

## ASX Announcement

ASX Code: AEF

Date: 29 October 2008

### Members' statements

As required under section 249P of the Corporations Act 2001, the company is required to distribute the attached members' statements to shareholders. The statements relate to motions for directorship on the 2008 AGM notice of meeting.

The members who have requested that the company distribute these statements are Mr Trevor Lee and Mr Edward Icton. Mr Lee, Mr Kevin McCready and Dr Robert Pearson have each prepared their statement in support of their nomination and they are each solely responsible for the content of that statement.

/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.

## **Kevin McCready**

I seek election as an AEI Director, hoping to improve AEI performance in some key areas.

- I oppose AEI investment in Steiner schools and homeopathy.
- I hope to improve the culture, administration and structure of AEI. The ethical standards we set ourselves must be as high as or higher than those required of companies we support.
- Greater transparency is needed.
- AEI should break new ground in democratising itself.
- Ongoing, I plan to raise concerns that shareholders raise with me, of kinds that in the past have not been taken seriously at Board level.

*To support my candidacy, please complete, sign and lodge your proxy form marking the “For” box on the Motion canvassing my election.*

### **My Background**

I have degrees in History (Hons), Economics (law major), and a Dip. Ed. from Sydney University, and a degree-equivalent in Chinese as a professional translator. I enjoy running my own business translating Chinese scientific material into English and refuse to work for a well known Australian involved in the regional arms trade. I have invested in AEI since 2002.

I've been employed to teach computer studies/literacy and undertake an ombudsman role in the NSW and Queensland prison systems respectively.

I worked for nine years in the Australian Public Service in Canberra. Highlights included advising on Australia's relations with the World Bank and Asian Development Bank and supervising a brilliant young graduate doing economic modelling. I was fortunate to be chosen to lead an Australian mission to negotiate and sign the world's first MOU with the Chinese for a bilateral aid project in Tibet.

I've also been Secretary for our local environment group, enjoy bushwalking and riding our tandem recumbent push bike with my wife Joanna.

### **Steiner/Anthroposophy investment**

The Steiner (Waldorf) school movement is associated with Anthroposophy which was adversely named in a Belgian Parliamentary Enquiry into cults and by [www.waldorfcritics.org](http://www.waldorfcritics.org) (a self-help group sharing negative experiences of Steiner). Websearches reveal concerns with this movement, as does contact with organisations like Cult Counselling Australia or Cult Information and Family Support.

Steiner schools in Melbourne, Perth and Newcastle have seen significant documented disquiet among parents about the way children were taught. The Bowral Rudolf Steiner School, which has substantial debts to an AE trust, collapsed in mysterious circumstances over a year ago and its disused campus has yet to be sold to recover those debts.

I contacted AEI with my concerns and was told I could not have access to the Board information on which the “ethical” decision to invest in Steiner schools was made. My formal complaint to ASIC about AEI withholding the share register was upheld. AEI should improve its knowledge of cults, its transparency, and its knowledge of the law applying to it. All reports to the AEI Board on the issue should be made public.

### **Homeopathy investment**

I understand that AEI's recent foray into the French homeopathy enterprise Boiron Group has now ceased - but AEI has failed to foreswear future investments in such ventures.





*“Never doubt that a small group of thoughtful committed citizens can change the world; indeed it is the only thing that ever has.”*

*Margaret Mead*

*(citation from the inside front cover of our offer documents for over a decade)*

**Trevor Roland Lee**, B Arch (hons), ARAIA

Shareholders from the early years will recall that our company’s fortunes were rough indeed and the projected inflow of \$10 million in the first 6 months in fact took 6 years to materialise and the company was facing liquidation after only a few years of operation and only around \$1.5 million under management. An extraordinary general meeting was called, with the best external offer looking to realise about 10 cents in the dollar nett for the devoted but rather glum shareholders. That meeting, however, favourably received a proposal to change the make-up of the Board and move the operations to Canberra to access the concessional rent at the business “incubator” in the suburb of Downer (then called the Canberra New Business Centre) and, more importantly, to access the quasi-volunteer labour of several new directors resident there. I am one of those “new” directors who worked without cash reward for several years to bring us to viability.

