation of fund earnings**

Earnings on your accumulation superannuation investment are taxed at a concessional tax rate of 15%. The effective rate of tax incurred may be less than this because superannuation funds derive the benefit of a capital gains tax discount as well as franking credits on dividend income from share investments when companies have pre-paid company tax at 30%.

Earnings on assets supporting account-based income streams (allocated pensions) are not taxed.

## **Tax and rollovers**

Generally, a benefit rolled over to the fund from another Australian superannuation fund will not be taxed at the time of the rollover. The exception is when the rollover contains an untaxed component, in which case the component amount will be taxed at 15%. A higher rate of tax also applies to transfers over \$1 million from an untaxed scheme to a taxed scheme.

You should seek professional taxation advice if you wish to make a payment from an overseas superannuation fund into the fund.

## **Tax on benefits**

Generally, when you retire (at your preservation age or over), you can access your superannuation benefit. At that time you can elect to receive your benefit either as a lump sum or as an account based income stream.

## **Benefits received where you are aged 60 and above**

Benefits paid after attaining the age of 60 will be tax free.

## **Benefits received where you are aged less than 60**

Lump sums paid to a member under the age of 60 will have two components – a tax free component and a taxable component. You pay no tax on benefits received prior to age 60 on that part of your superannuation benefit that consists of the contributions you made from your after-tax income after 30 June 1983 and an amount that represents the portion of the benefit that accrued prior to 1 July 1983. The fund is required to calculate the latter amount as a fixed dollar figure by 1 July 2008. The tax free component applies to both income stream and lump sum payments from the fund.

The taxable component is the total value of the superannuation benefit less the tax free component. For those at or above preservation age the taxable component will be tax free up to a low rate threshold and then taxed at 15% plus Medicare levy for any amount above that threshold. The low rate threshold is set by the government and is indexed (see the Australian Taxation Office website for details). For those below preservation age the taxable component will be taxed at 20% plus Medicare levy.

If you are at preservation age or above but under age 60 and receive an income stream from a superannuation fund, your income stream will be taxed at marginal rates but you receive a 15% tax rebate on the taxable amount of your income stream. For example, if your annual income stream is \$20,000 and you have an annual tax free component of \$5000 then you will receive a tax rebate of 15% of \$15,000, which is \$2250.

It is strongly recommended that you seek advice from a licensed taxation adviser or financial planner if you are interested in receiving a lump sum payment or an account-based income stream before the age of 60.

## **Benefits received where you are terminally ill**

Benefits released to you because you have a terminal medical condition will be tax free.

## **Tax and death benefits**

### **Death benefits paid as a lump sum**

A lump sum death benefit payment will be tax free if paid to a person who is a dependent of the member at the time of death, as defined in the tax legislation (a spouse or former spouse, a child less than 18, a person with whom the deceased had an interdependency relationship just before death, or any person who was financially dependent on the deceased before death).

If a lump-sum benefit is paid to a non-dependent, tax is payable on the taxable component. The taxed element of the taxable component will be taxed at 15% and any untaxed element of the taxable component will be taxed at 30% plus Medicare levy.

You should be aware that the definition of dependant for tax purposes does not include adult children unless they were financially dependent on the deceased. If a lump sum death benefit is left to an adult child who is not financially dependent on the deceased, the taxable component of the benefit will be taxed at 15%.

Members should seek professional estate planning advice if they intend to leave superannuation benefits to non-dependents.

### Death benefits paid as income streams

The taxation of a death benefit paid as a reversionary pension will depend on the age of the primary and reversionary beneficiary. If the primary beneficiary was aged 60 or over at the time of death, then payments to the reversionary beneficiary will be tax exempt.

If the primary beneficiary was under age 60 at the time of death, the pension will be taxed at the reversionary beneficiary's marginal rate (less any deductible amount and income stream rebate) unless, or until, the reversionary beneficiary is aged 60 or over, in which case the pension becomes tax exempt.

