

AUSTRALIAN ETHICAL INVESTMENT LIMITED

GROUP SHARE TRADING POLICY

1. Introduction

1.1 Background

- 1.1.1 This document sets out the share trading policy of Australian Ethical Investment Limited (**AEI**) and its wholly-owned subsidiary, Australian Ethical Superannuation Pty Ltd (**AES**), together referred to throughout this document as the AEI Group.
- 1.1.2 This document records the AEI Group's approach to meeting the requirements relating to share trading as set out in:
- Corporations Act 2001, Part 7.10, Division 3 – The Insider Trading Prohibitions
 - FSC Guidance Note 7.00: Personal Trading (July 1999)
 - ASIC Regulatory Guide 193: Notification of Directors' Interests in Securities – Listed Companies (June 2008)
- 1.1.3 This document should be read in conjunction with the following policies: **AEI Compliance Master Plan for Australian Ethical Trusts; AEI Privacy Policy; Code of Conduct; Fraud and Corruption Policy.**

1.2 Purpose

- 1.2.1 The purpose of this Policy is to:
- Provide a brief summary of the law relating to insider trading and other relevant laws.
 - Set out the restrictions on dealing in securities.
 - Set out the process for the capture and maintenance of information related to the **AEI Group's Restricted & Prohibited Trading Lists.**
 - Assist in maintaining market confidence in the integrity of the AEI Group.

1.3 Application

- 1.3.1 This Policy applies to:
- Executive and non-executive directors;
 - Full-time, part-time and casual employees; and
 - Contractors, consultants and advisers;
- of the AEI Group (together referred to **Directors and employees of the AEI Group**).

1.4 Securities

- 1.4.1 This Policy applies to the following securities:
- Shares, rights and options issued by Australian Ethical Investment Limited (**AEI securities**);
 - Any other securities which may be issued by the AEI Group, such as options;
 - Securities issued by or in relation to any other company or entity that may be affected by inside information (such as companies that the Australian Ethical Trusts invest into or are considering investing in, or another party involved in a corporate transaction with the AEI Group or any part thereof, or an AEI shareholder, or a contractor to the AEI Group or any part thereof);
 - Derivative instruments that are linked to the securities of any company or entity that may be affected by inside information;
 - Managed Investment Schemes where AEI is the Responsible Entity or Investment Manager;
 - The Australian Ethical Retail Superannuation Fund.

1.5 Executive Statement

- 1.5.1 Trading in AEI securities by a Director or employee of the AEI Group will only be permitted during the following periods:
- For one month following the release of the six month trading results;
 - For one month following the release of the full year trading results;
 - The AEI Board will determine the date of the opening and closing of the trading window.
- 1.5.2 If a Director or employee of the AEI Group has access to or knowledge of inside information which may affect the value of securities, the Director or employee must not deal in those securities or communicate the inside information to anyone else. This prohibition applies regardless of how the Director or employee learned about the inside information. This prohibition applies to the securities listed in point 1.4.1 above.
- 1.5.3 A Director or employee of the AEI Group must seek approval from the Compliance Officer (or General Counsel, where the Compliance Officer is absent) prior to entering into an agreement to deal in any securities including applying or redeeming units in a unit trust or superannuation fund (subject to certain exceptions).

- 1.5.4 At the end of each quarter, each Director and employee of the AEI Group must provide details of all personal holdings and any dealings undertaken during the quarter to the Compliance Officer.

2. Prohibited Conduct

2.1 What is Insider Trading?

2.1.1 Insider trading is where a person possessing inside information:

- a. Applies for, acquires or disposes of specific financial products (or enters into an agreement to do so); or
- b. Procures¹ another person to apply for, acquire or dispose of specific financial products (or enters into an agreement to do so).

2.1.2 In broad terms, a Director or employee of the AEI Group will be found to have committed insider trading if they:

- a. Deal in AEI securities or securities issued by or in relation to another entity in relation to which the Director or employee of the AEI Group holds inside information; or
- b. Communicate inside information to another person knowing (or should reasonably have known) that the other person would, or would be likely to, use that information to deal in, or procure someone else to deal in, securities. This is commonly known as "tipping".

2.1.3 Directors or employees of the AEI Group who contravene the insider trading provisions of the Corporations Act are liable to prosecution or to civil penalty action by the Australian Securities and Investments Commission (ASIC). In both cases the offender may be ordered to pay compensation to anyone who suffered loss as a result of the insider trading.

