

Pension Additional Information Booklet

1 April 2020

About this material

This document provides more detailed information than that provided in the Australian Ethical Super Product Disclosure Statement (PDS). The material in this document is incorporated into the PDS.

The information in this Pension Additional Information Booklet (Booklet) forms part of the PDS for the Australian Ethical Retail Superannuation Fund (the Fund) dated 1 April 2020.

The information in the PDS is designed to help you:

- decide whether the Fund will meet your needs
- compare the Fund with others you may be considering.

The Fund's PDS is available free of charge by downloading it from our website, australianethical.com.au/super/pds contacting us on **1300 134 337** or emailing us at members@australianethical.com.au. The PDS should be considered before deciding whether to acquire, or to continue to hold, interests in the Fund.

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

If you invest in the Fund, you should keep a copy of this Booklet and the PDS for your records.

Important...

This Booklet has been prepared by Australian Ethical Superannuation Pty Ltd (ABN 43 079 259 733, RSE L0001441) (Trustee) which is the trustee of the Australian Ethical Retail Superannuation Fund (ABN 49 633 667 743, USI AET0100AU) (Fund). Australian Ethical Investment Ltd (ABN 47 003 188 930, AFSL 229949) (Australian Ethical) offers to arrange for the issue of interests in the Fund, pursuant to an arrangement between Australian Ethical and the Trustee. The Trustee issues interests in the Fund in accordance with such offers, where the offer is accepted.

This Booklet should be read in conjunction with the Product Disclosure Statement (PDS). The PDS is an offer by Australian Ethical.

Information contained in the PDS, the Additional Information Booklets and the Insurance Guide may change from time to time. You can find out about any updated information that is not materially adverse by visiting our website at australianethical.com.au/super/pds We will give you advance written notice of any materially adverse changes. You can also request a free paper copy or electronic copy of any updated information by contacting us on **1300 134 337**.

Contact us

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Join online australianethical.com.au/join-now

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1 About Australian Ethical Retail Superannuation Fund

Australian Ethical Investment Ltd (Australian Ethical) is a publicly-listed funds management company, which has a long history of actively seeking out investments that are positive for society and the environment, and avoiding investments in harmful activities.

Since pioneering ethical investment in Australia in 1986, Australian Ethical has grown to manage superannuation (super) and investments for more than 45,000 investors.

Australian Ethical Superannuation Pty Ltd (Australian Ethical Super), the Trustee of the Australian Ethical Retail Superannuation Fund (the Fund), is a wholly owned subsidiary of Australian Ethical.

Ethical investment is our only business

Australian Ethical believes the more money doing good for the planet, the better. Since 1986 Australian Ethical has been influenced by the 23 principles of the Australian Ethical Charter to invest in ethical and responsible initiatives that can have a positive impact on the planet, while achieving competitive long-term returns. Australian Ethical avoids investments in corporations that operate in harmful industries such as coal, oil, weapons, tobacco, gambling or are involved in human rights abuses. The Charter not only drives Australian Ethical's investment choices, but underpins every aspect of our business practices.

Australian Ethical strives to be a leader among ethical and responsible funds. Australian Ethical is a signatory to the United Nations' Principles for Responsible Investment, and our funds have achieved certification by the Responsible Investment Association of Australasia (RIAA)¹.



Australian Ethical is one of the founding B Corporations in Australia and the first company listed on the ASX to receive B Corporation certification in 2014.

Each year since then, Australian Ethical has been included on the B Corporation 'Best for the World Honorees' which lists the top 10% of all certified B Corporations globally.

Australian Ethical believe it's important for businesses to play a leadership role in making the world a better place, not just to make profit. That's why Australian Ethical sets aside 10% of its after-tax profits (before bonus expense) every year to put back into the community via Australian Ethical's community grants program, through our registered charity, the Australian Ethical Foundation Limited (ABN 14 607 166 503). This initiative provides financial support to not-for-profit and social impact organisations that contribute to humanitarian, environmental and animal welfare efforts in Australia and overseas.

Further information

Additional information about our investment options and governance of the Fund is available on our website at australianethical.com.au/super

¹ The Certification Symbol signifies that a product or service offers an investment style that takes into account certain environmental, social, governance or ethical considerations. The Symbol also signifies that Australian Ethical has adopted strict operational and disclosure practices required under the Responsible Investment Certification Program for the category of Superannuation Fund. The Certification Symbol is a Registered Trade Mark of the Responsible Investment Association Australasia (RIAA). Detailed information about RIAA, the Symbol and Australian Ethical's methodology and performance can be found at www.responsibleinvestments.com.au, together with details about other responsible investment products certified by RIAA. The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.

2 How a pension works

Superannuation (super) is a tax effective way to save for your retirement given that the Government provides tax concessions and other benefits. For many Australians super will be their largest asset.

When you retire you can use your super to commence an account-based income stream (pension). A pension offers many benefits including regular income payments and tax-free investment earnings. If you're receiving a pension from your super, you may also be eligible to claim the Government Age Pension. For assistance about the Age Pension, please contact Centrelink on 132 300.

Transition to retirement

If you have reached your preservation age (see table below), and have not yet retired, you may be able to supplement your income offered by a transition to retirement pension.

By commencing a transition to retirement pension, you could receive an income stream from your super to supplement your income if you choose to reduce your working hours. If you continue to work full-time you may be able to boost your super savings through a salary sacrificing arrangement.

We recommend you seek financial advice if you are considering starting a transition to retirement pension.

| Preservation ages | |
|-------------------------------------|----|
| Born before 1/7/1960 | 55 |
| Born between 1/7/1960 and 30/6/1961 | 56 |
| Born between 1/7/1961 and 30/6/1962 | 57 |
| Born between 1/7/1962 and 30/6/1963 | 58 |
| Born between 1/7/1963 and 30/6/1964 | 59 |
| Born after 1/7/1964 | 60 |

The accounts available and who can contribute

Australian Ethical offers two types of accounts:

- accumulation – this account (often called the accumulation division) gathers and builds your savings. Benefits are usually paid out as a lump sum or transferred to a pension account on retirement. Insurance is available in an accumulation account. For information on accumulation accounts, please refer to the Super Additional Information Booklet and the Insurance Guide.
- account based pension – this account (often called the pension division) allows you to draw on your savings in regular payments during retirement or in some circumstances, pre-retirement. Insurance is not available in an account based pension. This Booklet provides information about pensions for people in retirement and for those transitioning to retirement.

If you are contributing to super, your contributions will be allocated to the accumulation division of the Fund.

The Fund maintains a separate account for each member. It is possible to maintain both an accumulation account and a pension account. The account records all transactions such as contributions, rollovers and withdrawals, the investment option(s) you have selected and their current value. You can keep track of your super by logging into your account via our member portal.

Commencing a pension

Once you have met a relevant condition of release¹, you can commence a pension from your superannuation monies held within the Fund or from another superannuation fund. Before your pension starts, you will need to combine all of the superannuation monies you wish to use to commence your pension into one account.

