

ASX Announcement

ASX Code: AEF

Date: 27 November 2008

AGM presentations and answers to shareholder written questions

The attached addresses and presentations will be provided to this evening's AGM.

The attached answers to shareholder written questions (received prior to the meeting) will also be distributed to shareholders who attend this evening's meeting.

End/.

Company Background

Australian Ethical is a funds manager that specialises exclusively in ethical funds management. It offers managed investment schemes and corresponding superannuation strategies (for accumulation and pension accounts). The Australian Ethical Charter is the foundation of the investment process. It aims to avoid harmful investments and actively seeks investments that benefit society and the environment. Uniquely, the company's constitution requires that 10% of profit is donated to charitable and conservation initiatives.

Australian Ethical Investment

Annual General Meeting
Thursday 27 November 2008

Order of business

- Introductions
- Chair's address – Naomi Edwards
- CEO and MD's address – Anne O'Donnell
- Items 1 – 5 on the formal notice of meeting
- Shareholder questions
- Conduct of any polls
- Meeting close
- Coffee / Tea / Light refreshments

Australian Ethical Investment

Naomi Edwards

Chair of the board

Australian Ethical Investment

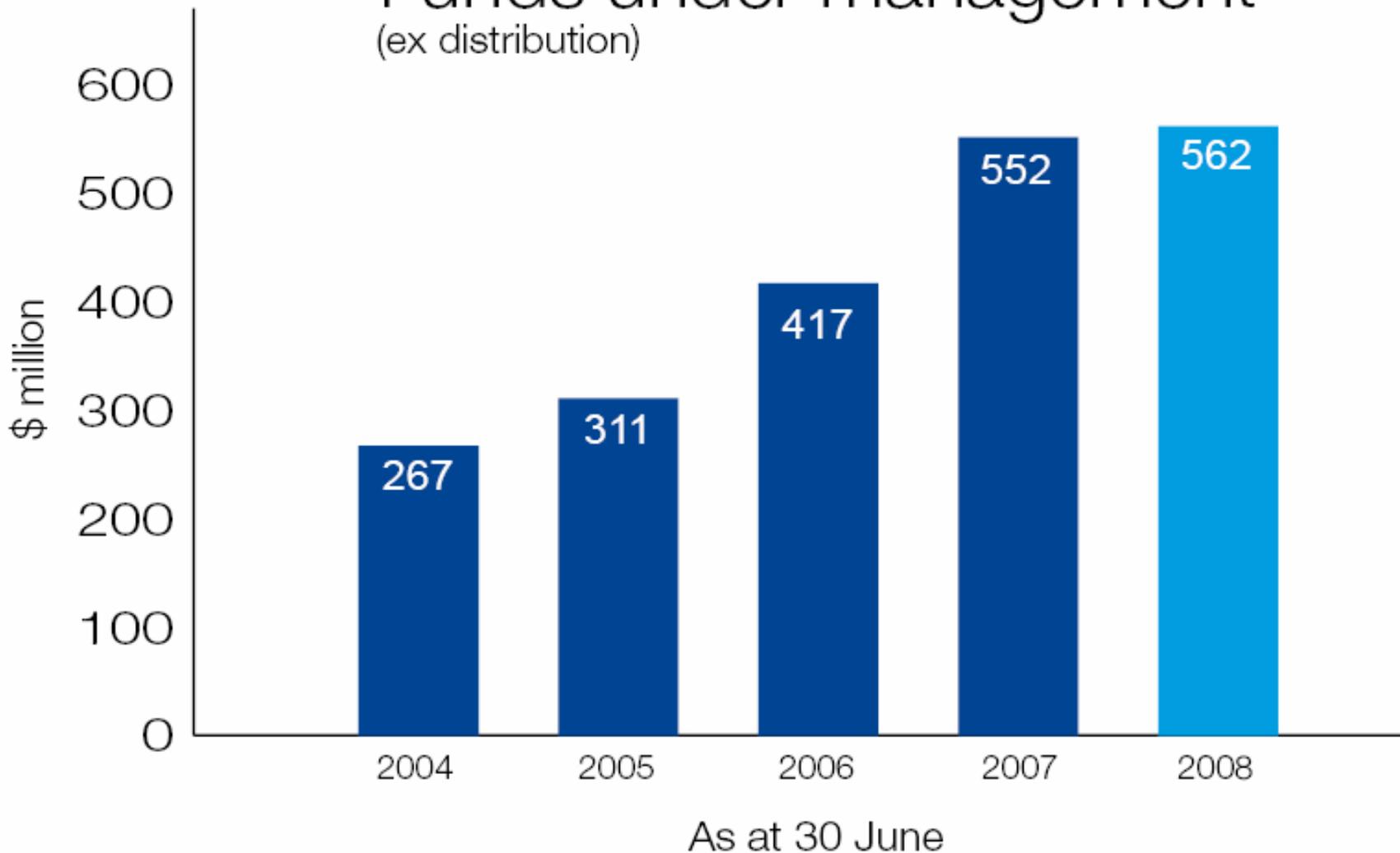
Anne O'Donnell

CEO and Managing Director

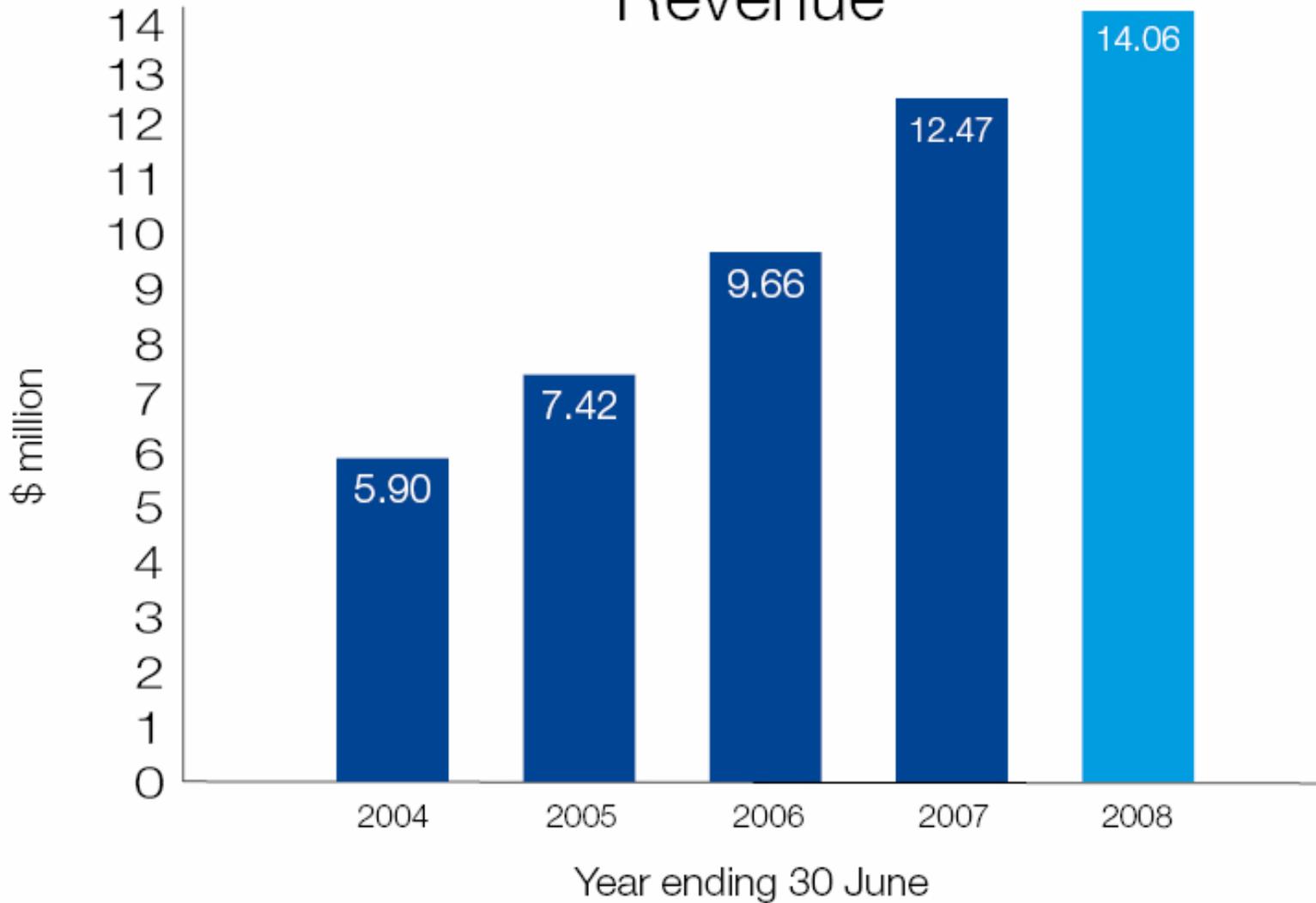
Australian Ethical's Mission

- Australian Ethical's mission is to provide those investors who share our social and environmental aims (as set out in our charter) with the means to earn a competitive return for chosen risk whilst at the same time contributing to a just and sustainable human society and the protection of the natural environment.

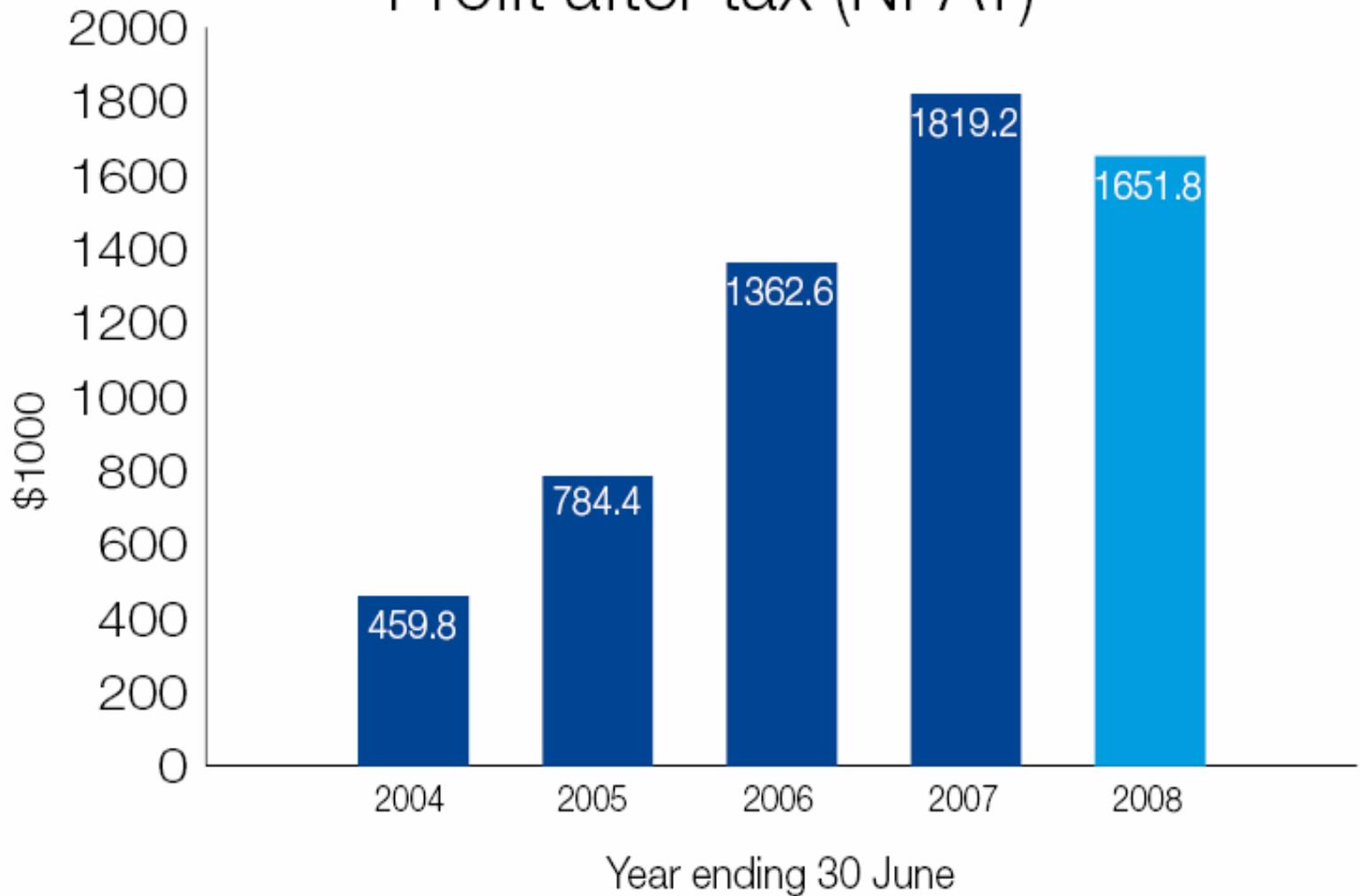
Funds under management (ex distribution)