Death benefits are able to be paid as an income stream to a dependent if the member dies before commencing an income stream. Death benefits are able to be paid as an income stream to a dependent child, although when the child turns 25, the balance in the fund will have to be paid as a lump sum (tax free) unless the child is permanently disabled.

An income stream will not be able to revert or be paid to a non-dependent upon the death of a person. These income streams will be paid out to the non-dependent as a lump sum. Please seek professional advice or contact the fund for further details.

### Tax file numbers

You can, but do not have to, give us your tax file number (TFN). We can collect your TFN under the Superannuation Industry (Supervision) Act 1993. Before deciding whether or not to supply us with your TFN you should take into account the following.

Your TFN will only be used for legal purposes. At present, your TFN is used for calculating tax on payments, providing information to the Australian Taxation Office, transferring or rolling over your benefits to another superannuation fund and for identifying or finding your superannuation benefits.

If in the future the law changes, these purposes may also change.

Your TFN may be disclosed to the trustee of any fund to which you transfer your benefits, unless you write to us requesting us not to do so. Your TFN will also be disclosed to the Commissioner of Taxation. Otherwise, your TFN will not be disclosed to any other person unless changes to the law require it.

Although it is not an offence not to quote your TFN you should be aware that where a TFN is not quoted, the top marginal rate plus Medicare levy will apply to concessional contributions.

The fund cannot accept non-concessional contributions if a TFN is not held.

**Employers please note:** If your employee completes a Tax file number declaration form and you make a super contribution for your employee, you must provide the employee's TFN to the fund within 14 days of receiving their declaration form unless the employee has indicated otherwise.

### Tax deductions

Where a tax deduction is available to the fund in relation to fees and premiums, this deduction is passed back to your account at the time of deducting the applicable fee or premium.

### Fees and other costs

### DID YOU KNOW?

Small difference in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100 000 to \$80 000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

### TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** website ([www.moneysmart.gov.au](http://www.moneysmart.gov.au)) has a superannuation calculator to help you check out different fee options.

This section shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the fund's assets as a whole.

Insurance premiums are set out in the fund's Insurance Guide, which is also available from our website.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

Type of fee or cost	Amount	How and when paid
Fees when your money moves in or out of the fund		
Establishment fee The fee to open your investment	Nil	
Contribution fee The fee on each amount contributed to your investment – either by you or your employer (excluding direct rollovers in)	Conservative, Balanced, Growth, Smaller Companies, International Shares – 3.6% Defensive – 0.5% Climate Advocacy.- Nil For example, if you directly invest \$5000 into the Conservative option, the contribution fee will be \$180.	Charged against each contribution, except on: <ul style="list-style-type: none"> <li>• Australian government co-contributions;</li> <li>• amounts reinvested under contribution splitting arrangements (these are treated as switches)</li> <li>• direct rollovers in</li> </ul> This fee is reduced for contributions of \$6000 and above, see Larger investment amounts - reduced contribution fees. There are no contribution fees on direct rollovers in. The contribution fee may be negotiable down to 0% if you retain a licensed financial adviser - see Adviser commissions and service fees.
Withdrawal fee The fee on each amount you take	\$53.10 for any one-off withdrawal. This fee does not apply to regular income stream	Deducted from a member's account balance at time of withdrawal. This fee is indexed to increase annually in