Your pension will be invested in the investment option(s) you choose. If you do not select an investment option for your pension your account will be invested in the Conservative investment option.

The minimum amount you need to start your pension with the Fund is \$30,000.

The transfer balance cap means that you cannot transfer more than \$1.6 million to start a pension account or multiple pension accounts across all superannuation funds. (Transition to retirement pension accounts are not included). If you transfer an amount above this cap you will have to remove the excess plus deemed earnings from the pension account. Additional tax may also be payable. Refer to the ato.gov.au/individuals/Super page for more information on the transfer cap.

If you exceed your transfer balance cap, we may receive a notice from the Australian Taxation Office (ATO) requiring us to remove an excess amount from your pension account. If this occurs, we may commute the excess amount to an accumulation account. Any excess amount commuted to an accumulation account will be invested in Balanced (accumulation) unless you instruct us to invest it in another option.

Once you have commenced your pension, you cannot make additional contributions to your account. If you decide to contribute further money, you will need to transfer your benefits back to an accumulation account and then commence a new pension account.

You should consider if contribution caps or age limits will restrict the contributions you can make to an accumulation account before deciding to recommence your pension.

Further information on contributing to an accumulation account is provided in Section 2 of the Super Additional Information Booklet available at australianethical.com.au/super/pds

You should seek professional advice to understand the options available to you and to consider your personal circumstances.

¹ The main conditions of release are permanently retiring after reaching your preservation age, leaving employment after reaching age 60, reaching age 65 or permanent incapacity.

2 How a pension works continued

If you are commencing a transition to retirement pension, or if you wish to continue your insurance cover in the Fund, you will need to have two accounts:

- your pension account
- your accumulation account into which your employer contributions and salary sacrifice contributions can be paid and from which insurance premiums can be deducted.

When you retire you can consolidate your accounts by transferring your pension account back to an accumulation account and commence a new pension.

It is important to consider if you will continue to receive contributions before closing your accumulation account.

Pension payments

The amount you choose to draw from your pension will depend on your lifestyle, any other income sources you have and how much you can afford. You can choose both the frequency of your pension payments and the amount you receive, subject to a minimum annual amount set by the Government. Transition to retirement pensions are also subject to a maximum annual payment amount.

Your annual minimum and maximum pension limits are calculated on your pension balance at commencement and then annually at the start of each financial year. If you have nominated to receive the minimum amount from your pension, the amount you will receive will change year to year depending on the value of your pension account on 1 July each year.

Commencement of your pension

At the commencement of your pension and at the start of each financial year, you must nominate to receive at least one pension payment for the year. Your pension can be paid monthly, quarterly, six-monthly or annually. Annual payments cannot be paid in July. Pension payments are made in the middle of each month.

If you start a pension before 1 June, a pension 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 a pension on or after 1 June in any financial year, you can choose whether to have a pension payment in that financial year. However, you must receive a pension payment by 30 June in the following financial year. You can alter the frequency or amount of your pension payments at any time, provided your nominated amount is greater than your minimum pension payment over the course of a financial year.

Each year you will be sent the information required to complete your tax return, including details of any tax withheld from your pension and other information required by Centrelink.

Payments are made by direct credit to your nominated Australian bank account. You can change the account that your pension is paid to at any time by completing the Change of Details form available at australianethical.com.au/pensions/forms or by calling us on **1300 134 337** and providing a bank statement.

If your pension account is invested in more than one investment option, you can nominate the investment option(s) that your pension payments are drawn from. If you do not select a drawdown order, your pension payments will be drawn proportionally from your investments options.

| Age | Minimum pension payment [^] | Maximum pension payment [^] |
|----------|--------------------------------------|--------------------------------------|
| Under 65 | 2% | 10% for transition to retirement* |
| 65-74 | 2.5% | N/A |
| 75-79 | 3% | N/A |
| 80-84 | 3.5% | N/A |
| 85-89 | 4.5% | N/A |
| 90-94 | 5.5% | N/A |
| 95+ | 7% | N/A |

[^] These figures are applicable for the 2019/20 and 2020/21 financial years and are subject to change.

* A maximum payment amount applies to transition to retirement pensions.

2 How a pension works continued

Important... You can keep up-to-date with the unit prices and performance of all the investment options through our website or by contacting us.

You can continue to receive a pension until your account balance is fully paid out or you close your account.

It is important to remember that the balance of your account may not be sufficient to pay an income stream for the rest of your life.

When deciding on the level of pension payments you choose to draw from your pension account, you should consider how long your pension needs to last.

Account valuation

Your account is subject to market movements and the value of your account will fluctuate with the performance of your investments.

The value of the Fund is the total market value of all of the Fund's assets less the total value of the liabilities of the Fund, including accrued and contingent liabilities. The value of your account is affected by changes in the value of the Fund's assets, the fees and costs charged against your account, payments made out of your account and any provision against your account to meet any Fund liabilities.

Each investment option in the Fund is valued daily. This in turn determines the value of each member's account.

There may be special circumstances when the Fund is valued less frequently, such as during the end of financial year period.

Valuing interests in the Fund when investing and withdrawing

Once an investment option in the Fund is valued, a price is determined for interests (or units) in that investment option. Each investment option within the Fund is unitised. When you switch your investment, change your mix of investment options, or roll out your funds, you are in effect buying and selling units. As such, your investment will be affected by the buy and sell price that applies on the day the action occurs.

The unit price is used when switches or withdrawals are made in order to determine the number of interests to be issued or redeemed. When processing switches or withdrawals, the price used will be the price calculated after the switch or withdrawal request has been received.

Withdrawing your pension

If you have retired you can request a lump sum withdrawal (commutation) from your pension at any time, as long as you have received your minimum pension payment for the year. You can request either a partial withdrawal or a full withdrawal. If you withdraw your entire balance your pension will cease and your account will be closed.

If you have not yet retired or met another condition of release, lump-sum withdrawals from your transition to retirement

pension will be limited to any unrestricted non-preserved benefits you hold.

The amount of your unrestricted non-preserved benefit is shown on your member benefit statement, our member portal or can be obtained by calling us on **1300 134 337**.

You can request to roll your pension back to an accumulation account and cease your pension payments at any time.

In normal circumstances, your request for a withdrawal (commutation) from your pension will be actioned within 5 business days of our receipt of your request.

Requests to rollover benefits to another APRA regulated superannuation fund, will normally be processed within three business days. At some times, particularly around the end of financial year and half-year, timeframes for payment or transfers of benefits may be longer.

Transfers to self-managed super funds may take longer to process and require additional information.

Further information is provided on our Withdrawal Form available at australianethical.com.au/super/forms

Payments out of the Fund to a member will only be made by electronic funds transfer to an Australian financial institution. We are not able to make payments by cheque.

What will happen to your benefits if you die?