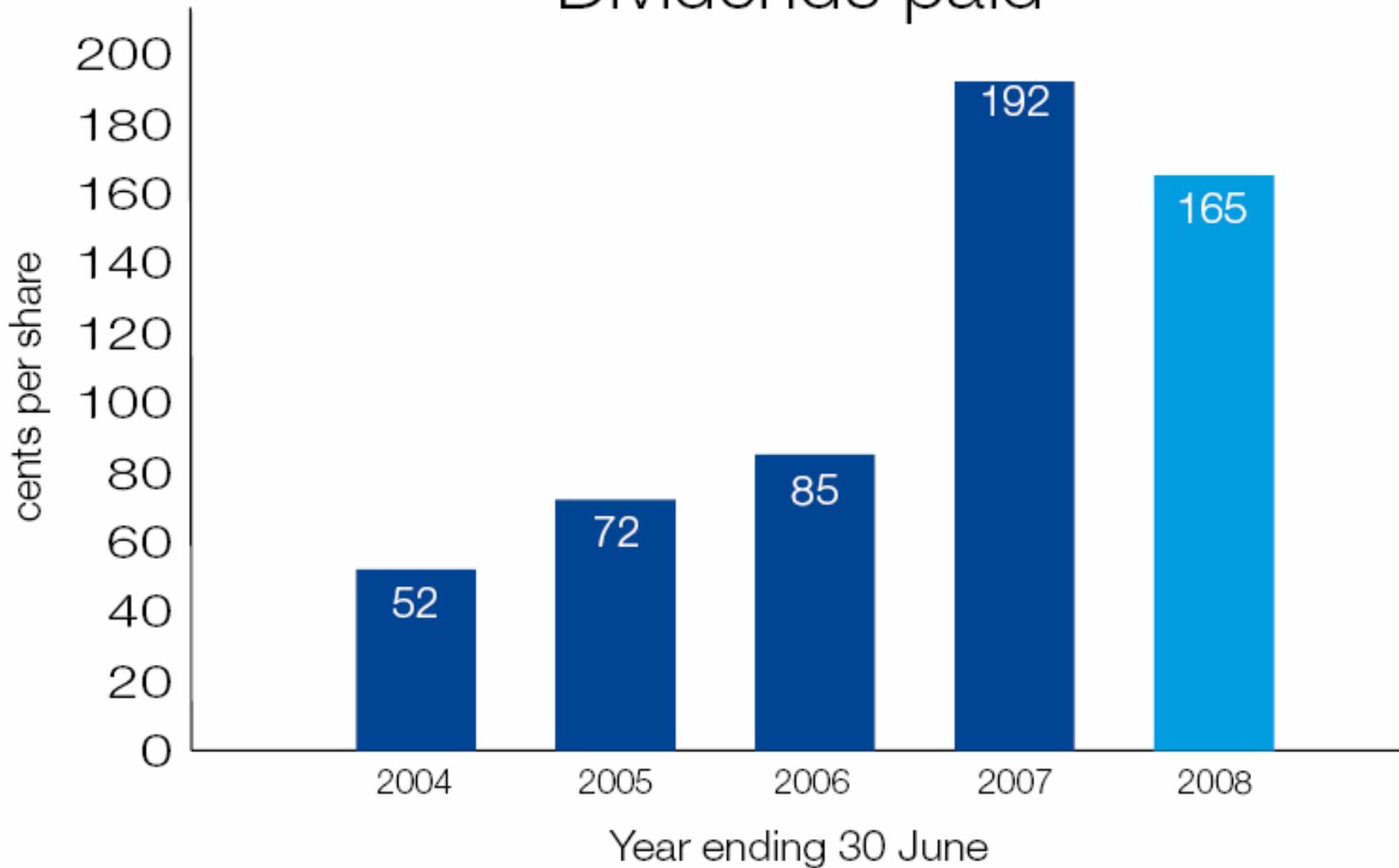
Revenue



Profit after tax (NPAT)



Dividends paid



Return on equity



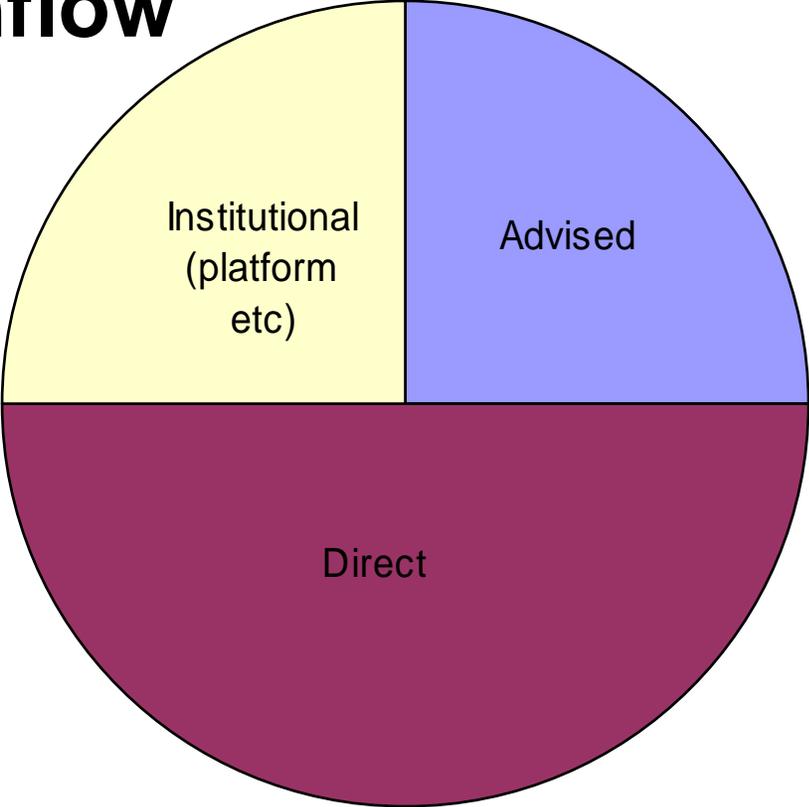
Australian Ethical's new green building



pure investment performance

australian**ethical**[®]
investment + superannuation

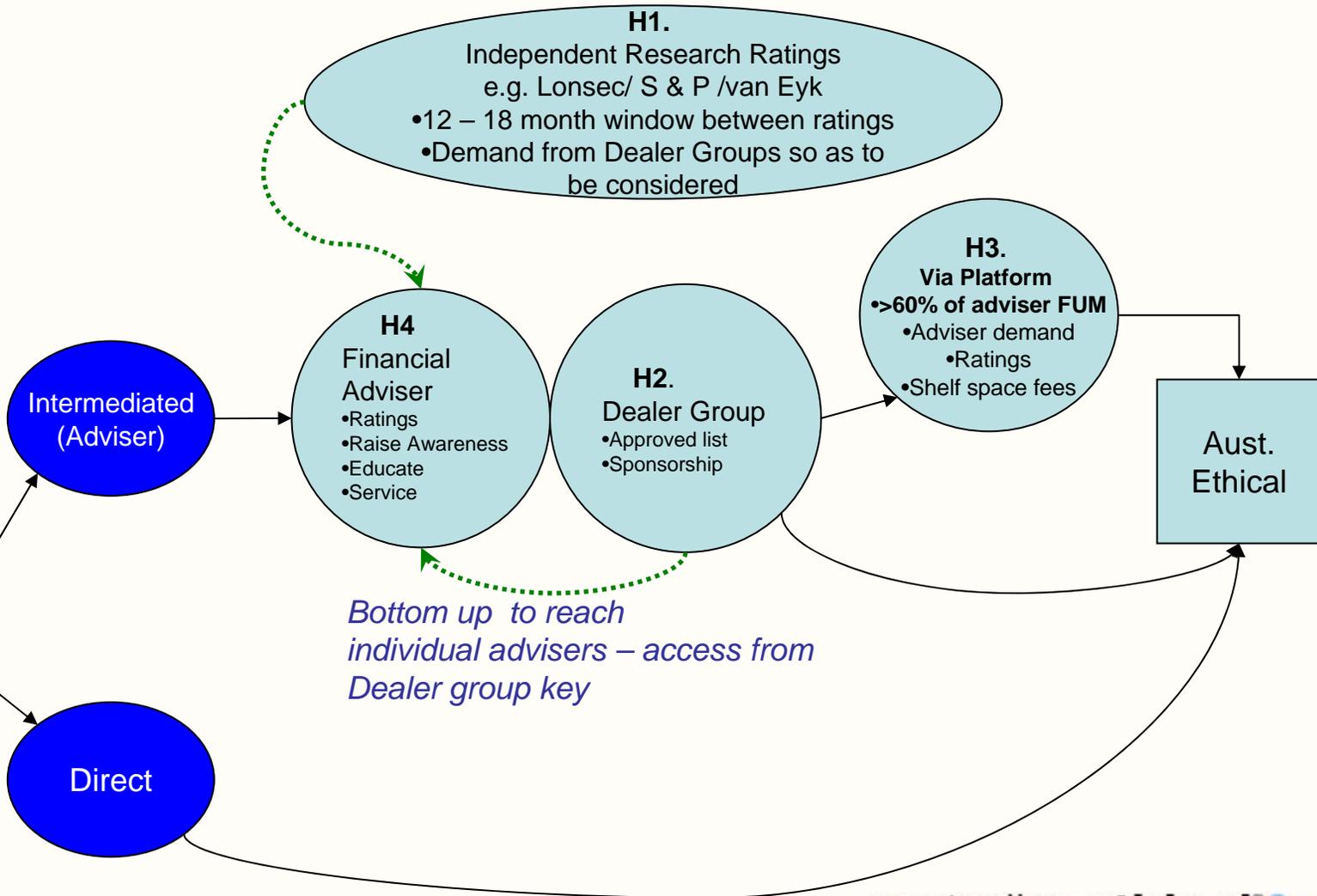
Indicative Historical Sources of Gross Funds Inflow