2.1.4 Separately, a Director or employee of the AEI Group who engages in insider trading may be sued by the AEI Group or another relevant party in a civil action for any loss suffered as a result of the insider trading.

2.2 What is Inside Information?

2.2.1 Inside information is information about specific financial products² that:

- a. Is not generally available³ to people who commonly invest in such financial products; and
- b. If it was generally available, a reasonable person would expect it to have a material effect⁴ on the price or value of the financial products.

2.2.2 It does not matter how the inside information is obtained (e.g. learnt in the course of carrying out responsibilities, or overheard in passing in the corridor, in the lunch room or at a social occasion).

2.2.3 The financial impact of the information is important, but strategic and other implications can be equally important in determining what amounts to inside information. The definition of "information" is broad enough to include rumours, matters of supposition, intentions of a person (including a company) and information which is not definite enough to warrant public disclosure.

2.3 Examples of AEI Group Inside Information

2.3.1 The following list is illustrative only. Inside information about the AEI Group could include:

- a. Information relating to the AEI Group's financial results;
- b. A possible sale or acquisition of assets by the AEI Group;

¹ See **Corporations Act s.1042F**, where, for the purposes of this section, if a person incites, induces or encourages an act or omission by another person, the first-mentioned person is taken to have procured the act or omission by the other person.

² See **Corporations Act s.1042A**, where *Division 3 financial products* are defined as: securities, derivatives, interests in a managed investment scheme, debentures, stocks or bonds issued or proposed to be issued by a government, superannuation products, other than those prescribed by regulations made for the purposes of this paragraph; and any other financial products that are able to be traded on a financial market.

³ See **Corporations Act s.1042C**, which defines information as being *generally available* if:

- a. it consists of readily observable matter; or
- b. both of the following subparagraphs apply:
 - (i) it has been made known in a manner that would, or would be likely to, bring it to the attention of persons who commonly invest in Division 3 financial products of a kind whose price might be affected by the information; and
 - (ii) since it was made known, a reasonable period for it to be disseminated among such persons has elapsed; or
- c. it consists of deductions, conclusions or inferences made or drawn from either or both of the following:
 - (i) information referred to in paragraph (a);
 - (ii) information made known as mentioned in subparagraph (b)(i).

⁴ See **Corporations Act s.1042D**, which states that a reasonable person would take information to have a *material effect* on the price or value of a Division 3 financial product if (and only if) the information would, or would be likely to, influence persons who commonly acquire Division 3 financial products in deciding whether or not to acquire or dispose of the first-mentioned financial products.

- c. A possible change in the AEI Group's capital structure (for example, a capital reduction or a buy-back of shares);
- d. A proposed dividend from the AEI Group;
- e. A proposed share issue by the AEI Group;
- f. Board or senior management changes;
- g. An event which could have a material impact (either positively or negatively) on the AEI Group's profits (for example, winning a significant investment mandate);
- h. A proposed change in the nature of the AEI Group's business;
- i. Knowledge of proposed applications, redemptions or investment mandates material to the AEI Group's FUM;
- j. A notification to ASX Limited of a substantial shareholding in the AEI Group;
- k. Any information required to be disclosed to the ASX under its continuous disclosure rules;
- l. Any possible claim against the AEI Group or other unexpected liability;
- m. A possible sale or acquisition of assets by the AEI Group on behalf of a managed investment scheme or superannuation fund;
- n. The valuation of an asset held in a managed investment scheme or superannuation fund.

2.4 What is Dealing?

2.4.1 For the purposes of this Policy, dealing includes:

- a. Trading in securities (i.e. subscribing for, buying, selling or entering into an agreement to do any of those things);
- b. Advising, procuring or encouraging another person (such as a family member, friend, associate, colleague, broker, financial planner, investment adviser, family company or family trust) to trade in securities;
- c. Applying for or redeeming units in a managing investment scheme or superannuation fund;
- d. Communicating information, including passing it on to another person (such as a family member, friend, associate, colleague, broker, financial planner, investment adviser, family company or family trust) about trading in securities or applying for or redeeming units in a managed investment scheme or superannuation fund.

2.5 What Other Securities Dealings are Restricted?

- 2.5.1 Directors and employees of the AEI Group must not engage in short-term or speculative dealing in AEI securities.
- 2.5.2 Directors and employees of the AEI Group participating in an equity-based executive incentive plan are prohibited from entering into any transaction which would have the effect of hedging or otherwise transferring to any other person the risk of any fluctuation in the value of any unvested entitlement in AEI securities.