Death and investment options

When you die your account balance and any other benefits will be distributed by the Trustee of the Fund in accordance with the Superannuation Industry (Supervision) Act 1993 (SIS Act) and any valid binding death nominations you have made. You can nominate one or more benefit dependants or a legal or personal representative. Under the SIS Act your dependants that you can nominate to receive a benefit include:

- your spouse (this includes de-facto of the same or opposite gender)
- a child
- a person with whom you have an interdependency relationship (as defined in the SIS act)
- someone who is financially dependent on you.

There are different taxation implications to individuals entitled to receive superannuation death benefits following your death. Please refer to section 7 for more information about who is considered a dependant under the tax law.

To help preserve the value of your account balance, when we verify your death, your superannuation balance will be invested in the Defensive investment option if there is no reversionary beneficiary nominated.

2 How a pension works continued

Beneficiary nominations

You can make a preferred beneficiary nomination or a binding death benefit nomination on your account. You can also select a reversionary beneficiary (see below).

The most appropriate beneficiary nomination depends on your personal circumstances.

There may be taxation or other implications in nominating a beneficiary, you should seek professional advice before doing so.

Reversionary beneficiary

You can nominate your spouse (legally married partner or de facto partner of the opposite or same gender) to receive your pension as an income stream after your death. In the event of your death, your pension will revert to your spouse and pension payments will continue until the account balance is fully paid out or your spouse closes the account. Transfer balance caps apply to income streams paid to a reversionary beneficiary and additional tax may apply. Refer to the ato.gov.au/individuals/Super page for more information on the transfer cap.

You can nominate a reversionary beneficiary on commencement of your pension, or at anytime whilst your benefits are held in the pension account. It's important to tell us if your circumstances change and you wish to cancel your reversionary beneficiary.

We are bound to pay your benefits in accordance with your reversionary beneficiary instructions if they are valid at the time of your death. If a reversionary nomination is not valid at the time of death, we will take it into account when deciding how to pay your benefit.

Preferred beneficiary

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 dependants or legal personal representative in proportions determined by us whilst giving consideration to your preferred nomination.

This allows us to take account of any changes to your personal situation even if you did not previously advise us of these changes.

Binding death benefit nomination

If at the time of your death, you have a valid binding death benefit nomination or a reversionary beneficiary (for a pension), we are bound to pay benefits in accordance with your instructions.

A binding death benefit nomination must comply with superannuation law requirements to be valid and there are restrictions on who can be nominated as a beneficiary.

A binding nomination will expire three years after the nomination is made. If a binding death benefit nomination expires or becomes invalid for any reason, we will no longer be bound by it. We will, however, take it into account in deciding how to pay your benefit. The Binding Death Benefit Nomination form is available at australianethical.com.au/pensions/forms or by calling us on **1300 134 337**.

3 Benefits of investing with Australian Ethical Retail Superannuation Fund

Ethical investment

Australian Ethical believes in the transformative power of money to achieve both positive social and environmental outcomes. The Australian Ethical Charter, shown on the next page, guides our ethical investment decisions - what we seek to invest in and what we look to avoid - and also guides our corporate activities beyond our funds.

However, a decision based on ethics alone is not enough. To benefit our members, an investment is only made if it meets the investment criteria for portfolio inclusion with the expectation that all underlying portfolios will generate competitive investment returns over the long term. Australian Ethical's Investment and Ethics research teams work together to provide our members with an ethical portfolio that aims to generate competitive returns over the long term.

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 (but not limited to) renewable energy, technology, efficient transport, recycling and health.

Investments are across a broad spectrum of sectors ranging from new environmental and energy technologies to education and health. Further information on our ethical investment style is available at australianethical.com.au/ethical-approach

Keeping you informed

As a member, there are a number of ways that we help you to stay informed about your super.

Secure online access

The easiest way to keep track of your super is through our member portal. All you need to do once you are a member is go to the website and register online.

Your online account allows you to:

- check your account balance and view recent transactions on your account
- change your investment options for your existing account balance
- print or download your member annual statement
- change your address and personal details
- view your binding or preferred death benefit nominations and change your preferred beneficiaries.

Additionally, we recommend that you regularly visit the website to obtain the latest information about your investment. Information that is material to your investment will be provided on our website.

Important disclosures and significant changes that may affect your account will be communicated to you electronically (via email, SMS or other online channel) unless you have opted out of this communication method on our secure member portal or by phoning us on **1300 134 337**.

Member statements

You will receive an annual statement showing the activity in your account – earnings, contributions and withdrawals, switches and any other transactions – together with a current account balance and investment option selections.

If you have provided an email address to us, your member annual statement will be provided to you in our member portal. An email will be sent when it is available for viewing and download.

Annual report

An annual 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 developments that have arisen. The reports are available at australianethical.com.au/super If you would like to receive a free paper copy, please contact us.

Member newsletter

Good Money is Australian Ethical's member newsletter. The newsletter is available online at australianethical.com.au/good-money-mag and covers ethical investment issues, details of specific investments and performance results.

3 Benefits of investing with Australian Ethical Retail Superannuation Fund continued

The Australian Ethical Charter¹ addresses 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.

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 | g. the preservation of endangered eco-systems |
| b. the production of high quality and properly presented products and services | h. activities which contribute to human happiness, dignity and education |
| c. the development of locally based ventures | i. the dignity and well-being of non-human animals |
| d. the development of appropriate technological systems | j. the efficient use of human waste |
| e. the amelioration of wasteful or polluting practices | k. the alleviation of poverty in all its forms |
| f. the development of sustainable land use and food production | 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 | vi. acquire land or commodities primarily for the purpose of speculative gain |
| ii. destroy or waste non-recurring resources | vii. create, encourage or perpetuate militarism or engage in the manufacture of armaments |
| 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 | viii. entice people into financial over- commitment |
| iv. market, promote or advertise, products or services in a misleading or deceitful manner | ix. exploit people through the payment of low wages or the provision of poor working conditions |
| v. create markets by the promotion or advertising of unwanted products or services | 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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4 Risks of super

Super, like all investments, carries risks.