Lapse Rates Redemptions/FUM:

Super	5%
Trusts	8%

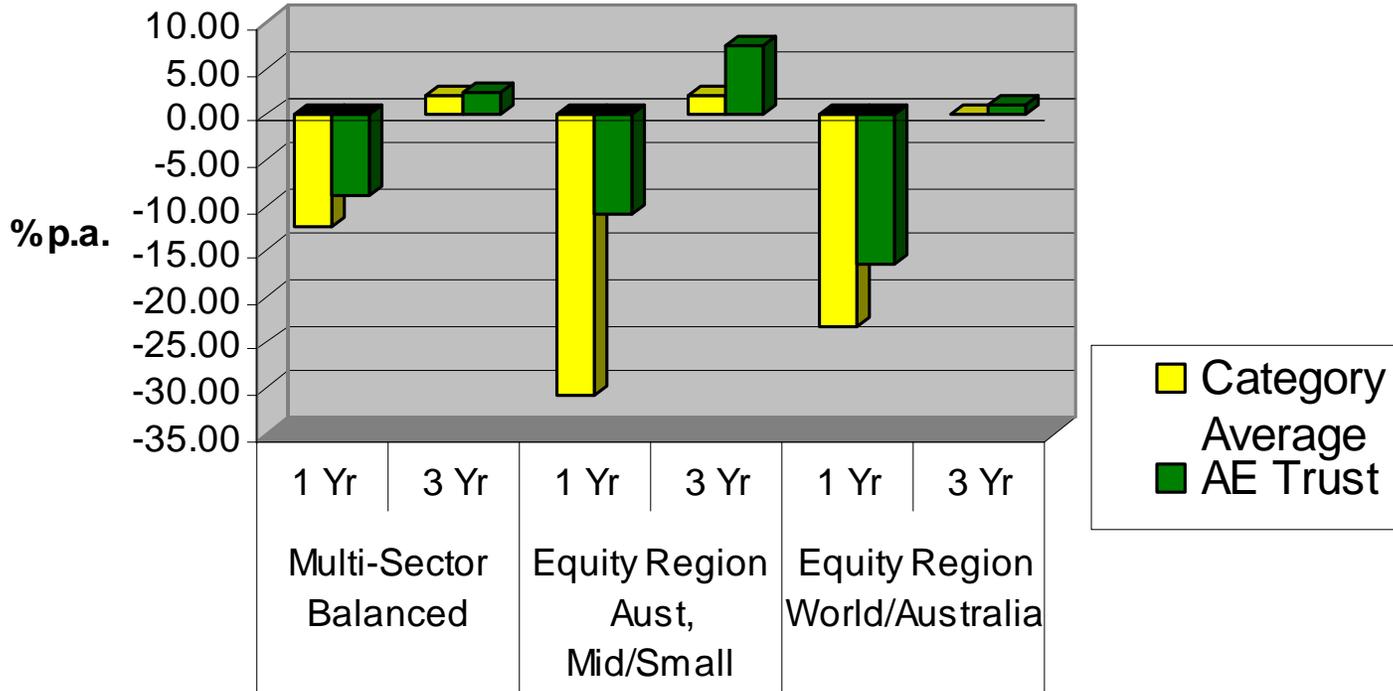
Retail Funds Value Chain and the 4 Hurdles



Adviser strategy

- Hired new Head of Distribution
 - 30 years experience in retail and wholesale
 - Part of brief to increase the understanding of adviser requirements
- New quarterly adviser communication
- Plans and progress set back more than 6 months through loss of Investment Manager
- Providing advisers with more education and information
- Progress with Research houses
 - Lonsec
 - S & P
 - vanEyk

RETURN COMPARISON



YEARS TO END SEPT 2008 SOURCE: MORNINGSTAR

Formal business of the meeting

- Item 1 - Accounts and reports
 - Questions or comments on the accounts
 - Questions for the auditors on the conduct of their audit
- Item 2 – Remuneration report and the status of employees
- Item 3 – Directors
- Item 4 – Changes to the Constitution
- Item 5 – Employee share ownership arrangements
- Questions or comments on the management of the company
- Conduct of any polls
- Meeting close
- Coffee / Tea / Light refreshments

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CHAIR'S PRESENTATION
ANNUAL GENERAL MEETING
Thursday 27 November 2008 at 6:00pm

This is my second address to you as Chair of Australian Ethical. Last year I opened my address by saying that this was a challenging time to be Chair of a wealth manager – little did I know what lay ahead. Over the last 12 months we have experienced a widespread and rapid deterioration of domestic and global markets. The results have been the worst performance of the Australian share market since 1982 and even worse performance on global markets. I do not have to explain to you the depth and breadth of the current financial crises. The result of this global perfect storm has been a shattering of investor confidence generally and a flight to safety specifically.

The wealth management industry in Australia has experienced a large decrease in its Funds Under Management and its new in-flows over the last 12 months. Australian Ethical Investment has not been immune to this shrinkage. We have seen our FUM reduce from a high of some \$650m to \$480m as of last week. While some of this reduction has been due to redemptions, most has been due to a fall in market values. This shrinkage of FUM affects our short term profitability, our economies of scale, our cost to income ratio and our ability to undertake new projects. In this we are not alone – all wealth managers are grappling with these issues.

