

# **AEI GROUP**

## **SHARE TRADING POLICY**

## 1. Introduction

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### 1.1 Background

- 1.1.1 This Policy 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 Group**.
- 1.1.2 This document records the 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*
  - ASIC Regulatory Guide 193: Notification of Directors' Interests in Securities – Listed Companies (June 2008).*
  - ASX Listing Rule 12.12 – Content of Trading Policy*
  - ASX Listing Rules Guidance Note 27 – Trading Policies (30 January 2015)*
  - FSC Guidance Note 7.00: Personal Trading (July 1999)*
- 1.1.3 This document should be read in conjunction with the following Group policies: **Code of Conduct, Conflicts Management Policy, Fit and Proper Policy, Outsourcing Policy, Privacy Policy and Whistleblowing Policy.**
- 1.1.4 This document should be read in conjunction with the following AEI policies: **Compliance Master Plan for the Australian Ethical Managed Funds.**

### 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 Directors, employees and contractors of the Group holding and dealing in securities
  - Assist in maintaining market confidence in the integrity of the Group.

### 1.3 Application

- 1.3.1 This Policy applies to **Directors, employees and contractors of the Group** being:
- Executive and non-executive directors
  - Full-time, part-time and casual employees
  - Contractors<sup>1</sup>.
- 1.3.2 This Policy does not apply to service providers to the Group. The actions of service providers are governed by the Group's **Outsourcing Policy**.

### 1.4 Additional Requirements for Directors<sup>2</sup>

- 1.4.1 A Director of the Group must seek approval from the Chair of the AEI Board prior to dealing in AEI Securities.

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<sup>1</sup> For the purpose of this Policy, a 'Contractor' is defined as a person who is engaged but not employed by the Group (or any part of) and is present in the office for more than 15 hours per week and/or is given access to market sensitive information.

<sup>2</sup> Under s.205G(1) of the Corporations Act, every Director of an Australian-listed public company must notify the relevant market operator of:

- The Director's relevant interests in securities of the company or a related body corporate; and
- 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.

1.4.2 Directors of the Group must notify the General Counsel 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.

## 1.5 Securities – Definition for the Purpose of this Policy

1.5.1 This Policy applies to:

- a. Shares, rights and options issued by Australian Ethical Investment Limited (**AEI Securities**).
- b. Any other securities which may be issued by an entity in the AEI Group.
- c. Listed and unlisted securities issued by or in relation to any other company or entity that may be affected by inside information, such as:
  - Companies that are approved for investment by the Group (whether or not any Group controlled entity is actually invested in them).
  - A party involved in a corporate transaction with the Group or any part thereof.
  - An AEI shareholder or a contractor to the Group or any part thereof.
- d. Derivative instruments that are linked to the securities of any company or entity that may be affected by inside information.
- e. Managed Funds where AEI is the Responsible Entity or the Investment Manager.
- f. Interests in the Australian Ethical Retail Superannuation Fund.

## 2. Trading Rules

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### 2.1 General

- 2.1.1 If a Director, employee or contractor of the Group has access to or knowledge of inside information which may affect the value of any of the securities listed in Section 1.4.1 above, they must not deal in those securities or communicate the inside information to anyone else.
- 2.1.2 Directors, employees and contractors are not permitted to deal in securities on the Restricted Trading List.
- 2.1.3 Subject to Section 2.1.6 below, trading in AEI Securities by a Director, employee or contractor of the Group is not permitted during a blackout period.
- 2.1.4 A black out period commences on each 1 July and 1 January and ends two trading days after the release of:
- The six month trading results; and
  - The full year trading results.
- 2.1.5 A Director of the Group must seek approval from the Chair of the AEI Board prior to dealing in AEI Securities. All employees and contractors of the Group must seek approval from the Managing Director prior to dealing in AEI Securities.
- 2.1.6 Requests to trade within the blackout period due to exceptional circumstances will be considered on a case-by-case basis by the Managing Director.
- 2.1.7 A Director, employee or contractor of the Group:
- May deal in securities listed on the Pre-Approved Personal Trading List without seeking prior approval.
  - Must seek approval from the Chief Investment Officer (**CIO**) before dealing in any securities that are not listed on the Pre-Approved Personal Trading List. This includes applying for or redeeming units in a unit trust or superannuation fund (subject to certain exceptions).