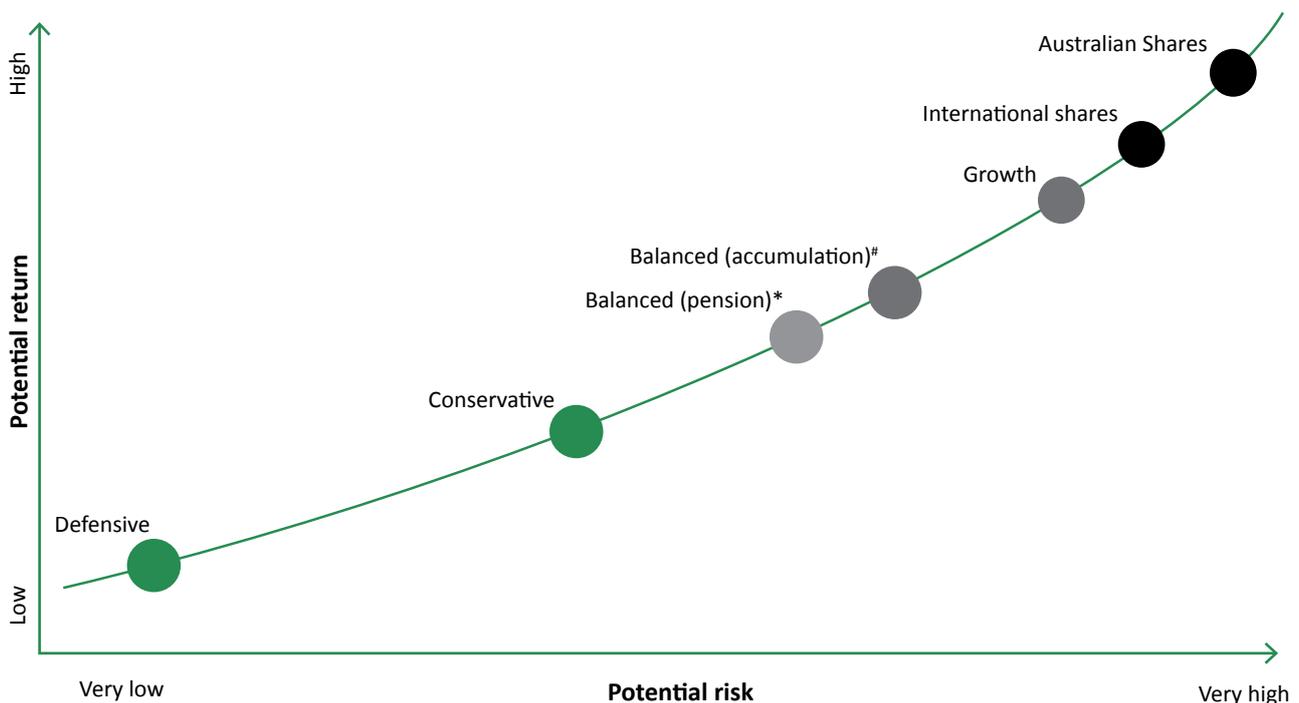
Australian Ethical invests in different types of assets, including Australian shares, international shares, property and fixed interest.

These asset classes behave differently over time and inherently have different levels of risk. Shares, for example, tend to provide higher returns over the long-term, but are more likely to fall in value over the short-term when compared to other asset classes. Fixed interest investments are less likely to fall

in value over the short-term and with less severity, but tend to offer lower returns than shares over the long-term.

The investment options offered by Australian Ethical each have a different mix of these asset classes. Some of our investment options only invest in shares while others invest in multiple asset classes.

The level of risk and the returns will depend on the assets each option invests in. Assets with the highest long-term returns may also carry the highest level of short-term risk.



This chart represents the potential risk and return characteristics of our pension investment options. It is not a forecast of actual risk or returns. The scale is indicative only.

This option is only available in the accumulation and transition to retirement division

* This option is only available in the pension division

The acceptable level of risk appropriate for each person will vary depending on a range of factors including your age, investment timeframes, your risk tolerance, and where other parts of your wealth are invested. You should assess your personal situation carefully before you choose an investment option.

When considering your investment in super, it is important to understand that:

- the value of your investment will go up and down depending on the market prices of the assets held by your investment option
- returns for any investment option are not guaranteed and will vary
- you may lose some or all of your money
- future investment returns may differ from past returns
- the amount of your future super savings (including contributions and returns) may not be enough to provide adequately for your retirement
- superannuation laws may change in the future
- in the event of extreme market volatility, the trustee of the Fund reserves the right to suspend unit pricing on any or all investment options
- the level of risk, each person may be willing to accept will vary depending on a range of factors, including age, investment time frames, other investments held, and their risk tolerance.

5 How we invest your money

Australian Ethical offers members something beyond conventional superannuation investment because it applies a combination of financial and ethical objectives to the selection of investments.

Labour standards, environmental, social and ethical issues

All of Australian Ethical's investment decisions are guided by our Charter. It sets out the types of activities we seek to support, and the types of activities we seek to avoid.

We believe Australian Ethical's process of ethical analysis is one of the most rigorous in Australia.

All investments are periodically reviewed. If a company we invest in has diversified into an excluded industry or engaged in unacceptable practices, we reassess the investment which may involve engagement with the company to address the issues. If the investment is no longer appropriate it will be sold.

Standard Risk Measure

Each of our investment options has a risk label that has been evaluated using the Standard Risk Measure.

The Standard Risk Measure is based on industry guidance to allow you to compare investment options that are expected to deliver a similar number of negative annual returns over any 20 year period.

The Standard Risk Measure is not a complete assessment of all forms of investment risk. For instance it does not detail what the size of a negative return could be or the potential for a positive return to be less than you may require to meet your objectives. Further, it does not take into account the impact of administration fees and tax on the likelihood of a negative return.

You should still ensure you are comfortable with the risks and potential losses associated with your chosen investment option(s).

| Risk Band | Risk Label | Estimated number of negative annual returns over any 20 year period |
|-----------|----------------|---|
| 1 | Very low | Less than 0.5 |
| 2 | Low | 0.5 to less than 1 |
| 3 | Low to medium | 1 to less than 2 |
| 4 | Medium | 2 to less than 3 |
| 5 | Medium to high | 3 to less than 4 |
| 6 | High | 4 to less than 6 |
| 7 | Very high | 6 or greater |

Investment options hedging

Australian Ethical does not currently directly hedge any investment option that has international currency exposure but may in the future. The underlying investment manager may from time-to-time hedge the currency exposure.

5 How we invest your money continued

Your choice of investment options

Following are details on the investment options that are available when you invest with Australian Ethical in the pension division.

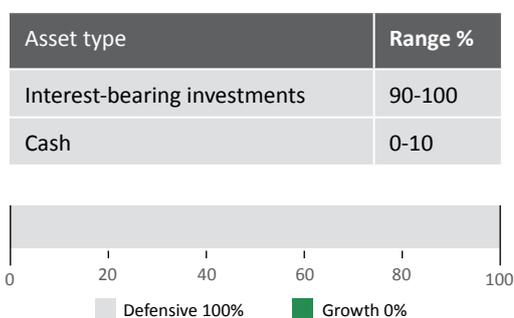
Defensive option

Investment objective To provide members with a portfolio focused on preservation of capital through low risk income generating investments.

Investors that the option may suit Members wanting a low risk of capital loss and low volatility with a short investment timeframe.

Recommended minimum investment timeframe 1 year

Strategic asset allocation*



Risk level Very low

Performance and portfolio information We may make changes to the investment option from time-to-time, including changes to the types of assets held. We will notify members of significant changes. You can also keep up-to-date with the option's unit price, performance and portfolio holdings through our website.

* The asset allocation shown is a strategic asset allocation and the actual allocation may vary within the range due to market movements, investments into or withdrawals from the option, or changes in the nature of the investment. This information is current as at 1 July 2019 and is subject to change.