Type of fee or cost	Amount	How and when paid
out of your investment	payments.	line with movements in the consumer price index.
Termination fee The fee to close your investment	Nil	
Management costs - the fees and costs for managing your investment		
Annual member fee This is a member account-keeping fee charged to each member	\$53.10 p.a..	Member fees are deducted from member account balances in two installments in December and June.  This fee is indexed to increase annually in line with movements in the consumer price index.
Administration and investment management fee The fee to cover the general administration of the fund and for managing the fund's investments.	Defensive, Conservative, Climate Advocacy – 0.9% p.a.. Balanced – 1.49% p.a.. Growth, Smaller Companies and International Shares – 1.55% p.a.	The fee is taken into account during valuation through deduction from the fund's assets. Valuation normally occurs weekly.
Indirect costs/expenses The estimated amount you will pay indirectly for each investment option – includes fund expenses and underlying investment expenses	Defensive: 1.08% p.a. (Pension: 0.78% p.a.)  Conservative: 0.88% p.a. (Pension: 0.84% p.a.)  Balanced: 0.95% p.a. (Pension: 0.62% p.a.)  Growth: 0.88% p.a. (Pension: 0.58% p.a.)  Smaller Companies: 0.78% p.a. (Pension 0.47% p.a.)  International Shares: 0.73% p.a. (Pension 1.01% p.a.)  Climate Advocacy: 0.54% p.a.	The estimated figures for indirect costs/expenses are based on actual indirect costs for the year ended 30 June 2011, adjusted for known impacts (reductions in management fees, increases in fund administration expense and reductions in underlying investment expenses).  The actual amount of indirect costs will change from year to year. The actual amount varies depending on the size of the investment option, the type of assets held and the actual amount of expenses incurred.  These costs are not deducted directly from your account. They are deducted from the value of the fund and reflected in the unit price for an investment option. Valuation normally occurs weekly and these costs are taken into account as part of the weekly valuation cycle.  Your member statements provide details of other management costs and this includes indirect costs.  The figures shown in brackets show the indirect costs for the pension investment options.

Type of fee or cost	Amount	How and when paid
Service fees		
Investment switching fee The fee for changing investment options	0 - 3.075%	Applicable when switching from an investment with a lower contribution fee to one with a higher contribution fee. Where applicable, the fee is charged to an investor's account at the time of the switch – see switch fees.
Adviser service fee	Refer to Adviser commissions and service fees	

### Additional explanation of fees and costs

#### Larger investment amounts – reduced contribution fees

Reduced contribution fees are available for larger direct contributions:

Investment option	Direct		
	\$6K<\$30K	\$30K<\$200K	>= \$200K
Defensive	0.5%	0.5%	0%
Conservative	3.0%	2.0%	0%
Balanced	3.0%	2.0%	0%
Growth	3.0%	2.0%	0%
Smaller Companies	3.0%	2.0%	0\$
International Shares	3.0%	2.0%	0%
Climate Advocacy	0%	0%	0%

Reduced contribution fees apply at the time a contribution is made and do not apply to investments made through third parties such as financial advisers. Contributions via multiple payments must be paid into the fund on the same day for discounts to apply.

#### Discount for employees of default employers

A 0.5% discount applies on contribution fees that would otherwise apply to employer contributions made for a member, where that member's employer has nominated the fund as their default fund. The discount only applies down to a 0% contribution fee. The discount is also available for a member whose employer had and maintains as least five employees as members of the fund, and who has entered into a participation agreement with us.

The employer discount does not apply to advised members.

#### Ability to negotiate fees

Discounted fees may be offered based on other criteria – for example, total value of holdings, total period of time a person has been a member or cost of servicing a member. This would be determined by us when deciding how and to whom the discount would be offered. Discounts apply at the time a contribution is made. We provide a nil contribution fee to our staff and staff of related parties and may offer it to like-minded organisations.

#### Adviser commissions and service fees

If your investment is made through a licensed financial adviser then the following arrangements apply:

1. Up-front commission – we will pay the contribution fee that we collect to your adviser as a commission. The amount of the commission we pay is negotiable between you and your adviser. If your adviser completely waives their commission, you will not be charged a

contribution fee by us. If your adviser accepts a lower commission, we will reduce your contribution fee accordingly.

- Switch commission – we will pay the switch fee that we collect to your adviser as a commission. The amount of the commission we pay is negotiable between you and your adviser. If your adviser completely waives the switch commission, you will not be charged a switch fee by us. If your adviser accepts a lower switch commission, we will reduce your switch fee accordingly. We will not retain any of the switch fee for advised members.