- 2.1.8 All Directors, employees and contractors must seek approval from the CIO before applying for or redeeming units in a Managed Fund, either directly or through an associate, where AEI is either the Responsible Entity or the Investment Manager.
- 2.1.9 All Directors, employees and contractors must seek approval from the CIO before applying for, redeeming from, or switching in, the Australian Ethical Retail Superannuation Fund.<sup>3</sup> Approval is not required where Superannuation Guarantee contributions are being made into the Australian Ethical Retail Superannuation Fund.
- 2.1.10 The CIO must seek approval from the General Counsel before dealing in any securities that are not listed on the Pre-Approved Personal Trading List; applying for or redeeming units in a Managed Fund, either directly or through an associate, where AEI is either the Responsible Entity or the Investment Manager; and applying for, redeeming from, or switching in, the Australian Ethical Retail Superannuation Fund.

## **2.2 Request to Trade**

2.2.1 A request to trade in a security 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).

## **2.3 Register of Securities Holdings and Dealings**

- 2.3.1 At the end of each quarter, each Director, employee and contractor of the Group must provide details of all personal holdings, and any dealings undertaken during the quarter, to the Risk and Compliance Manager.
- 2.3.2 All Directors, employees and contractors of the Group must maintain a personal Register of Securities Holdings and Dealings.<sup>4</sup>
- 2.3.3 The Register must be provided to the Risk and Compliance Manager within 15 days of the end of each quarter.
- 2.3.4 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 and broker) for all dealings that have occurred during the quarter.
- 2.3.5 On receipt of the Register, the Risk and Compliance Manager is required to check if any securities held are listed on the Restricted Trading List (see Section 6 of this Policy).

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<sup>3</sup> The inclusion of interests in the AERSF was included to avoid situations where Directors, employees or contractors could benefit from arbitrage situations. For example, if there is a significant re-evaluation of a property asset, Directors, employees or contractors may be aware of this prior to the valuation and the subsequent unit prices being updated, and could potentially redeem or contribute additional amounts in order to benefit from the valuation change.

<sup>4</sup> 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.

### 3. Prohibited Conduct

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#### 3.1 What is Insider Trading?

3.1.1 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. Procures<sup>5</sup> another person to apply for, acquire or dispose of specific financial products (or enters into an agreement to do so).

3.1.2 In broad terms, a Director, employee or contractor of the 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, employee or contractor of the 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".

3.1.3 Directors, employees or contractors of the 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.

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

#### 3.2 What is Inside Information?

3.2.1 Inside information is information about specific financial products<sup>6</sup> that:

- a. Is not generally available<sup>7</sup> 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 effect<sup>8</sup> on the price or value of the financial products.

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<sup>5</sup> 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.

<sup>6</sup> See **Corporations Act s.1042A**, where *Division 3 financial products* are defined as:

- a. securities
- b. derivatives
- c. interests in a managed investment scheme
- d. debentures, stocks or bonds issued or proposed to be issued by a government
- e. superannuation products, other than those prescribed by regulations made for the purposes of this paragraph; or
- f. any other financial products that are able to be traded on a financial market.

<sup>7</sup> 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).

<sup>8</sup> 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.

- 3.2.2 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).
- 3.2.3 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.

### **3.3 Examples of Group Inside Information**

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

### **3.4 What is Dealing?**

- 3.4.1 For the purposes of this Policy, dealing includes:
- a. Trading in securities as defined in Section 1.4.1 above (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.

### **3.5 What Other Securities Dealings are Restricted?**

- 3.5.1 Directors, employees and contractors of the Group must not engage in short-term or speculative dealing in AEI Securities.
- 3.5.2 Directors, employees and contractors of the 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.

### 3.6 Examples of Inside Information related to Securities of Other Companies

3.6.1 The following list is illustrative only. A Director, employee or contractor of the Group may obtain inside information in relation to another company:

- a. In the course of buying, selling or assessing investments for the Australian Ethical Managed Funds, confidential information may be provided to Directors, employees or contractors of the 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 Group, another company might provide confidential information about itself.
- c. Information concerning a proposed transaction or other action by the Group might have a material effect on a third party.

3.6.2 The prohibition on insider trading is not restricted to information affecting AEI Securities. Accordingly Directors, employees and contractors of the Group who possess inside information in relation to the securities of another company or entity must not deal in those securities.

### 3.7 Investigation of Allegations of Insider Trading

3.7.1 Without limiting the Group's rights or obligations, the Group will investigate allegations of insider trading where:

- a. The allegation is made in writing to the Managing Director, the General Counsel, the CIO or the Risk and Compliance Manager and contains the details and circumstances of the alleged insider trading;
- b. The person making the allegation identifies themselves; and
- c. The person makes the allegation in good faith.