5 How we invest your money continued

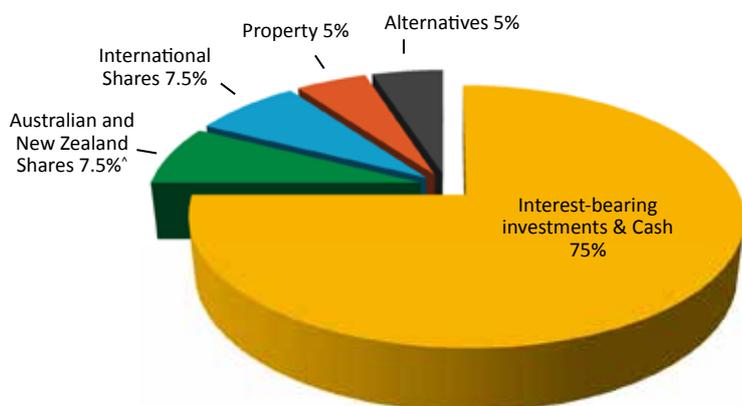
Conservative option

Investment objective To provide members with returns only moderately above inflation over a medium time horizon with low to medium levels of investment risk.

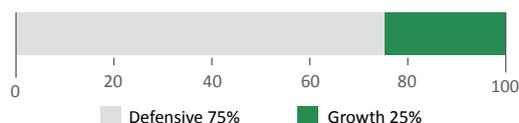
Investors that the option may suit Members closer to, or in retirement, who need to protect their retirement savings and keep up with inflation or members who want a low volatility option.

Recommended minimum investment timeframe 3 years

Strategic asset allocation*



| Asset type | Range % |
|--|---------|
| Interest-bearing investments & Cash | 20–100 |
| Property | 0–15 |
| Australian and New Zealand Shares [^] | 0-20 |
| International Shares | 0-20 |
| Alternatives | 0-15 |



Risk level Low to medium

Performance and portfolio information We may make changes to the investment option from time-to-time, including changes to the types of assets held. We will notify members of significant changes. You can also keep up-to-date with the option's unit price, performance and portfolio holdings through our website.

* The asset allocation shown is a strategic asset allocation and the actual allocation may vary within the range due to market movements, investments into or withdrawals from the option, or changes in the nature of the investment. This information is current as at 1 July 2019 and is subject to change.

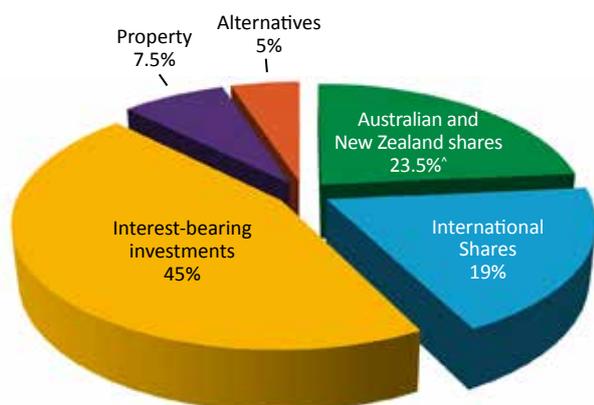
[^] No more than 20% of the option's exposure to Australian and New Zealand shares will come from securities listed on the New Zealand stock exchange.

5 How we invest your money continued

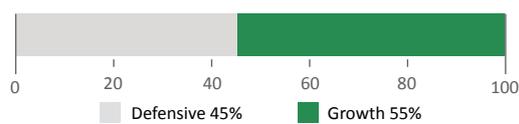
Balanced (pension) option[@]

| | |
|--|--|
| Investment objective | To provide a diversified portfolio that has an appropriate balance between income and capital growth investments with medium to high levels of risk. |
| Investors that the option may suit | Members comfortable with a medium to high level of risk that have an investment timeframe of at least 5 years. |
| Recommended minimum investment timeframe | 5 years |

Strategic asset allocation^{*}



| Asset type | Range % |
|--|---------|
| Alternatives | 0-20 |
| Interest-bearing investments & Cash | 30-60 |
| Property | 0-20 |
| Australian and New Zealand Shares [^] | 10-35 |
| International Shares | 5-30 |



| | |
|---------------------------------------|--|
| Risk level | Medium to high |
| Performance and portfolio information | We may make changes to the investment option from time-to-time, including changes to the types of assets held. We will notify members of significant changes. You can also keep up-to-date with the option's unit price, performance and portfolio holdings through our website. |

* The asset allocation shown is a strategic asset allocation and the actual allocation may vary within the range due to market movements, investments into or withdrawals from the option, or changes in the nature of the investment. This information is current as at 1 July 2019 and is subject to change.

[^] No more than 20% of the option's exposure to Australian and New Zealand shares will come from securities listed on the New Zealand stock exchange.

[@] This option is not available for Transition to retirement accounts.

5 How we invest your money continued

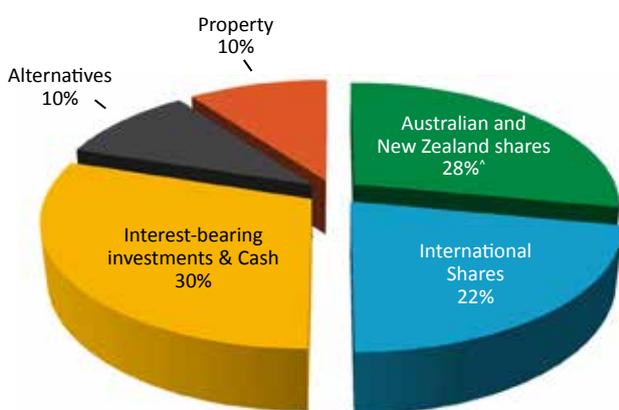
Balanced (accumulation) option[®]

Investment objective To provide a diversified portfolio that has an appropriate balance between income and capital growth investments with medium to high levels of risk. It aims to achieve returns of 3.5% p.a. above inflation over the medium to longer terms.

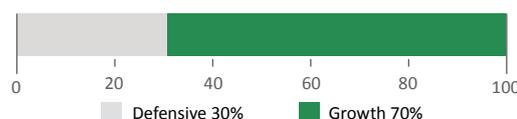
Investors that the option may suit Members comfortable with a medium to high level of risk that have an investment timeframe of at least 5 years.

Recommended minimum investment timeframe 5 years

Strategic asset allocation*



| Asset type | Range % |
|--|---------|
| Interest-bearing investments & Cash | 10-50 |
| Property | 0-20 |
| Australian and New Zealand Shares [^] | 10-50 |
| International Shares | 5-40 |
| Alternatives | 0-20 |



Risk level Medium to high

Performance and portfolio information We may make changes to the investment option from time-to-time, including changes to the types of assets held. We will notify members of significant changes. You can also keep up-to-date with the option's unit price, performance and portfolio holdings through our website.

[®] This investment option is available for Transition to retirement accounts but not for pensions.