Maximum switch fees for advised members are:

Investment option	Advised
Switch fee	%
Switching from Defensive	3.075
Switching from Climate Advocacy (except to Defensive)	3.075
Switching from Climate Advocacy to Defensive	0.5

- Adviser service fee – upon your instruction, up to 1.1% per annum of your account balance may be paid to your adviser. For example, on a \$50,000 investment, at 1.1% per annum, this would amount to \$550 for the year. The service fee is set by negotiation between you and your adviser. The fee is ongoing and we will continue to pay your adviser until you instruct us otherwise. The fee is deducted from your account balance monthly and paid to your adviser quarterly in arrears. The fee is an additional fee and is paid in addition to our management fees.

Important:

If you have a licensed adviser, and then subsequently instruct us that you no longer want to have a relationship with that (or any other) licensed adviser, then your contribution fees will revert to 3.6% on each contribution (subject to your investment option choice and other discounts that may apply).

### Switch fees – direct members

Switch fees apply when switching from an investment option with a lower contribution fee to an investment option with a higher contribution fee. This fee is discounted for switches in excess of \$6000.

Investment option	Direct			
	\$0K<\$6K	\$6K<\$30K	\$30K<\$200K	>=\$200K
Switch fee %				
Switching from Defensive	3.075%	2.5%	1.5%	0%
Switching from Climate Advocacy (except to Defensive)	3.075%	3.0%	2.0%	0%
Switching from Climate Advocacy to Defensive	0.5%	0.5%	0.5%	0%

Please note that the switch fee can be waived if you have previously switched an investment option with a higher contribution fee into one with a lower contribution fee and you are now seeking to switch back. For example, you may have had an investment in the Balanced option, switched that investment to Defensive for a period, and then decided to switch it back into Balanced. If you are in this situation, please make sure that you contact us at the time of making the switch so that we can ensure that you are not charged contribution fees twice.

### No contribution fees on rollovers into the fund – direct

We do not charge contribution fees for direct rollovers into the fund from other superannuation funds.

If you have an advisor, contribution fees will be deducted and paid to your adviser as commission. The amount of the commission we pay is negotiable between you and your adviser and your adviser may choose to completely waive their commission, in which case no contribution fee will apply.

### Transaction costs and buy–sell spreads

Transactions costs are taxes, duties and other costs (such as brokerage) related to buying and selling assets in the fund. Buy-sell spreads are used widely by superannuation funds to improve equity for members as they come and go from the fund.

When you invest, switch or withdraw all or part of your investment, we will use a buy–sell spread to recover transaction costs from you so that other investors are not paying the costs of your transaction.

Buy–sell spreads are:

Investment option	Buy spread	Example: cost to you on contribution of \$5000	Sell spread	Example: cost to you on withdrawal of \$5000
Conservative	0.03%	\$1.50	0.03%	\$1.50
Balanced	0.11%	\$5.50	0.08%	\$4.00
Growth	0.05%	\$2.50	0.05%	\$2.50
Smaller Companies	0.04%	\$2.00	0.03%	\$1.50
International Shares	0.08%	\$4.00	0.05%	\$2.50
Climate Advocacy	0.1%	\$5.00	0.07%	\$3.50

The buy–sell spread is an adjustment to the unit price so that there is a difference between the entry and exit price. It is an additional cost to you and is incurred when you invest, switch or withdraw. The buy-sell spread is retained within the fund for the equity of members. It is not a fee paid to us. The imposition of a buy-sell spread is built into the unit price and therefore will not appear on your statements.

If an investment option is not listed in the table above, then no buy-sell spread applies. We may vary the buy–sell spread from time to time if transaction costs change. Notice will not normally be provided, however updated information will be available on our website and in regular communications.

### Insurance charges

If you have insurance through the fund, then 12.5% of insurance premiums will be paid as insurance commission. If an adviser is attached to your account, 12.5% will be paid to your adviser; otherwise it will be paid to us. Premiums (including the commission) will be deducted in advance in July of each year. If you leave the fund or if your insurance is cancelled during the year your account will receive a refund of the unused premium (including any commission).