Now Australian Ethical Investment Ltd and its superannuation subsidiary is a group which has managed over \$600 million. However, it grows weakly and it has failed dismally to maintain industry leadership in transparent ethical conduct and investment screening and selection.

I was proud to have served as an executive director for around 12 years until 2004 and to have been an integral part of our company’s growth. I now qualify as an independent director and I am accordingly offering myself to serve in that role to establish the next phase of our company’s growth.

My motives for coming forward at this time are three fold: I want to play a role in the tackling and rooting out of corrosive practices within the current Board, to re-establish its will and capacity to innovate positive environmental and social change through the medium of investment and I want to assist it in developing the company’s relationship with the financial planning industry which guides the bulk of superannuation and personal investment funds inflow in the funds management industry.

### **Corrosive practices within the current Board**

I am greatly concerned that, for over four years, the current Board has avoided the hard questions that I asked as a director in 2004. A fellow shareholder, Dr Robert Pearson, raised the matter of the most recent manifestation of this in his motions regarding the veracity of the 2006 AGM minutes and of the probity of the then Chair and the other directors present. Although he was only pointing out the obvious, he met with a bully-boy response of legal threat that mocks our company’s claims to ethical and transparent governance.



As I have said before, I believe that the candid answering of those questions will reveal dubious acts and possible breaches of the Corporations Law on the part of senior management and of executive directors which demand corrective action. Accordingly, I have committed to pay the costs of an independent internal enquiry if it finds no wrong-doing and also to provide a

\$100,000 bond to silently accept its outcome. The Board declined that offer. As one of your independent directors, I will ensure that that this internal probity review is carried out and its findings acted on.

### **Generate positive environmental and social change**

The company has stagnated in recent years in its claimed role of being an initiator of environmental and social change through prudent but innovative investment selection. Despite its growth and increased potential for diversity, instead of leading Australian advances in its field, like the establishment of a niche and truly green property trust, it has lazily set up an international share trust/strategy option to dabble in a field in which it has limited credibility and no hope at all of being influential – or even noticed. Australian Ethical was established to lead the investment community in a transformation to a fully sustainable and just society but the current Board is allowing it to drift into insignificance when we should be building both our reputation and our industry respect in accelerating this crucially important transition.

And, more importantly in my opinion, I don't see the company surviving in the long term if it continues along its current path.

### **Relationship building with the financial planning industry**

By now, Australian Ethical should have more than \$1 billion under management. Instead, its funds inflow is lamentable and this is largely due to the appalling relations it has with the financial planning industry. These gatekeepers and guiders of the bulk of private small scale investment have been so shabbily treated by our company that they shun us whenever their ethics permit. I am not suggesting that financial planners are without fault but they are progressing rapidly in their quest to adopt high professional standards and it is massively counterproductive for us to be attacking them and undermining them in the eyes of our common clients. No-one wins from the encouragement of unadvised investment in our products. Our clients suffer from inappropriate selection and tax-ineffective structures for their investments. Financial planners suffer reduced access to some of the finest investors in the land. And we suffer from reduced inflow from the largest source of future business by far.

Please consider your vote for the Board at this pivotal time. I urge you to consider the direction you want your company to take and to direct your proxy vote in my favour (either by giving your proxy to me or by directing your preferred proxy to vote for my candidature in this important determination of the structure of your Board).

Trevor Lee, 32 Fihelly Street, Fadden ACT 2904,  
phone/fax 02 6291 3391, [tlee@tpg.com.au](mailto:tlee@tpg.com.au)

# **Robert Allan Pearson**, BSc (Hons, Maths), PhD, Dip. Ed., Dip. Admin

## Statement supporting nomination for the Board of Australian Ethical Investment Ltd

As a company managing funds invested in other companies which are Ethical, Australian Ethical Investment's Board should aim for the highest possible ethical standards. These should include the highest possible standards of truth, honesty and transparency in all its dealings. It should, at a minimum, abide by all the ASX guidelines: in particular, the one suggesting that the membership of the board should include a majority of independent directors should be met. If elected, I will be an extra independent director.

