

19 October 2012

To: Australian Ethical Investment Ltd shareholders

Dear Shareholder,

**Notice of Annual General Meeting Thursday, 22 November 2012**

I invite you to attend Australian Ethical Investment Ltd's Annual General Meeting to be held at:

Hardware Lane Meeting Room  
Citadines on Bourke  
131-135 Bourke Street  
Melbourne Vic 3000

on Thursday, 22 November 2012 commencing at 5:30 pm.

The meeting provides an opportunity for shareholders to meet with directors and management and to ask questions about the company's activities and performance. Enclosed is a shareholder newsletter which includes a summary of our financial year 2012 results. I would welcome an opportunity to discuss the company's performance with you at the AGM.

Also enclosed is the AGM agenda, proxy form and a form for the submission of written questions.

Depending on your annual report preferences, a copy of the 2012 Annual Report may be included. The Annual Report is also available from our website on the following link:

[www.australianethical.com.au/annual-reports](http://www.australianethical.com.au/annual-reports)

The Board and CEO look forward to meeting you at the AGM.

Yours sincerely



André Morony  
Chair  
**AUSTRALIAN ETHICAL INVESTMENT LTD**

## Notice of the twenty sixth Annual General Meeting of shareholders

The Annual General Meeting ("AGM") of the shareholders of Australian Ethical Investment Ltd ("the Company") will be held at:

**Hardware Lane Meeting Room  
Citadines on Bourke  
131-135 Bourke Street  
Melbourne Vic 3000**

on Thursday, 22 November 2012, commencing at 5.30 pm.

Explanatory material for the business to be conducted is attached to and forms part of this Notice and should be read carefully (**Explanatory Notes**).

### Ordinary Business

#### 1. Accounts and reports

- (a) To receive and consider the financial statements of the Company and its controlled entity for the year ended 30 June 2012 and the related Directors' Report, Directors' Declaration and Auditor's Report.
- (b) The report on the status of employees to shareholders be received and noted pursuant to clause 2.2 of the Constitution.

***The Board supports resolutions 2 and 3 and shareholders are urged to vote Yes.***

#### 2. Election of Justine Hickey

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

That Justine Hickey, Director, who retires by rotation in accordance with the Company's Constitution and, being eligible, offers herself for re-election, be re-elected as a director of the Company.

#### 3. Election of Stephen Gibbs

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

That Stephen Gibbs, Director, who retires by operation of clause 11.4 of the Company's Constitution and, being eligible, offers himself for election, be elected as a director of the Company.

***The Board does not support resolutions 4, 5, 6, 7 and 8 and shareholders are urged to vote No.***

#### 4. Removal of André Morony – Chairman of the Board

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

That André Morony, Director, be removed as a director of the Company.

#### 5. Removal of Phillip Vernon – Managing Director & CEO

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

That Phillip Vernon, Director, be removed as a director of the Company.

**6. Appointment of Penelope Le Couteur**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

That Penelope Le Couteur, who has nominated herself as a candidate for election as a director of the Company, be appointed as a director of the Company.

**7. Appointment of Nigel Hennessey**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

That Nigel Hennessey, who has nominated himself as a candidate for election as a director of the Company, be appointed as a director of the Company.

**8. Appointment of Damian Hannes**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

That Damian Hannes, who has nominated himself as a candidate for election as a director of the Company, be appointed as a director of the Company.

## Other Business

<i>The Board supports resolutions 9 and 10 and shareholders are urged to vote Yes.</i>
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**9. Appointment of Auditor**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

That KPMG is appointed as the Company's auditor.

**10. Adoption of Remuneration Report**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

That the Remuneration Report as set out in the Annual Report for the financial year ended 30 June 2012 be adopted.

*Note that the vote on this resolution is advisory only and does not bind the Directors of the Company.*

As required by the Corporations Act 2001 (Corporations Act), no member of the Company's key management personnel, details of whose remuneration are included in the Remuneration Report, or a closely related party of any such member, may vote in any capacity (e.g. as a shareholder, proxy or corporate representative) on the proposed resolution in Resolution 10 unless:

- the person votes as a proxy appointed by writing that specifies how the person is to vote on the proposed resolution in Resolution 10; and
- the vote is not cast on behalf of any such member or closely related party of any such member.