2.6 Examples of Inside Information related to Securities of Other Companies

- 2.6.1 The following list is illustrative only. A Director or employee of the AEI Group may obtain inside information in relation to another company:
 - a. In the course of buying, selling or assessing investments for the Australian Ethical Trusts, confidential information may be provided to Directors or employees of the AEI Group by people associated with those investments (e.g. the board or management of an investee company);
 - b. In the course of negotiating a transaction with the AEI Group, another company might provide confidential information about itself;
 - c. Information concerning a proposed transaction or other action by the AEI Group might have a material effect on a third party.
- 2.6.2 The prohibition on insider trading is not restricted to information affecting AEI securities. Accordingly Directors or employees of the AEI Group who possess inside information in relation to the securities of another company or entity must not deal in those securities.

2.7 Investigation of Allegations of Insider Trading

- 2.7.1 Without limiting the AEI Group's rights or obligations, the AEI Group will investigate allegations of insider trading where:
 - a. The allegation is made in writing to the Compliance Officer (or General Counsel, where the Compliance Officer is absent), signed by the person making the allegation and containing the details and circumstances of the alleged insider trading;
 - b. The person making the allegation identifies themselves;
 - c. The person makes the allegation in good faith.
- 2.7.2 The AEI Group shall comply with the whistleblower protection requirements of Part 9.4AAA of the Corporations Act with respect to any allegation made in accordance with Section 2.7.1. The Corporations Act restricts any

retaliation against a whistleblower and gives them a civil right, including seeking reinstatement of employment. To qualify for protection a whistleblower's revelation must be made to:

- a. ASIC;
- b. The company's auditor or a member of the audit team;
- c. A director secretary;
- d. A senior manager of the company;
- e. Another person authorised by the company to receive revelations of this kind.

2.7.3 Refer to AEI's Whistleblower Policy for further details.

3. Permitted Dealings

3.1 Dealing by Directors and Employees of the AEI Group

3.1.1 Dealing in AEI securities by a Director or employee of the AEI Group will only be permitted during the following periods:

- a. For one month following the release of the six month trading results;
- b. For one month following the release of the full year trading results;
- c. The AEI Board will determine the date of the opening and closing of the trading window.

3.1.2 For the purpose of the rules set out in Section 3.1.1 "dealing" means acquiring or disposing of securities directly or through a family trust, superannuation fund, company or in any other manner which would result in the Director or employee of the AEI Group having or disposing of a relevant interest (as defined in the Corporations Act) in those securities.

3.2 Additional Requirements for Directors⁵

3.2.1 Directors of the AEI Group are required to notify the Company Secretary (or General Counsel, where the Company Secretary is absent) of any dealings in AEI securities immediately (via email) to enable notice to be filed in accordance with the ASX Listing Rules within 5 business days of the dealing.

4. Consequences of Breaches of this Policy

4.1 Compliance is Mandatory

4.1.1 Strict compliance with this Policy is mandatory for all Directors and employees of the AEI Group.

4.2 Significant Breach Reporting to ASIC

4.2.1 Significant breaches (or likely breaches) of market integrity rules may constitute a reportable breach under s.912D of the Corporations Act.

4.3 Breach of this Policy

4.3.1 Contravention of the Corporations Act is a serious matter which may result in criminal or civil liability.

4.3.2 In addition, breaches of this Policy may damage the AEI Group's reputation in the investment community and undermine confidence in the market for AEI securities. Accordingly, breaches will be taken very seriously by the AEI Group and will be subject to disciplinary action, including possible termination of a person's employment or appointment.

5. Register of Securities Dealings and Conduct of Personal Trading

5.1 Register of Securities Dealings

5.1.1 All Directors and employees of the AEI Group must maintain a personal **Register of Securities Dealings & Holdings**.⁶

⁵ Under s.205G(1) of the Corporations Act, every Director of an Australian-listed public company must notify the relevant market operator of:

- a. The Director's relevant interests in securities of the company or a related body corporate; and
- b. Contracts to which the Director is a party or under which the Director is entitled to a benefit and that confer a right to call for or deliver shares in, debentures of, or interests in a managed investment scheme made available by the company or a related body corporate.

⁶ For the purposes of this section, securities dealing refers to transactions involving equity securities, derivatives, convertible notes, interest bearing securities or any other financial product subject to regulation by ASIC.