### Family law fees

We may charge reasonable fees for our costs when providing family law-related services such as payment flagging, payment splitting and information applications. Under normal circumstances, an administration fee of \$113 will apply. This is payable upon initial request for family law-related services. The amount of fees payable will however vary depending on the degree of involvement required by us to administer the service. Applicants and members should also be aware that any legal or court costs incurred by us in relation to a member account may also be payable. Payment procedures for ongoing matters will vary according to the services requested.

The fee to split a member's account due to family law arrangements is \$90.

### Member protection benefits

If your account balance falls below \$1000 (and includes or has included compulsory employer contributions) then you will not be charged administration costs that are higher than the investment returns received for a reporting period. If total investment returns for a reporting period are not sufficient to cover the total administrative costs for the fund, we will charge an amount equal to the amount of any positive investment returns credited to your account, plus \$10 per account, as permitted by superannuation law.

### GST

Goods and services tax (GST) is not payable on the issue, withdrawal or transfer of units in the fund, as these are input-taxed financial supplies for GST purposes. When fees and costs are shown in this section (unless otherwise stated) the net cost of GST is included. If the GST rate or arrangements change, the total amount you pay may change even though fees due to us are not increased.

### Changes to fees and maximum allowable fees

All fees can change. Reasons might include changing economic conditions or changes in regulations. Please note that we have the right to change fees without your consent. We would always give you at least 30 days' notice of any proposed increase to our fees.

We have advised above that some fees are indexed. These fees will be increased in accordance with the specified indexation annually. Notice will not normally be provided.

Our current fees are lower than the maximum allowed in the trust deed. The trust deed sets out the maximum amounts that we may charge. We are entitled to charge contribution or exit fees of up to 6% of the amount contributed or withdrawn. We are also entitled to charge up to 3% per annum for the administration and investment management fee and 3% for switches and up to \$100 (plus indexation) for the member account-keeping fee. The trust deed also allows the trustee to charge an indexed flat fee of \$4 on all regular contributions. All fees quoted in this paragraph are exclusive of GST and the net cost of GST would be in addition to the stated fees.

Under the trust deed, recovery of a wide range of expenses is allowed and we may also levy special fees for any additional services we provide. We do not currently intend to make changes to the fees set out above and, except as indicated, will not increase those fees without advance notice to members.

## Other information about Australian Ethical Super

### **Trust deed**

The fund is governed by a trust deed and operated according to its terms by us as trustee.

We have a general power to amend the deed. Where the amendment may adversely affect your rights, the laws governing superannuation funds may require your prior written consent.

The trust deed, together with superannuation law and the general law of trusts, sets out the rules under which the fund operates, including such matters as the remuneration of the trustee, maintenance of the fund's accounts and trustee duties. The trust deed also excuses the trustee from liability to investors except where it acts dishonestly or with a reckless or intentional disregard for the proper degree of diligence and care. In certain circumstances, Australian Ethical Superannuation Pty Ltd may be permitted or required to retire as trustee and the fund may in some situations be wound up. Members (of all investment options) would participate in any wind-up in proportion to their interest in the fund.

The trust deed provides that the liabilities of members will not exceed their interest in the fund, however the law in this area is uncertain and no absolute assurance can be given.

The trust deed is available from us on request, or via the Australian Ethical website.

### **Lost members**

Under Australian Government regulations we record members as lost if at least two written communications sent by the fund to a member's last known address are returned unclaimed. If this occurs then your benefit may be transferred to the eligible rollover fund.

### **Eligible rollover fund**

An eligible rollover fund is a fund established under superannuation law which accepts benefits of members from other funds in certain circumstances.

We have chosen the Australian Eligible Rollover Fund as our eligible rollover fund.

A member of the fund may be transferred to the eligible rollover fund:

- if they are a lost member with a balance of less than or equal to \$1000;
- if they are a lost member with a balance of more than \$5000, where they have been a lost member for a period of five years or more;
- if they have a balance of less than \$3000 and no contribution has been received from or on behalf of the member for a period of two years.