* The asset allocation shown is a strategic asset allocation and the actual allocation may vary within the range due to market movements, investments into or withdrawals from the option, or changes in the nature of the investment. This information is current as at 1 July 2019 and is subject to change.

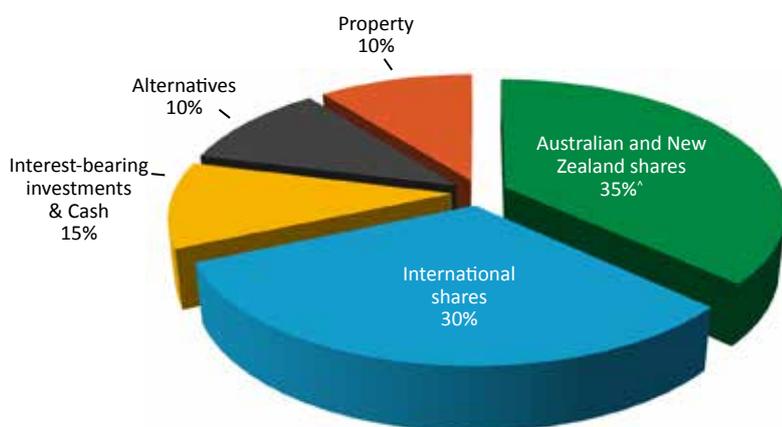
[^] No more than 20% of the option's exposure to Australian and New Zealand shares will come from securities listed on the New Zealand stock exchange.

5 How we invest your money continued

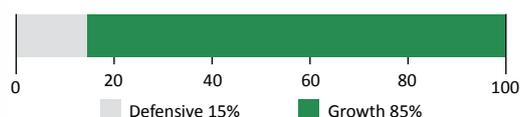
Growth option

| | |
|--|---|
| Investment objective | To provide long term growth accompanied by high levels of risk through holding mostly growth assets. |
| Investors that the option may suit | Members who have a longer timeframe to accumulate retirement savings and who are comfortable with short-term market fluctuations. |
| Recommended minimum investment timeframe | 6 years |

Strategic asset allocation*



| Asset type | Range % |
|--|---------|
| Interest-bearing investments & Cash | 0-45 |
| Property | 0-20 |
| Australian and New Zealand Shares [^] | 15-55 |
| International Shares | 10-50 |
| Alternatives | 0-20 |



| | |
|---------------------------------------|--|
| Risk level | High |
| Performance and portfolio information | We may make changes to the investment option from time-to-time, including changes to the types of assets held. We will notify members of significant changes. You can also keep up-to-date with the option's unit price, performance and portfolio holdings through our website. |

* The asset allocation shown is a strategic asset allocation and the actual allocation may vary within the range due to market movements, investments into or withdrawals from the option, or changes in the nature of the investment. This information is current as at 1 July 2019 and is subject to change.

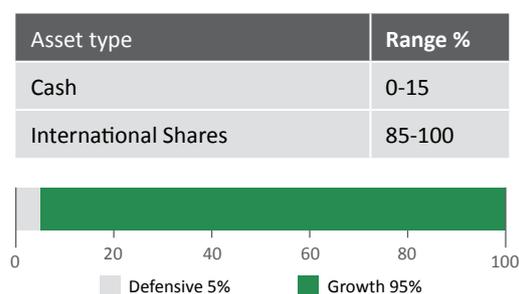
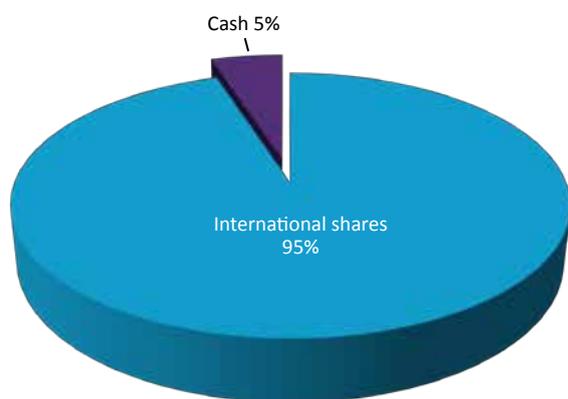
[^] No more than 20% of the option's exposure to Australian and New Zealand shares will come from securities listed on the New Zealand stock exchange.

5 How we invest your money continued

International Shares option

| | |
|--|---|
| Investment objective | To provide long-term growth accompanied by high levels of risk through investment in overseas companies. |
| Investors that the option may suit | Members seeking an exposure to international companies who are comfortable with short term volatility. It is suited for members with a longer investment timeframe and a higher risk tolerance. |
| Recommended minimum investment timeframe | 7 years |

Strategic asset allocation*



| | |
|---------------------------------------|--|
| Risk level | High |
| Performance and portfolio information | We may make changes to the investment option from time-to-time, including changes to the types of assets held. We will notify members of significant changes. You can also keep up-to-date with the option's unit price, performance and portfolio holdings through our website. |

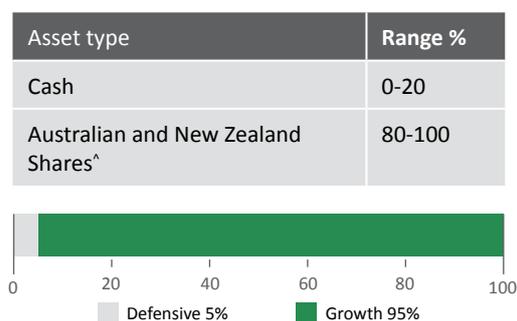
* The asset allocation shown is a strategic asset allocation and the actual allocation may vary within the range due to market movements, investments into or withdrawals from the option, or changes in the nature of the investment. This information is current as at 1 July 2019 and is subject to change.

5 How we invest your money continued

Australian Shares option

| | |
|--|--|
| Investment objective | To provide long-term growth accompanied by very high levels of risk through investment in Australian and New Zealand companies with a bias to smaller companies. |
| Investors that the option may suit | Members seeking capital growth through long-term investments who have a higher tolerance for risk. |
| Recommended minimum investment timeframe | 7 years |

Strategic asset allocation*



| | |
|---------------------------------------|--|
| Risk level | Very high |
| Performance and portfolio information | We may make changes to the investment option from time-to-time, including changes to the types of assets held. We will notify members of significant changes. You can also keep up-to-date with the option's unit price, performance and portfolio holdings through our website. |

* This investment option is available for Transition to retirement accounts but not for pensions. The asset allocation shown is a strategic asset allocation and the actual allocation may vary within the range due to market movements, investments into or withdrawals from the option, or changes in the nature of the investment. This information is current as at 1 July 2019 and is subject to change.

[^] No more than 20% of the option's exposure to Australian and New Zealand shares will come from securities listed on the New Zealand stock exchange.

