

Australian Ethical[®] Investment

for Investors, Society and the Environment

Company Procedure Control Sheet

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| Procedure Title: | Remuneration Policy | |
| Section: | Human Resources | |
| Identifier: | HR-1 | |
| Date Procedure Effective: | 2001 | |
| Approved by: | AEI Board / Remuneration and Nominations Committee | |
| Date of Approval of this version: | 3 April 2009 | |
| Compliance Plan Reference: | N/A | |
| Procedure Documentation (i.e. document(s) that describe the procedure) | | |
| Name of Document | Location of document | |
| <i>HR-1 Remuneration Policy 3 April 2009</i> | <i>Company Intranet, Policies, Procedures, HR</i> | |
| Hardcopies attached (Yes/No): | Yes | |
| Reference Documentation (i.e. document(s) relied upon or referred to in developing the procedure) | | |
| Name of Document | Location of documents | |
| | | |
| Modifications | | |
| Authority to approve modifications: | <i>AEI Board</i> | |
| Date of Modification | Brief description of modification | Approved by |
| 3 April 2009 | Changes to reflect the implementation of flexible remuneration strategies, changes to share ownership schemes and changes in external environment | Remuneration and Nominations Committee – 3 April 2009 |

Company Policy / Procedure

Title: **Remuneration Policy**
Date: **3 April 2009**
Version: **3.0**

AEI's remuneration policy is designed to accord with the principles of the Australian Ethical Charter, as set out in the constitution of the Company. It is designed to ensure AEI **does not**

"exploit people through the payment of low wages or the provision of poor working conditions"

and to facilitate:

"the development of workers participation in the ownership and control of their work organisations and places"

AEI's ability to enhance its commitment to its employees has increased as the profitability of the company has grown.

AEI's fundamental remuneration policy is to treat all employees in an equitable fashion. All permanent employees (including the CEO and executive directors) receive a cash salary and participate in the constitutional bonus and general share ownership arrangements.

Fixed remuneration is not subject to set performance hurdles.

Salary Monitoring and Reviews:

The company adopts an in-principle guideline of paying individual staff a Total Fixed Remuneration based on 80% to 120% of the 50th percentile identified in a bi-annual salary survey.

All salaries are benchmarked annually against the wider market place including participation in two major salary surveys and a policies survey annually. Additionally individual employee salaries are reviewed annually taking into consideration any changes in the following factors:

- role scope/responsibility;
- skills/knowledge required to fulfill the role and responsibility; **and**
- market place movement assessed through the use of industry and location specific benchmarks.

All employees will receive written notification of the composition of their remuneration and benefits package on commencement of their employment and at the time of salary review or other agreed changes.

Flexible remuneration strategies will be developed as required to meet specific employee requirements, facilitate retention/maintenance of a high quality work force and to ensure employees are rewarded relative to their input to the organisation.

Important points are:

- Participation in specific remuneration arrangements may be on an individual or team basis.
- Eligibility to participate in specific remuneration arrangements is dependant on the role, responsibilities, scope and impact of individual employees or teams in the case of a team based scheme.
- Recommendations for individual employees or teams to participate in such schemes will be made by individual Section Managers.
- Details will be negotiated on an individual basis with relevant employees or teams.

Flexible remuneration strategies may include cash or share based rewards.

Constitutional Bonus: All permanent employees are eligible to participate in the constitutional bonus which is determined under the company's Constitution. Each year the bonus is set at the discretion of the Directors with reference to the profit of the company. Each eligible employee receives the same FTE amount. The Constitution provides that the bonus can be (and often has been) satisfied by the issue of shares.

Note: In this context permanent means an employee who has completed their probation **and** has received a formal letter of confirmation of permanent employment.

General share ownership arrangements: All permanent employees are eligible to participate in the company's general share ownership arrangements. Each year a pool of options or share rights is established for issue to all permanent employees. The number of options or rights received by an individual staff member depends on their salary level. The options or rights are subject to a general performance hurdle or hurdles with the aim of aligning the interests of employees with those of shareholders. Options or rights granted under the company's general share ownership arrangements will typically not vest for a period of three years from the date of grant, and (except in some limited circumstances) will expire if an employee leaves before that time.