The key questions now, for us as your Board, and for you as shareholders, are:

Is the worst over?

What does this mean for Australian Ethical's short and long term prospects?

In regard to the question of whether the worst is over, we do not believe this can be said with confidence. Even with markets at current levels, our investment team are expecting that further rights offerings and special placements will continue to depress the market which will have difficulty appreciating this side of Christmas, or even beyond. So in the short term, we see little good news on the market side. That said, our balance sheet continues to be strong and our liquidity is excellent. Internal stress testing has shown that we can withstand an increase in redemption rates and still remain well capitalised. However, there is little doubt that this year will be a difficult one. We will provide more detailed guidance on half-year results over the next month or so.

Over the medium term, I believe we will ride out the storm better than most. I said to you at last year's AGM that we had a brand which was underleveraged and that we needed to significantly expand our distribution. We have moved in the last 12 months to fix this, including the appointment of a new distribution manager, Paul Harding Davis and a campaign aimed at improving communications with financial planners. Anne will describe to you in detail the work we are doing to improve our distribution through advisors and to

expand our presence on platforms. It may be a while, in the current market, until we see the results of these initiatives, but they will emerge.

A further positive which will position us well for the medium term has been the excellent relative performance of many of our trusts, particularly the equities, large companies and balanced trusts. In the current highly volatile markets, Australian Ethical's funds continue to be ranked strongly. These three funds are in the top ten performers over 6 months, 1 year and 7 years. I would like to acknowledge the excellent work of our investment team in delivering these returns to our investors.

Throughout the turbulence, we are maintaining our focus on investing with a long-term horizon in sustainable industries. Consequently, our investments are more defensive and are holding up well. We have a low exposure to the banking and resources sectors which are experiencing strong downturns. We have a larger exposure to more stable sectors like healthcare and utilities. Renewable energy and alternative fuel stocks, which are a key component of our portfolios, have been shaken by recent falls in oil price. However in this area we concur with the head of the International Energy Agency, who believes current low prices will be short lived and we continue to adopt the long view on renewable energy stocks.

Our marketing team intend to work hard in the next 12 months capitalizing on our recent out-performance, and by this we hope not

only to stabilise in-flows but also to grow them above the levels experienced in the past.

Board developments

We were very pleased to announce to the market that our long standing CEO, Anne O'Donnell, was appointed to the Board in May this year. Anne has made an enormous contribution to managing and professionalizing Australian Ethical and has more than earned her place on the Board. We also appointed two new non-executive directors in July – Andre Morony and Les Coleman. Both of these appointees have considerable commercial funds management and risk management expertise to bring to the Board. As required by our Constitution, these 3 appointments will be put to the vote of our shareholders later in this meeting.

We will also be putting forward one director for re-election – Howard Pender. As you know, Caroline Le Couteur will not be standing for re-election and I would like to take this opportunity to thank Caroline for her enormous contribution to Australian Ethical over many years. Caroline has put enormous personal energy, competence and a passionate commitment to the environment and social justice into Australian Ethical. Many of our current embedded ethical processes, such as our sustainability reporting, our focus on our own environmental footprint, our strong true to label investment processes, reflect Caroline's passions and determination. Caroline, you can take up your new role in the Legislative Assembly confident

that Australian Ethical has the staff, the vision and the desire to continue our position as Australia's most true to label ethical company. We thank you for your contribution in so many ways to our company over so many years.

This year we have three nominations for Director which are not supported by the Board. I would like to assure shareholders that, while the Board does not support these three candidates, this does not mean we do not welcome shareholder input to our company. On the question of Board composition, we have a process of Board renewal in place, particularly in relation to long standing executive directors, and this will continue going forward. We would welcome expressions of interest for Board positions that could be considered in a timely manner by the Board as vacancies arise over the next few years.

Finally, I would like to share some personal observations on the company culture and what this means for shareholders. I believe the company has made significant progress in professionalizing itself since its early listed years. Its culture has slowly moved from a somewhat internally focused culture to a more outward looking focus. For example, we are very fortunate to have Martin Halloran as our new Chief Investment Officer. Martin's weekly market updates on the web are a great communication tool with our investors, our distributors and with the gatekeepers. Similarly, we are fortunate to have Paul Harding Davis, our new Head of Distribution, who has worked with marketing to develop our new tagline, Pure Investment

Performance, and to develop new, more customised marketing messages to institutional investors. I am confident that this new generation, along with our prudent and intelligent CFO, Gary Leckie, and of course our CEO Anne O'Donnell will carry the company into a new phase of positive interaction with the wider financial services community. At no time have we weakened out ethical screens or our commitment to the Charter. In fact it has been our commitment to those screens and Charter that have served us so well over the last 12 months.

I would like to thank our shareholders for your support in 2008. Most of the Board are also shareholders, and we share your disappointment that our 2008 results bucked the growth trend we have experienced over the last 6 years. We acknowledge that the current situation will be difficult, but hope you share our optimism for a return to our growth trajectory in 2009 and beyond.

Last but not least I would like to thank the staff and fellow Board members of Australian Ethical. We are, fundamentally, a people business and our ethical brand is only as strong as our ethical investments, our ethical customer service, our true to label marketing and the passions and hard work of our people. All of our staff are passionate about delivering "pure investment performance". I would like to thank them for their hard work and focus during what I know will be a difficult next six months.

CEO PRESENTATION
ANNUAL GENERAL MEETING
Thursday 27 November 2008 at 6:00pm

Slide 1 - AEI Mission Statement

Good evening ladies and gentlemen and welcome to our Annual General Meeting.

In preparing my presentation for tonight I had cause to look back at past presentations. In doing so I noted that sadly this is the first year since 2002 that I have not been able to commence my presentation with positive news on growth and increased profits for the group.

We have seen dramatic and disturbing movements in the world's capital and equities markets. The ASX/200 has been trading at 2003/2004 levels, a 50% decline from its peak in November 2007. The sub-prime mortgage crisis that commenced in the USA can be likened to a financial tsunami that continues to impact world markets. Despite having no direct exposure to any sub-prime investments AEI has been adversely impacted by this crisis. Our 2008 financial year results reflect a year of two halves, a strong first half and a poor second half as the crisis deepened and investor confidence declined sharply.

The Annual Report contains a full set of financial statements; those shareholders who chose not to receive a hard copy of the report received a summary of the results in the shareholder newsletter.

Our auditors, Thomas Davis and Co, have provided an unqualified opinion that the financial reports give a true and fair view of the Group's financial position. We have Mr Peter Whiteman from Thomas Davis with us again this year, welcome Peter.

As I have done in previous years I intend to briefly focus tonight on the key financial results for the year, detail progress on our strategic initiatives, discuss results since the end of the financial year and finally consider the challenges that lie ahead for us.

Slide 2 - FUM Growth

Our Funds under Management ('FUM') is the core of our business. At 30 June 2008 FUM was \$562m ex distribution, up from \$552m in June 2007. Despite finishing the year higher than we started the number was down on our peak FUM of \$645 and approximately \$100m down on our budget estimates. Whilst our inflow and outflow numbers were in line with our estimates we have experienced capital losses in the trusts which have impacted on our level of FUM.