6 Fees and costs

Important... You should read all the information about fees and costs because it is important to understand their impact on your investment. You can also use this information to compare Australian Ethical with other super funds. The information provided applies to investments in the pension division. Different fees and costs may apply to investments held in the accumulation division. This section provides information on the fees and other costs that you may be charged. These fees and costs may be deducted from your pension account, from the return on your investment, or from the Fund's assets as a whole.

Other fees, such as activity fees and fees for personal advice may also be charged. These fees will depend on the nature of the activity and/or, advice chosen by you. Entry fees and exit fees cannot be charged. Further information on the types and definitions of the fees that may be charged is provided on our website australianethical.com.au/super/fees

Taxes are set out in section 7 of this Booklet, insurance fees and other costs relating to insurance are set out in the Insurance Guide available at australianethical.com.au/super/insurance

If you consult a financial adviser, additional fees may be payable to the adviser. You should refer to your Adviser's Statement of Advice for details.

| Type of fee or cost [^] | Amount [^] | How and when paid |
|--|---|---|
| Investment fee ¹ | Defensive 0.40% p.a. Conservative 0.63% p.a. Balanced (pension) 0.67% p.a. Balanced (accumulation) 0.64% p.a. Growth 0.99% p.a. International Shares 1.10% p.a. Australian Shares 1.25% p.a. | Investment fees are accrued daily and paid from the Fund's assets. Fees are calculated as a percentage of the daily net asset value of each option. The investment fee you pay will depend on the investment options you are invested in. |
| Administration fee ¹ | \$97 per annum, plus 0.29% [#] of your account balance per annum. | Dollar based fees are deducted from your account monthly. Percentage administration fees are accrued daily and paid from the Fund's assets. The percentage administration fee you pay is calculated on your account balance. |
| Buy-sell spread | Defensive 0.00% Conservative 0.05% Balanced (pension) 0.05% Balanced (accumulation) 0.05% Growth 0.05% International Shares 0.10% Australian Shares 0.20% | Applied to the unit price before processing each buy and sell transaction. |
| Switching fee | Nil [@] | |
| Advice fees relating to all members investing in a particular MySuper product or investment option | Nil | Additional fees may be payable if a financial adviser is consulted. |
| Other fees and costs | Refer to the Additional explanation of fees and costs for more information. | |
| Indirect cost ratio | Defensive* 0.00% p.a. Conservative* 0.02% p.a. Balanced (pension)* 0.09% p.a. Balanced (accumulation)* 0.11% p.a. Growth* 0.08% p.a. International Shares* 0.00% p.a. Australian Shares* 0.03% p.a. | Indirect costs are deducted from the Fund's assets, or assets of interposed vehicles, before the unit price is calculated. |

¹ If your account balance for a product offered by the Fund is less than \$6,000 at the end of the Fund's income year, the total combined amount of administration fees, investment fees and indirect costs charged to you is capped at 3% of the account balance. Any amount charged in excess of that cap must be refunded. You should also note that this fee cap will be applied when you leave the Fund.

[^] The fees shown are current for the 2019-2020 financial year and are subject to change. Further information and definitions of the fees can be found at australianethical.com.au/pension/fees

[#] You may also be eligible for discounts if you have a large balance. See Fee discounts on the next page for further information.

[@] You may incur a buy-sell spread whenever units are bought or sold including by way of switching. However, you won't be charged a switching fee in addition to the buy-sell spread.

^{*} The indirect cost ratio is calculated as at 31 December 2019 based on the previous 12 months. These may change from year to year.

6 Fees and costs continued

Fee discounts

The Balanced (accumulation) option is our MySuper product. Due to MySuper requirements, the large account balance discount and association member discount will not apply to

amounts held within the Balanced (accumulation) option within the Fund.

The following fee discounts are provided:

| Discount | Discount amount | How and when discount applied |
|---|-----------------|--|
| Large account balance | | |
| Balance between \$250,000 and \$349,999 | 0.02% per annum | The discount will be calculated on your pension account balance at the end of each month and credited to your account at that time. The amount of the discount will be credited to your investment options in accordance with your investment profile. |
| Balance between \$350,000 and \$499,999 | 0.05% per annum | |
| Balance over \$500,000 | 0.10% per annum | |
| Association membership | | |
| | 0.05% per annum | We will determine which Associations will be included. Members of those Associations will then have the discount calculated on their pension account balance at the end of each month and credited to their account at that time. The amount of the discount will be credited to your investment options in accordance with your investment profile for future contributions. |

If you are eligible for both the large account balance discount and the association membership discount, the higher of the two discounts will apply.

Additional explanation of fees and costs

Adviser service fees

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

Adviser service fee – ongoing

- Upon your instruction, up to 1.1% (including GST) 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.
- Upon your instruction, up to \$1,100 (including GST) per month may be paid to your adviser from your account balance.

Adviser service fee – single fee

- Upon your instruction, a single payment of up to \$2,200 (including GST) may be made to your adviser from your account balance. A separate instruction is needed for each single payment.

Adviser service fees (whether single or ongoing) are agreed through negotiation between you and your adviser.

Where adviser service fees are ongoing, we will continue to pay your adviser until you instruct us otherwise.

Fees paid to your adviser are in addition to our management fees. Adviser service fees are calculated and deducted from your account at the end of each month and paid to your adviser usually monthly in arrears.

If there are insufficient funds in your account on the deduction date, the adviser service fee will not be deducted.

6 Fees and costs continued

Transaction costs and buy–sell spreads

Transactional costs are calculated at 30 June each year based on the previous 12 months. Transaction costs are taxes, duties and other costs (such as brokerage and implicit costs such as the bid-ask spread which is the difference between the price the buyer is willing to pay and the selling price) including transaction costs from interposed vehicles.

The buy-sell spread is a fee to recover transaction costs incurred in relation to the sale and purchase of assets of the Fund and is used to adjust the unit price. It is an additional cost to you and is incurred when you contribute, transfer, invest, switch, withdraw or rollover. We will use a buy-sell spread to recover transaction costs from you so that other members are not paying for the cost of your transaction. It is not a fee paid to us.

The buy-sell spread for each option is included on page 20.

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. The brokerage costs incurred in the year to 30 June 2019 were fully recovered by the buy-sell spread except for the Australian Shares where 0.01% was not recovered. Exit fees are additional to the buy-sell spread and are payable when you withdraw either a partial or full benefit from your account.

Indirect costs

The indirect cost ratio is calculated based on the previous 12 months. These costs may change from year to year. Indirect costs represent the approximate amounts deducted from your investment and covers amounts that have reduced the return on your investment but are not charged as a fee. This includes costs associated with external asset managers.

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 and is payable directly to us (it is not deducted from your superannuation account).

The fee payable may 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.

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

In the future, we may vary the fees payable on your account. We will provide notice of fee changes at least 30 days prior to any changes taking effect.

7 How super is taxed

Important... The information is a guide to how super is taxed and is based on tax laws that were current as at the date of the PDS. This information is not a substitute for professional advice. Further information is available from the ATO. It is also strongly recommended that you seek advice from a professional taxation adviser on your particular circumstances.