3.7.2 The Group shall comply with the whistleblower protection requirements of Part 9.4AAA of the *Corporations Act 2001* with respect to any allegation made in accordance with Section 2.7.1 of this Policy. The Corporations Act restricts any retaliation against a whistleblower and gives them a civil right, including seeking reinstatement of employment.

3.7.3 To qualify for protection a whistleblower's revelation must be made to one of:

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

3.7.4 Refer to the Group's **Whistleblower Policy** for further details.

## 4. Consequences of Breaches of this Policy

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### 4.1 Compliance is Mandatory

4.1.1 Strict compliance with this Policy is mandatory for all Directors, employees and contractors of the 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 Section 912D of the *Corporations Act 2001*.

### 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 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 Group and will be subject to disciplinary action, including possible termination of a person's employment or appointment.

## 5. AEI Restricted Trading List and Pre-Approved Personal Trading List

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### 5.1 Restricted Trading List

5.1.1 The Restricted Trading List includes any securities for which the Group has either received a sounding or has information that is not in the public domain.

5.1.2 The Restricted Trading List is located on the J:/investments drive and is accessible (read only) by all employees working in the Investment Team.

5.1.3 Employees working in the Investment Team must request the Risk and Compliance Manager to add and remove securities to the Restricted Trading List.

5.1.4 If securities are added to the Restricted Trading List, the Risk and Compliance Manager will complete a review of the Pre-Approved Trading List to ensure that the restricted securities are not listed. This should address the potential issue of Directors, employees or contractors unwittingly trading in restricted securities because they do not have visibility of the Restricted Trading List.

### 5.2 Pre-Approved Personal Trading List

5.2.1 The **Pre-Approved Personal Trading List** is a list of securities that includes:

- a. Securities which AEI does not currently invest in and which are considered highly unlikely to be traded by the Group;
- b. Securities which AEI does currently invest in but where it is considered to be highly unlikely that AEI would be privy to information that is not in the public domain; and
- c. Securities which are operating in sectors or industries that do not meet the Australian Ethical Charter,

and are therefore deemed by the Chief Investment Officer and the Risk and Compliance Manager to be appropriate to be provided blanket trading approval status.

5.2.2 This means that Directors, employees and contractors do not need to seek prior approval before conducting a trade in any securities that are listed on the **Pre-Approved Personal Trading List**.

5.2.3 A copy of the **Pre-Approved Personal Trading List** is located on the AEI corporate drive and is accessible by all employees of the Group. It has been separately emailed to all Directors of the Group.

## 6. Publication, Accessibility and Review of this Policy

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### 6.1 Publication of the Policy

6.1.1 Following Board approval of any material amendments<sup>9</sup> to this Policy, a copy of this Policy must be provided to the Australian Securities Exchange (**ASX**) Markets Announcement Office for release to the market, within five business days of the change taking effect.

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<sup>9</sup> See **ASX Listing Rule 12.10**, the following amendments to an entity's trading policy to constitute a material change:

- Changes to the fixed periods specified in the trading policy when the entity's key management personnel are prohibited from trading in the entity's securities.
- Changes with respect to the trading that is excluded from the operation of the entity's trading policy.
- Changes with respect to the exceptional circumstances in which the entity's key management personnel may be permitted to trade during a prohibited period.



6.1.2 A copy of this Policy must also be provided to the ASX immediately upon receipt of a request from the ASX.<sup>10</sup>

6.1.3 An up-to-date copy of this Policy will be maintained on the Australian Ethical website at all times.<sup>11</sup>

## **6.2 Accessibility of the Policy**

6.2.1 A copy of this Policy is made available on the Corporate “R” directory on the Group’s file server and therefore accessible to all employees of the Group.

6.2.2 A copy of this Policy will be provided to all new Directors, employees and contractors of the Group as part of the Group’s induction procedures.

6.2.3 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 General Counsel or the Risk and Compliance Manager.

## **6.3 Review of the Policy**

6.3.1 This Policy will be reviewed on an annual basis.

6.3.2 Prior to the commencement of this review, the Risk and Compliance Manager will determine whether the review will be undertaken internally, or outsourced to an appropriately qualified and experienced service provider, or a combination of both.

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.

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<sup>10</sup> Generally the ASX will only exercise this power if it has concerns that the version of the entity’s trading policy currently on the ASX Market Announcements Platform may be materially out of date. See **ASX Listing Rule 12.11**.

<sup>11</sup> See **ASX Listing Rules Guidance Note 27 (Section 9.4)**.