As you can see from this slide our past growth in FUM has been steady and consistent. Funds under management held above \$500m until recently when market movements caused it to dip below this number. Our FUM is currently around \$ 480 m.

Slide 3 – Revenue

The strong first half year FUM growth contributed positively to our revenue. Revenue grew to \$14m up from \$12m the previous year.

Slide 4 - Net Profit after Tax

The group achieved a consolidated net profit after tax of \$1.65m, a decrease on the previous year's record result of \$1.8m. A decrease in profit is always disappointing but given the difficult circumstances in the financial markets and the one off expenses incurred as part of the superannuation transition (some \$300,000) I consider it to be a good result. It should also be viewed in the context of very strong profit growth in the previous three financial years.

Slide 5 – Full Year Dividends

In deciding the level of dividend directors are mindful of the significant franking credits held by the company and also of the need to ensure we have sufficient capital to support the ongoing operations of the company. After weighing up these considerations the directors declared a fully franked dividend of \$1.65 per share. That is a final dividend of \$1.20 along with the interim dividend of 45 cents which was paid in March.

Slide 6 - Return on Equity

Return on equity declined but is still a very respectable 20.6%. This decrease after many years of strong increases evidences the

impact of the relative flatness in FUM and some increased costs and additional expenditure on business development.

In summary, during the past financial year we saw a slowing in our growth as a result of overall market declines. Our revenue grew but this growth did not compensate for some additional and one off expenditure thus decreasing our overall profit levels.

Slide 7 – TP House

Trevor Pearcey House continues to meet high standards of energy efficiency and provide our employees with a comfortable and productive working environment. Full performance details for the building can be found in the annual report. The building continues to win prizes, this year it was the recipient of the Banksia Environmental Foundation award for the built environment.

Not to be outdone in the awards stakes The Australian Ethical Superannuation Fund was the winner of the inaugural Infinity Award at the Conference of Major Super Funds in March this year. A great achievement and one which helps to raise the profile of the fund and the group overall.

Last year we advised that we intended to target the more mainstream retail and associated advisor distribution channels. Historically our sources of gross inflow have been 50% advisor, 50% direct. Our direct business is a very profitable segment of our business and one which we intend to continue to nurture.

Slide 8 – Indicative Historical Sources of Gross Inflow

It is very important to understand that financial advisors favor the use of platforms as part of their processes.

Slide 9– Retail Value Chain and the Four Hurdles

This slide endeavors to illustrate the complexities and interdependencies of accessing advisors, their approved lists and the platforms they use. The key to progress is getting the research houses interested in rating your products. One of the considerations in introducing our World Trust was the indications of strong demand from advisors. However it is only now that we can start talking to research houses about rating this product as they want to see a track record before they will consider it.

Research houses have rating cycles which can run for up to 18 months. I know we have a supportive advisor who is very interested in the world trust for his clients but he only uses the Macquarie Wrap platform. Until we are able to get the World Trust rated and on that platform, he will make no investments. I use this example to illustrate how complex and lengthy the process can be.

Slide 10 – Advisor Strategy

In terms of our advisor strategy we have made good progress. In January this year we employed a new Head of Distribution. We have implemented a quarterly advisor communication and are providing advisors with more education and information and we have made good progress with the research houses.

As Naomi mentioned we see little good news on the market side in the short term. This will be reflected in our half year result, which

will certainly be down on result to the half year ended 31 December 2007. In the past Australian Ethical has not provided market guidance on future profit results, except when close to the half-year and full year end. I don't intend to speculate on 2008-09 profit at this time. In fact given the current market fluctuations and the impact on our FUM I consider it would be almost impossible for me to provide any reliable estimates. What I will say is that it has been a difficult few months and I expect this to continue.

We have been consistently working over a number of years to improve our efficiency and the cost effectiveness of our processes. In 2007 we implemented changes in our custodian arrangements, transiting from two custodians to a single custodian and negotiating a more cost effective fee arrangement. We have also implemented a more delegated decision making portfolio model for the trusts.

This year we transited the administration of our superannuation fund to Pillar. This transition has not been without its challenges, however I am confident the move will result in more robust administration of the fund and a significant saving in administration fees. The fee structure of the previous administrator was linked to funds under management. The fee structure of our new administrator has no such link. We have estimated that this new fee arrangement is likely to result in savings greater than half a million dollars in the current financial year. The exact quantum of these savings will obviously depend on funds under management.

These changes will stand us in good stead going forward.

We are currently reviewing our expenditure very closely. This financial year we have successfully moved existing resources to cover vacancies and will continue to do this where ever possible. There may be projects that are delayed or placed on hold. Decisions will be made after careful consideration of their long term impact and will take into account the needs of all our stakeholders, that is, our investors, our employees and our shareholders.

Slide 11 – Return Comparison

It is important that we keep in mind a number of positives:

- Our balance sheet is strong - we have no debt, no intangibles and our net tangible assets are held in cash, fixed interest securities and our award winning premises;
- We have not seen any significant change in our historic outflow pattern, that is our level of redemptions in dollar terms has remained relatively consistent,
- The majority of our trusts have shown excellent relative performance; and,
- We have a unique product.

This is a position that would be the envy of many businesses.

I would now like to touch on a number of challenges I see for us in the short to medium term.

The most significant challenge is the current volatility in the markets. This impacts our profitability in two ways. Firstly there is a direct impact on our FUM and secondly declining investor confidence in the equities markets generally impacts our ability to attract new inflows.

Maintaining and building market share is always a major challenge, more so in the current market. We have seen consistent and steady growth in our overall market share since 2000 with superannuation a key contributor to this growth. The growth in the self managed superannuation products represents a significant challenge to our superannuation fund, indeed we have seen members with significant balances transferring their funds to self managed products. Moves by the federal government to guarantee bank deposits make the holding of cash very attractive to depositors, this will present as significant challenge to all participants in the equities markets going forward.

There is growing institutional interest in responsible investment and this interest has been guided by the United Nations Principles for Responsible Investment. We have been working hard to increase our profile to ensure we are seen as a credible player, indeed as an expert in the incorporation of environmental, social and governance considerations into the investment process. However being perceived this way in the institutional space is a major challenge, particularly as many large market participants have moved into this space seeking to stake a claim.

AEI has a strategic goal of “spreading our reach” and growing our business. Our Ethical Charter will continue to be the guiding force and point of differentiation for our investments and the operations of the group as we strive towards this goal.

I would like to thank you our shareholders and our investors for your continued support and also publicly thank all the staff of AEI for their diligence and hard work particularly during these difficult and trying times.

Thank you.

ANNUAL GENERAL MEETING 27 NOVEMBER 2008

WRITTEN QUESTIONS FROM SHAREHOLDERS

As part of the 2008 Annual General Meeting, directors invited shareholders to ask written questions.

Questions received prior to the deadline are set out below.

Please note that the company has indicated that it will not respond to or publish questions which in its view are defamatory, vexatious or which are the subject of or related to potential legal action by or against the company.