The board should set policies and programs that increase the numbers of people that choose to invest in Ethical Funds. It can no longer rely on the increase in value of funds already invested nor on the increase in contribution from existing customers, including superannuation. In this context it should target fee for service financial advisors and, together with other ethical funds, increase the knowledge and expertise of all financial advisors in ethical principles. With climate change, the emphasis on ethical companies is, I consider, essential.

In the current economic climate a continued emphasis on value, and companies with low gearing, is essential.

*To support my candidacy, unless you will be attending the AGM in person, please direct your proxy vote in my favour (either by giving your proxy to me or by directing your preferred proxy to vote for my candidature). [rpearson@netspeed.com.au](mailto:rpearson@netspeed.com.au)*

### **Academic Qualifications**

#### **The details are:**

- University of Adelaide (1963-66) Bachelor of Science, Honours in Mathematics
- University of Miami (1967-1972) PhD in Marine Science.

This was granted after course work, examination and dissertation. The dissertation was entitled "*An Analytical and Numerical Model of the Sea Breeze.*"

- Monash University (1974-75) Diploma of Education (Tertiary)
- Canberra College of Advanced Education (1979-1982) Graduate Diploma of Administration

### **Employment History**

*2006-current* Retired but still a referee and continue research. A significant 'failure' was that my data mining type-analysis showed that 'past performance is (in general) no indication of future performance'.

*2004-2006 and June 2007* Data Mining for possible fraud for what is now called Medicare Australia

*2000-2004* Retired: but continued to research and published papers, mainly on stock market technical analysis but attempted some general fundamental analysis with machine learning techniques.

*August 1984 - April 2000* Lecturer, Department of Computer Science,

University College, University of New South Wales., Australian Defence Force

Academy, Northcott Drive, Campbell ACT 2600.

*September 1978 to August 1984* Computer Systems Officer Class 3, Technical programming and database analysis.

*January 1977 - August 1978* Consultant Analyst/Programmer, Robert Simpson & Associates, Suite 10, Ninth Floor, 570 Bourke Street, Melbourne.

### **Professional Societies**

- Member of the Australian Mathematical Society (Applied Mathematics Division)
- American: Association for Computer Machinery.

### **Professional Areas**

My main current interest is in Data Mining and Machine Learning from examples. I have recently modified Boosted Regression Trees software and added Random Forests for both categorical and continuous variables and also use Neural Networks.

### **Investment Interests**

I maintain a record of readily available per share data of every company on the Australian stock market that has made a profit or paid a dividend. I use this in my personal investment decisions and have tried some data mining techniques but with the data and techniques that I have used they failed to give any useful information except that 'past performance is no guide to future performance'.

### **Interests**

I have been a secretary for two voluntary organisations, one of which was a local representative board for a NSW based retirement village organisation. We have been traveling for some months each year. We walk for exercise and recreation.

### **Publications** (since 2000)

2007 "Robert A. Pearson and D. Wayne Murray and Thomas Mettenmeyer",  
"*Finding Anomalies in Medicare*",  
"EJHI{<http://ejhi.net/ojs/index.php/ejhi/issue/current>}", 1,1

2003 a. *Chaos, Fractals and Machine Learning*. CTAC/SIAM 2003, Sydney, July  
b. *Strategies for Predicting Chaos*. CTAC/SIAM 2003, Sydney, July  
c. *Tree Structures for Predicting Stock Price Behaviour*, CTAC/SIAM 2003, Sydney, July

2000 a. *How to Gain?/Lose? on the Stock Market - Datamining the ASX*. AISAT 2000 ed Vishy Karri and Michael Negevitsky Hobart Australia, December. pp 237-242  
b. and Donald D. Bustamante, *Current Generalisation Capabilities of Neural Network Retrieval of Atmospheric Temperature Profiles*. AISAT 2000 ed Vishy Karri and Michael Negevitsky, Hobart, Australia, December, pp 267-272.  
c. *Retrieval of Atmospheric Temperature Profiles from Satellite Measurements Using Boosted Regression Trees*, AISAT 2000 ed Vishy Karri and Michael Negevitsky Hobart, Australia, December. pp 128-133.

Previous publications were mainly in Meteorology and in Machine Learning with some papers including both areas.