The tax treatment of superannuation is concessional but complex and may be subject to regulatory change. The tax information provided in this document is based on tax laws that were current when this document was prepared. Rates may change in the future, and you should consider seeking professional tax advice that is tailored to your personal circumstances before making a decision.

The tax payable on rollovers, pension payments and withdrawals will depend on your age, who is receiving the benefit and the tax-free portion of your account balance.

When you commence your pension, a portion of your super may be tax-free depending on how you contributed to super while you were working. Your tax-free component will be calculated as a percentage of your account when you commence your pension.

Pension payments and withdrawals from your pension will be taken from the tax-free and taxable components of your pension in the proportion that they were held when you commenced your pension.

Tax on 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 that component will be taxed at 15%. A higher rate of tax also applies to transfers which exceed the untaxed plan cap amount, which for the 2019-2020 income year is \$1,515,000.

Taxation of pension payments

If you are aged 60 or over, no tax is payable on pension payments you draw from your pension unless you have an untaxed portion in your taxed component.

If you are under age 60, no tax is payable on the tax-free portion of your pension payments. A tax offset of 15% is available if you are at or above preservation age, unless you have an untaxed portion in your taxed component. If you have not provided your tax file number, the taxable component will be taxed at the highest marginal rate plus the Medicare Levy.

Please refer to the table below which outlines various tax rates depending on your circumstances.

Taxation of fund earnings

Earnings on your superannuation investment in the pension division are tax-free if you are retired and 15% for a transition to retirement pension.

Additional tax may apply if you exceed your Transfer Balance Cap. It is recommended that you seek advice from a licensed taxation or financial adviser before commencing a pension.

Tax on withdrawals

The tax you pay on withdrawals from super is dependent on your age, the amount you are withdrawing, and the taxable and tax-free components of your benefit. The tax components of your benefit are shown on your member annual statement.

Different tax rates apply to death and disability benefits and for people permanently departing Australia.

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

| Your age at withdrawal | Component | Tax rate* |
|--------------------------------------|------------------------------|--|
| Under your preservation age | Tax-free component | 0% |
| | Taxed [^] component | 20% plus Medicare Levy |
| Between your preservation age and 60 | Tax-free component | 0% |
| | Taxed [^] component | 0% on benefits up to the low-rate cap [#] 15% plus Medicare Levy on benefits above the low-rate cap [#] |
| 60 or above | All components | 0% |

* Additional tax will be payable if you have not provided your tax file number.

[^] The tax rate for a taxed component may be higher if you have an untaxed portion in your taxed component.

[#] The low-rate cap for 2020/2021 is \$215,000 and is indexed in line with average weekly ordinary time earnings (AWOTE). This is a lifetime limit and applies to all Australian superannuation funds.

7 How super is taxed continued

Tax on death and terminal illness 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 dependant of the deceased member at the time of death, as defined in the tax legislation.

A dependant is:

- a spouse or former spouse
- a child aged under 18
- a person with whom the deceased had an interdependency relationship just before death
- any person who was financially dependent on the deceased member before death.

If a lump-sum benefit is paid to a non-dependant, tax is payable on the taxable component.

The definition of dependant for tax purposes does not include adult children unless they were financially dependent on the deceased member. Members should seek professional estate planning advice, particularly if they intend to leave superannuation benefits to non-dependants.

| Beneficiary Type | Component | Tax rate |
|----------------------------|-------------------|------------------------|
| Dependant | All | 0% |
| Non-dependant [^] | Tax-free | 0% |
| | Taxable (taxed) | 15% plus Medicare Levy |
| | Taxable (untaxed) | 30% plus Medicare Levy |
| Estate | All | See note* |

* Taxation of death benefits paid to the estate depends on whether the ultimate beneficiaries are dependants.

[^] A higher rate of tax will apply if a non-dependant has not provided their tax file number.

Death benefits paid to a reversionary

The taxation of a death benefit paid as a reversionary pension will depend on your age at the time of your death, the age of your reversionary beneficiary and if the reversionary beneficiary has exceeded their Transfer Balance Cap when receiving the benefit.

We recommend seeking tax advice before nominating a reversionary beneficiary.

If the member is aged 60 or over at the time of death, then payments to the reversionary beneficiary will be tax free. If the member is under age 60 at the time of death, the pension will be taxed at the reversionary beneficiary's marginal tax rate (less any deductible amount and 15% tax offset) unless, or until, the reversionary beneficiary is aged 60 or over, in which case the pension becomes tax free. Tax may apply if you have an untaxed portion in your taxed component.

Benefits received due to terminal illness

Benefits released to a member with a terminal medical condition will be tax-free. Further information on the eligibility for a terminal illness benefit is provided in the Insurance Guide available on our website.

Tax on disability withdrawals

Benefits paid to you when you become permanently incapacitated (as defined by superannuation law) receive concessional tax treatment. Your tax-free component may be increased to take into account the period where you could have expected to be gainfully employed if the disability had not occurred.

Quoting your tax file number

It is your decision whether you give us your tax file number (TFN), although we strongly recommend it. Declining to quote a TFN to us is not an offence.

Under the Superannuation Industry (Supervision) Act 1993, Australian Ethical Super is authorised to collect, use and disclose your tax file number.

Australian Ethical may disclose your TFN to another superannuation provider, when your benefits are being transferred, unless you request the trustee of your superannuation fund in writing that your TFN not be disclosed to any other superannuation provider.

8 How to open an account

Cooling off

You have a 14-day cooling-off period after making your investment to ensure you are comfortable with your decision to invest. You will need to tell us in writing if you change your mind. The cooling off period starts at the earlier of the date you receive confirmation from us of an initial contribution to your account, or five business days after the initial contribution to your account is accepted.

If you exercise your right to cool off, 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, as well as any transaction costs and reasonable administrative fees.

The cooling off period does not apply in some situations including switches between investment options and any investment in respect of which an investor has already exercised rights as a member of the Fund.

Account closure

If your account reaches a \$0 balance, we will automatically close your account.

If you join the Fund and we haven't received any funds in your account within 4 months of the date of opening the account, we may automatically close your account.

Enquiries and complaints

We welcome your enquiries and comments.

If you are not satisfied with any aspect of our service, please contact our Client Service team on **1300 134 337** or email members@australianethical.com.au

For more information about making a formal complaint, please go to australianethical.com.au/lodge-a-complaint

If we do not resolve your complaint to your satisfaction, you can complain to the following external dispute resolution body, as applicable, at no charge to you:

- The Australian Financial Complaints Authority (AFCA):
[w www.afca.org.au](http://www.afca.org.au) [e info@afca.org.au](mailto:info@afca.org.au) [t 1800 931 678](tel:1800931678)

We respect your privacy

Protecting your personal information is important to us. Please read our Privacy Policy and our Privacy Collection Notice which outline the type of information we collect about you and how we will use and store that information, and are available on our website at australianethical.com.au/privacy-policy



Contact us

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