Shareholders should also note that the company may choose not to answer questions which:

- would require the publication of confidential or commercially sensitive information which could cause detriment to the company; or
- are not posed by shareholders in their capacity as shareholders: for example questions asked by employee shareholders about specific staffing issues; questions asked by a contractor / shareholder about outsourcing arrangements; or questions asked by former directors or employees using confidential information obtained in their capacity as a director or employee.

The company has received two questions of this nature and has declined to publish or answer those questions.

The company has also responded to some questions thematically.

No.	Question	Response
1.	Does Australian Ethical Investment consider it important to aim for five star governance as monitored by Ethical Investor magazine?	<p>As at 31 October 2008, Australian Ethical had a three star governance rating in Corporate Monitor (the Corporate Monitor tables are used in Ethical Investor magazine). Overall, Australian Ethical is rated 11th in the top 50 companies. The company understands that the three star governance rating is described by the authors of these tables as "compliant".</p> <p>The company does not have direct knowledge of the methodology corporate monitor uses to produce its ratings. Some information is provided in explanatory notes published in Ethical Investor, but these are general in nature.</p> <p>The company is also not sure whether the current rating reflects recent governance changes – such as the appointment of two non-executive directors in July 2008.</p> <p>Australian Ethical believes that the ASX Corporate Governance Council has set the benchmark for Australian corporate governance practices. Australian Ethical reports on its performance against ASX Corporate Governance Council best practice recommendations in each annual report, and the company encourages shareholders to read the corporate governance statement in the annual report. The report provides a contextual and detailed insight into the company's corporate governance practices. Of the 28 recommendations applicable to the 2007/08 year, Australian Ethical meets 25 recommendations.</p> <p>Importantly, the ASX Corporate Governance Council acknowledges that while it makes best practice recommendations, these are not necessarily the best approach for all companies. The Council's approach is based on an "if not, why not" reporting system. Where a company's board takes the view that a best practice recommendation is not in the interests of their particular company, then they can explain that view. For example, Australian Ethical does not have a separate board "nomination committee". This is one of the best practice recommendations (and we understand is one of the criteria used in the Corporate Monitor ratings process). In Australian Ethical's circumstances, the board believes it would be inefficient to establish a separate nominations committee.</p> <p>While Australian Ethical agrees that ratings systems have their place, the company believes that governance practices must always be considered within the context of the specific organisation. History shows that some companies who score highly on a ratings or check box approach to governance turn out, in reality, to have poor corporate governance systems because they lack a genuine governance culture. The company does not believe that this is the case at Australian Ethical.</p>
2.	Has there been any loss of business directly related to the change of superannuation administrator and if so what action has been taken?	<p>Where it has been brought to the company's attention that a superannuation member has indicated a desire to exit the fund due to the transition, the Executive Officer – Superannuation has contacted that member directly, or that member's advisor, to explain the situation and provide that member with an opportunity to specifically voice concerns and receive a verbal, personal response.</p> <p>Clearly the transition has been disruptive and has caused inconvenience to a number of members. The company has apologised to members for the inconvenience caused. The vast majority of transition issues have now been resolved and the administration of the Fund is now approaching normal operations. The company is well aware of the impact the transition has had on members, but at this stage there is little evidence of any significant loss of business as a result of the transition.</p>

No.	Question	Response
3.	<p>It is noted from the AEI website that the World Trust has been operating for 12 months now but investment appears low at \$6.7M (30/9/08). What marketing strategies are being employed to lift the profile of this fund?</p>	<p>The Australian Ethical World Trust is marketed as part of our suit of managed investment and superannuation strategies. Australian Ethical markets its products to the retail market through specialised print and online media, event sponsorships, roadshows in all capital cities and major regional centres and through our investor newsletter AimHigh.</p> <p>The World Trust is actively promoted by business development staff at meetings with financial advisers. Work is currently underway to have the World Trust made available on platforms to provide financial advisers better access to the Trust. However, the Trust's lack of a rating by one of the major ratings agencies is an impediment to listing the World Trust on platforms. In order to secure a rating the Trust must be in existence for an appropriate time for rating agencies to make a sound assessment.</p> <p>The volatile markets into which the World Trust was launched has significantly contributed to a slower growth in the fund's size.</p> <p>A media relations campaign has resulted in positive coverage in a number of retail and finance industry specific media.</p>
4.	<p>Why did the company not include Mr Christopher Lee on the notice of meeting as a candidate for director?</p>	<p>The company received a document nominating Mr Christopher Lee for the position of director on 15 October 2008.</p> <p>Under Rule 11.3 of the AEI constitution, for a nomination to be valid it must be signed by the nominee giving consent to the nomination. The document received on 15 October 2008 did not include a consent to the nomination from Mr Christopher Lee. The deadline for receipt of such a consent was 6.00pm on 16 October 2008. No consent was received by the deadline and therefore the company did not include Mr Christopher Lee on the notice of meeting as candidate for director.</p>
5.	<p>Why were the statements of Mr Trevor Lee, Dr Robert Pearson and Mr Kevin McCready in support of their nominations not distributed with the notice of meeting materials?</p>	<p>Notice of meeting materials were sent to the company's share registry for printing and distribution on 22 October 2008. They were posted to shareholders on 28 October, and received by most shareholders on 30 October.</p> <p>The company received a statement from Dr Pearson on 20 October 2008 and a further corrected statement from Dr Pearson on 21 October 2008. The company received a statement from Mr Trevor Lee on the morning of 22 October 2008 and a statement from Mr Kevin McCready on the afternoon of 22 October 2008.</p> <p>Under the Corporations Act 2001, the company is only required to distribute material at the request of shareholders where a number of criteria are met. In respect of these statements, the criteria for distribution of these statements were not met until the afternoon of 23 October 2008. The company is also not obliged to distribute material that is defamatory. The company instructed external lawyers to check the statements of Mr Lee and Mr McCready for defamation on the afternoon of 23 October 2008, and received advice on that point early on 29 October 2008.</p> <p>On the morning of 29 October 2008, the company sent the statements to the company's share registry for printing and distribution.</p> <p>The statements were posted on 31 October 2008 and were received by most shareholders on 4 November 2008, two business days after the notice of meeting material.</p>