We will attempt to contact relevant members before they are transferred to the eligible rollover fund.

Being transferred to the Australian Eligible Rollover Fund may affect your benefits because you will cease to be a member of the fund. If you hold insurance cover through the fund, this insurance will cease. A member transferred to the eligible rollover fund will be subject to the governing rules of that fund and a different fee structure and investment strategy will apply. If your benefit is transferred to the eligible rollover fund, you may require the following contact details:

Australian Eligible Rollover Fund  
Locked Bag 5429  
Parramatta NSW 2124  
1800 677 424

### **Temporary residents**

If you are, or have been, working in Australia on a temporary resident visa and you are not a permanent resident or an Australian or New Zealand citizen, then once you permanently depart Australia you are able to apply for and be paid your benefit from the fund. If you have not been paid your benefit after six months of departing Australia and your temporary visa has expired or

been cancelled, your superannuation benefits must be transferred from the fund to the Australian Taxation Office (ATO).

If this occurs, you will need to claim your superannuation benefit direct from the ATO. For more information, contact the Australian Taxation Office.

## **Same sex partners**

Same sex couples are entitled to the same treatment as opposite sex couples in all superannuation matters. De-facto and same sex couples also have rights to property settlement under the Family Law Act.

The definition of a child under superannuation law, of the member or the member's spouse, is: a child; adopted child; foster child; ward; or child within the meaning of the Family Law legislation, including a child of a same-sex couple.

## **Superannuation and family law**

Under the Family Law Act, superannuation entitlements can form property of a marriage. This means that, in the event of marriage breakdown, a member's superannuation account can be split and the spouse or former spouse of a member can receive:

- a new superannuation account in the fund, or
- an eligible termination payment that may be cashed (subject to meeting a condition of release) or rolled over.

Superannuation entitlements can be split either by a court order or an agreement (the agreement must meet legislative requirements). Also, a member, a member's spouse or someone who intends to enter into a superannuation agreement (for example, a pre-nuptial superannuation agreement) can request information from the super fund and the trustee must comply with the request. If a non-member requests the information and the request complies with legislative requirements, the trustee must not disclose to the member that the request has been made.

As the legislation is complex, we recommend that you seek professional advice from your legal adviser or the Family Court as to the consequences of separation and divorce on your superannuation interests. Please note that fees will apply to the administration of family law related entitlements.

### **Anti-money laundering/counter-terrorist financing**

The Australian Government has enacted anti-money laundering and counter terrorist financing legislation that applies to us. You should be aware that as part of our compliance with these laws:

- we will need to verify your identity
- transactions may be refused or delayed
- we may from time to time require additional information from you to enable a transaction to proceed.

You should also be aware that under the legislation we are required to disclose information about suspicious transactions to regulatory and/or law enforcement agencies.

You must not initiate, engage in or effect a transaction that may be in breach of Australian law, or the law of any other country.

## **Privacy**

We use personal information about you to administer your investment and also to conduct research.

Information may pass between us and our parent company, Australian Ethical Investment Ltd. Information will also be provided to our service providers as necessary to administer your account. Otherwise we will not tell anyone any information that we have about you unless:

- your member number is quoted
- the law requires it

- your authorised adviser needs the information or
- we, or someone from our group, needs it to send promotional material to you. If you do not want this, contact us at any time.

You can always access the personal information we hold about you – simply contact us. We collect, store and use the information that members provide on their application form and in other communications they may have with us. The information that members give us is used for a variety of purposes. We use information primarily to administer member accounts. However, it may also be used for other purposes, including general correspondence with members, their advisers or other authorised representatives, as well as for administrative or market analysis and product development.

Please visit the Australian Ethical website or contact us if you would like a copy of our privacy policy.

### **The auditor**

We are required to appoint an auditor to the fund. The auditor must be a registered auditor. The current auditor of the fund is Mr Jeff Ryan of Thomas Davis and Co.