- 5.1.2 The Register must be provided to the Compliance Officer within 5 business days of the end of each quarter.
- 5.1.3 The Register must include details of all holdings as at the date of preparation of the Register and details (date, consideration, number of interests, buy/sell, broker) for all dealings that have occurred since the production of the previous version of the Register and the Holdings at the end of the period.
- 5.1.4 On receipt of the Register the Compliance Officer is required to check if any securities held are listed on the **Restricted & Prohibited Securities** (see Section 6 of this Policy). If the securities held are not listed on the **Restricted & Prohibited Securities List** then the Compliance Officer will issue an approval that these securities can be traded for the following quarter without seeking further approval.

5.2 Conduct of Personal Trading

- 5.2.1 In addition to the rules as defined in Section 3 of this Policy, all Directors and employees of the AEI Group must seek approval from the Compliance Officer (or General Counsel, where the Compliance Officer is absent) before conducting a trade in securities that are listed on the **Restricted & Prohibited Securities List** either directly or through an associate. Directors and employees are permitted to trade in securities not listed on the **Restricted & Prohibited Securities Lists** at any time.
- 5.2.2 All Directors and employees must seek approval from the Compliance Officer (or General Counsel, where the Compliance Officer is absent) before applying for, redeeming from, or switching in, Managed Investment Schemes where AEI is the Responsible Entity or Investment Manager, either directly or through an associate.
- 5.2.3 All Directors and employees must seek approval from the Compliance Officer (or General Counsel, where the Compliance Officer is absent) before applying for, redeeming from, or switching in, the Australian Ethical Retail Superannuation Fund. Approval is not required where Superannuation Guarantee (SG) contributions are being made into the Australian Ethical Retail Superannuation Fund.

5.3 Request to Trade

- 5.3.1 A request to trade in a security referenced in Section 5.2 must include the following information:
 - a. The security to be traded;
 - b. Whether the trade is a buy or sell;
 - c. Estimated number of securities to be bought or sold;
 - d. Estimated consideration for the buy or sell;
 - e. Confirmation that the person is not aware of any inside information in respect of the security;
 - f. Whether the person is aware that the company, in its capacity as a responsible entity or investment manager, has a current trading intention in the same security;
 - g. Where the person is aware of a common trading intention, the reasons why a personal trade will not create a conflict of interest with the trading intention of the company (as RE or investment manager).

6. Restricted & Prohibited Securities Lists

- 6.1 The **Restricted Securities List** shall consist of:
 - a. The securities held by the AEI Managed Investment Schemes;
 - b. The securities held by the Australian Ethical Retail Superannuation Fund; and
 - c. The securities managed by the AEI Group under mandate, or for which investment limits exist.
- 6.2 The **Prohibited Securities List** includes any securities for which the AEI Group has either received a sounding or has information that is not in the public domain.
- 6.3 The AEI Group Investment Team shall own and be accountable for the maintenance of the **Restricted Securities List**. It is required to be updated on an on-going basis and presented to the AEI Investment Committee on at least a quarterly basis for review. The **Restricted Securities List** is located on the AEI corporate drive and is accessible by all employees of the AEI Group.
- 6.4 The Compliance Officer shall own and be accountable for the maintenance of the **Prohibited Securities List**. The **Prohibited Securities List** is located on the J:/investments drive and will be accessible (read only) by all employees working in the Investment Team. Employees working in the Investment Team have the authority to add securities to the **Prohibited Securities List** but not to remove them. This must be undertaken by the Compliance Officer.

7. Publication and Review of this Policy

7.1 Publication of the Policy

- 7.1.1 A copy of this Policy will be made available on the “corporate” directory on the AEI Group’s file server and therefore accessible to all employees of the AEI Group.
- 7.1.2 A copy of this Policy will be provided to all new Directors and employees of the AEI Group as part of the AEI Group’s induction procedures.
- 7.1.3 If you do not understand the contents of this Policy, or wish to receive further information on how to comply with the requirements contained in this Policy, please contact the Compliance Officer or General Counsel.

7.2 Review of the Policy

- 7.2.1 This Policy will be reviewed on an annual basis.
- 7.2.2 Prior to the commencement of this review, the Compliance Officer will determine whether the review will be undertaken internally, or outsourced to an appropriately qualified and experienced service provider, or a combination of both.
- 7.2.3 The results of the review will be reported to the AEI and AES Audit, Compliance & Risk Committees as part of the next scheduled meeting following completion of the review.