No.	Question	Response
6.	<p>Why does Australian Ethical have executive directors on its board?</p> <p>What are the duties and arrangements for executive directors in their capacity as employees of the company?</p>	<p>It is anticipated that at the conclusion of the upcoming Annual General Meeting, the board will consist of four non-executive directors (three of whom will be regarded as independent) and three executive directors.</p> <p>The anticipated executive directors are Anne O'Donnell, Howard Pender and James Thier.</p> <p>The experience and qualifications of these directors were set out in the company's 2008 annual report.</p> <p>The board's view is that this composition represents a good long term balance between executive and non-executive / independent directors, with the right mix of independence, competence and alignment with the Australian Ethical Charter.</p> <p>The board believes that having executive directors on the board contributes significantly to the effective functioning of the board because of the operational and corporate knowledge which executive directors bring to board deliberations. While the board acknowledges the importance of having directors who are quite independent from management, it is equally important to have directors who have direct, day to day experience of the implementation of the Charter and the operational functioning of the company.</p> <p>The board continues to consider composition and board renewal, particularly in relation to long standing executive directors.</p> <p>In their capacity as directors, with the exception of Anne O'Donnell (managing director), the current executive directors are paid equivalent directors' fees to the non-executive directors. Anne O'Donnell is not paid separate directors' fees.</p> <p>The executive directors are employees of the company. In their capacity as employees, executive directors are treated in the same way as all other employees. For example:</p> <ul style="list-style-type: none"> ▪ where they do not work a full-time load, their remuneration as employees is adjusted accordingly; ▪ they are subject to the same annual performance appraisal as other employees, which includes the setting and monitoring of objectives or key performance indicators by their supervisors (or in the case of the managing director, by the board). <p>Howard Pender reports to the managing director. In his role, Howard takes responsibility for providing input to company strategy and taking responsibility for significant company projects. Howard was responsible for the project that led to Australian Ethical's six green star rated building. Howard also provides advice on regulatory issues; represents Australian Ethical at IFSA, ASFA and other forums and performs an important management review function in respect of company, trust and fund financial statements and other regulatory lodgements.</p> <p>James Thier is Australian Ethical's business development manager and reports to the Head of Distribution. James has for many years delivered Australian Ethical's program of rolling seminars to the public and to advisors. These seminars have played a key role in Australian Ethical's marketing program. James' other key responsibilities are:</p> <ul style="list-style-type: none"> ▪ ensuring that Australian Ethical is well represented across multi-platforms, dealer groups, advisers and to the general public; ▪ liaison with the media and public relations organisations. <p>Anne O'Donnell is the company's Chief Executive Officer and Managing Director.</p>

No.	Question	Response
7.	How many senior staff work from home, how is their contribution measured?	<p>Australian Ethical is proud of its flexible working arrangements with staff, including giving staff the ability to work from home.</p> <p>There are approximately seven staff (across all levels of the company) that work predominantly from home. Several other staff work from home for a day or two each week.</p> <p>All staff members maintain timesheets. Staff working predominantly from home are in daily contact with work colleagues and attend Australian Ethical premises regularly for discussions with supervisors and attendance at team workshops.</p> <p>All staff have a comprehensive annual performance review.</p>
8.	Why does Australian Ethical own its own building?	<p>Australian Ethical owns its own building because:</p> <ul style="list-style-type: none"> ▪ it makes financial sense for it to do so; ▪ it gives the company a much enhanced ability to control its energy usage and water usage and to reduce its environmental footprint overall; ▪ it enables Australian Ethical to provide a six green star rated building to its staff giving benefits for their health, comfort and control of the working environment; ▪ it provides the company with a sound foundation to speak about green buildings and their benefits and to encourage others to adopt green building techniques; ▪ it has significantly raised the company's profile, with the company winning a number of prestigious awards for the project and the building; ▪ it demonstrates the commitment that Australian Ethical has to ensuring that in carrying out its own operations, it remains true to its Charter.
9.	Why pay for external research if you have so many in-house analysts?	<p>The Australian Ethical investable universe is currently around 126 domestic and international stocks, with an ever increasing list of potential stocks.</p> <p>The investment team currently has 5 full time financial analysts including the Head of Research. Some stock analysis is also shared with 4 portfolio managers. Recently, the overall investment team headcount has fallen.</p> <p>Australian Ethical obtains two types of external research – from institutional brokers and from the Centre for Australian Ethical Research Pty Ltd ('CAER').</p> <p>Australian Ethical engages CAER to provide external research that is independent from the financial analysts and which focuses directly on our adherence to the Charter, in a contemporary context. This separation of financial and ethical research functions facilitates a robust investment process with due regard to the Charter. Through its arrangements with CAER, the company obtains access to 7 business ethics analysts for a relatively small fee per annum. These analysts screen stocks for inclusion in our investable universe, conduct at least annual reviews of all investee companies and also participate in engagement with investees as necessary. The company reviews annually its contractual arrangements with CAER.</p> <p>The new Chief Investment Officer and Head of Research have recently reviewed the stock coverage model for in-house, financial analysis and believe that the current level of resourcing is appropriate. However there will be some changes in the approach to stock coverage over Q4 2008 and Q1 2009, to ensure that the investment team operates efficiently over the significant number of stocks in the investable universe.</p>

No.	Question	Response
10.	Given the current climate, what cost cutting initiatives are contemplated?	<p>We have been consistently working over a number of years to improve our efficiency and the cost effectiveness of our processes. In 2007 we implemented changes in our custodian arrangements, transiting from two custodians to a single custodian and negotiating a more cost effective fee arrangement. This year we transited the administration of our superannuation fund to Pillar. Fee arrangements with the previous administrator were linked to funds under management. The fee structure of our new administrator has no such link. We have estimated that this new fee arrangement is likely to result in savings greater than half a million dollars in the current financial year. The exact quantum of these savings will obviously depend on funds under management. These changes already made will stand us in good stead going forward. We are currently reviewing our expenditure very closely. This financial year we have successfully moved existing resources to cover vacancies and will continue to do this where ever possible. There may be projects that are delayed or placed on hold. Decisions will be made after careful consideration of their long term impact and will take into account the needs of all our stakeholders, that is, our investors, our employees and our shareholders.</p>
11.	I understand and agree with Board renewal, however as a long standing and committed shareholder I want to know why the new directors and the ones up for election have primarily financial skills and background and none have a focus on our founding principals. Surely in a company such as AEI, with a 'deep green' charter and reputation, there should be more of a balance on the board.	<p>It is anticipated that at the conclusion of the upcoming Annual General Meeting, the board will consist of four non-executive directors (three of whom will be regarded as independent) and three executive directors.</p> <p>The qualifications and experience of the directors are set out in the 2008 annual report.</p> <p>In seeking out new appointments, the board has sought to balance:</p> <ul style="list-style-type: none"> ▪ the mix of skills and experience required for a listed company, operating in a highly regulated market segment, with a specialist offering; ▪ the need for both executive and non-executive directors; ▪ the need for new views and access to new networks; ▪ the views of shareholders; ▪ the need to maintain corporate knowledge and commitment to the Australian Ethical Charter. <p>Within the context of a program of ongoing board renewal, the board's view is that the current composition represents a good long term balance between executive and non-executive / independent directors, with the right mix of independence, competence and alignment with the Australian Ethical Charter.</p> <p>As part of the process of selecting new appointments, the board seeks the views of candidates on their commitment to and interest in the Charter. This forms part of the material upon which a candidate is judged. All directors agree to be bound by the Charter through its incorporation into the company's Constitution.</p> <p>The company acknowledges that the board supported nominations have strong financial skills and backgrounds, and the board thinks this is important for a company that operates in the financial services industry. The board also believes that these candidates have a proactive interest in, and commitment to, the Australian Ethical Charter. In the case of Howard Pender and Anne O'Donnell, this commitment is backed through a long period of loyal service to the company.</p>