

22 January 2008

Dear Shareholder,

**ALLEGATIONS BY DR ROBERT PEARSON AGAINST AUSTRALIAN ETHICAL INVESTMENT LIMITED**

The Board of Directors of Australian Ethical Investment Limited (“the Board”) understands that Dr Robert Pearson sent a letter dated 14 October 2007 to the shareholders of Australian Ethical. The Board believes and is advised that the letter contains defamatory statements about the previous chair and about the corporate governance of Australian Ethical. The Board wishes to respond in regard these matters as follows:

1. Dr Pearson claimed the minutes of the 2006 annual general meeting were incorrect. These minutes were confirmed at the 2007 annual general meeting by an overwhelming majority on a show of hands.
2. In his letter Dr Pearson alleged the Chair of the 2006 annual general meeting was a liar. However when he spoke at the 2007 annual general meeting Dr Pearson contradicted himself saying in his view the Chair did not lie.
3. In his letter Dr Pearson alleged that answers to questions had been in some way “suppressed”. Dr Pearson was referring to written questions submitted to the Board prior to the 2006 annual general meeting by a former director, Mr Trevor Lee. The questions were repeated in Dr Pearson’s letter. Answers to these questions can be found on the AEI website. The questions dealt with investigations in 2003 into the appropriateness of loans by AEI trusts to Steiner Schools. A chronology describing the history of Mr Lee’s pursuit of this issue can also be found on our website. At the time Dr Pearson alleged answers to these questions had been “suppressed” he knew Mr Lee had been provided with answers to his questions and he knew the content of those answers.

In light of the history it appears that Mr Lee will never be placated on this matter. The board has accepted the advice of its external solicitor that it would be a misuse of company resources to continue responding to Mr Lee.

In the Board’s opinion Dr Pearson has made defamatory statements which were inaccurate and unjustified in the circumstances.

Yours sincerely



Naomi Edwards  
Chair

**On behalf of the Board of Australian Ethical Investment Limited**

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