### **Service providers**

We are assisted in the operation of the fund by a number of external service providers. At all times, we remain legally responsible for functions performed by external service providers. We review the performance of external service providers and may from time to time change service providers where that is considered to be in the best interests of fund members.

Current external service providers are detailed on the Australian Ethical website.

Our parent company, Australian Ethical Investment Limited, has responsibility for providing the following services:

- offering interests in the fund to investors
- providing investment management
- providing member assistance, management support, compliance and risk management functions
- providing information about the fund and its features to the public.

### **Interests of the directors of the trustee**

Currently, one of our four trustee board directors is also a director of the parent company.

Our directors, and/or directors of Australian Ethical Investment Limited:

- may have interests in the fund
- may become directors of companies in whose shares or investment products we invest
- may own shares in companies in whom we invest
- may have unit holdings in the Australian Ethical trusts
- may have, or may be associated with, companies who have shares and/or share options in Australian Ethical Investment Limited
- may be associated with companies who provide services to Australian Ethical Investment and receive remuneration in that capacity
- may be employed by Australian Ethical Investment Limited
- may provide consultancy services to us or to Australian Ethical Investment Limited.

### **Conflicts of interest**

We maintain a conflicts of interest policy and a conflicts of interest register to assist us to manage conflicts of interest.

One conflict recorded on the register is the relationship between us and our parent company Australian Ethical Investment Limited. We owe duties to fund members, and Australian Ethical Investment Limited owes duties to its shareholders. Australian Ethical Investment Limited provides services to us and receives payment for those services. Current trustee directors hold beneficial interests in shares in Australian Ethical Investment Limited.

We manage these potential conflicts of interest in the following ways:

- responsible officers of the trustee are made aware through induction and training of the statutory and fiduciary obligations of the trustee to superannuation members under SIS and the trust deed
- our board acts as follows:
  - to ensure its solvency
  - in accordance with SIS covenants, the trust deed and the law; and then
  - in the interests of the Australian Ethical 'group' as a whole.
- our board has an independent chair (who is not a director of Australian Ethical Investment Limited) and has an equal number of independent directors (who have no material personal interest in the financial performance of the parent company)
- the Australian Ethical Investment Limited board and its chief executive officer are required to ensure that any advice provided to us is balanced and canvasses carefully pros and cons of alternative courses of actions, particularly where that advice may impact of the relationship between us and Australian Ethical Investment Limited
- trustee directors (and in particular the chair) are cognisant of the trustee's power to seek external, independent professional advice under the trust deed (clause 8.3(d)) in situations where they are concerned about potential conflicts of interest with the parent company, where such conflicts could operate to the detriment of superannuation members
- disclosures about the parent/subsidiary relationship are included in the product disclosure statement.

## **Consents**

CAER has given written consent to be named in the product disclosure statement in the form and context in which it is included and such consent has not been withdrawn before issue.

Thomas Davis & Co and Mr Jeff Ryan have given written consent to be named in the product disclosure statement in the context in which they are included and such consent has not been withdrawn before issue.

The insurer for the fund, is TAL Life Limited ABN 70 050 109 450, AFSL 237848 ("TAL"), who has given written consent to be named in this product disclosure statement and such consent has not been withdrawn before issue. TAL takes no responsibility for any other part of the product disclosure statement nor has it authorised or caused the issue of the product disclosure statement.

Australian Ethical Investment Limited has given written consent to be named in the product disclosure statement and to the inclusion of statements about Australian Ethical Investment Limited in the form and context in which the statements are included and such consent has not been withdrawn before issue. Australian Ethical Investment Limited takes no responsibility for any other part of the product disclosure statement nor has it authorised or caused the issue of the product disclosure statement.

Neither Thomas Davis & Co, Mr Jeff Ryan, TAL, CAER or Australian Ethical Investment Limited make any statement in the product disclosure statement nor does any statement in the product disclosure statement purport to be based on a statement by them.