The prohibition in the Corporations Act on members of the Company's key management personnel voting does not apply to the Chairman of the Meeting as proxy for a member entitled to vote where the proxy appointment expressly authorises the Chairman of the Meeting to vote in that capacity on Resolution 10 (see the attached Explanatory Material for AGM Agenda items for further information).

## Contingent Business

***The Board does not support resolution 11 and, if it is put, shareholders are urged to vote No.***

### 11. Holding a Spill Meeting to remove all Directors from office

**Condition for Resolution 11:** Resolution 11 will be considered at the Meeting only if at least 25% of the votes cast on Resolution 10 are against the adoption of the Remuneration Report. The Explanatory Notes further explain the circumstances in which Resolution 11 will be put to the meeting.

If the condition (described above) is satisfied, to consider and, if thought fit, pass the following resolution as an ordinary resolution:

That, as required by the Corporations Act:

- (a) a meeting of the Company's members be held within 90 days of the date of the 2012 Annual General Meeting (the spill meeting);
- (b) each of André Morony\*, Justine Hickey\*, Stephen Gibbs\* and Stephen Newnham cease to hold office immediately before the end of the spill meeting; and
- (c) resolutions to appoint persons to offices that will be vacated immediately before the end of the spill meeting be put to the vote at the spill meeting.

\* This assumes the relevant director is not removed or re-elected or elected at the Meeting as the case may be.

As required by the Corporations Act 2001 (Corporations Act), no member of the Company's key management personnel, details of whose remuneration are included in the Remuneration Report, or a closely related party of any such member, may vote in any capacity (e.g. as a shareholder, proxy or corporate representative) on the proposed resolution in Resolution 11 unless:

- the person votes as a proxy appointed by writing that specifies how the person is to vote on the proposed resolution in Resolution 11; and
- the vote is not cast on behalf of any such member or closely related party of any such member.

The prohibition in the Corporations Act on members of the Company's key management personnel voting does not apply to the Chairman of the Meeting as proxy for a member entitled to vote where the proxy appointment expressly authorises the Chairman of the Meeting to vote in that capacity on Resolution 11 (see the attached Explanatory Material for AGM Agenda items for further information).

### By order of the Board

**Tom May**  
Company Secretary

## Explanatory Material for AGM Agenda Items

### RESOLUTION 1: Accounts and Reports

The financial statements of the Company for the 2011/2012 financial year have been lodged with the Australian Securities Exchange and with the Australian Securities and Investments Commission in accordance with statutory lodgement timetables and requirements. The financial statements are tabled at the AGM to be received and considered by shareholders. No formal resolution on the financial statements and reports is required.

Under clause 2.2 of the Constitution, the Company is required to have regard for the status of its employees and, in particular, to promote employee ownership of the Company and to report on the status of employees at the time of the Meeting. The Company seeks to be an exemplary employer, valuing each individual as a member of a cohesive team. Reporting on the status of employees is in the Company's 2012 Sustainability Report.

### RESOLUTIONS 2 & 3: Election of Justine Hickey & Stephen Gibbs

#### Resolutions 2 and 3 are supported by the Board

In accordance with the Constitution:

- Justine Hickey will retire by rotation under clause 11.2; and
- Stephen Gibbs, who was appointed as a casual vacancy, will retire under clause 11.4 which requires that any director so appointed holds office until the next following general meeting and is then eligible for election.

Justine and Stephen are standing for election and the Board unanimously supports their candidacies.

Details of Justine and Steve's qualifications and experience follow.

*Justine Hickey*  
*Independent Director*  
*BCom, SAFin, GAICD, ASIP*

Justine has been an independent Non-Executive Director since March 2007. She chairs the Investment Committee and is a member of the People, Remuneration and Nominations Committee.

Justine has over 20 years experience as a senior executive in the investment and funds management industry. Previously she was Head of Equities at Suncorp Investment Management in Brisbane and a Portfolio Manager at Flemings Investment Management (now JP Morgan) in the UK. Justine is a director of Rio Tinto Staff Super Fund Pty Ltd and a member of the investment committees of boutique fund manager, Dalton Nicol Reid and the University of Melbourne.

Justine is the chairman of Evolve Foundation (previously the Youth Enterprise Trust Foundation), whose mission is to assist disadvantaged young people to transition into a confident and productive adulthood. She is also a director of RSPCA Queensland, the state's oldest, largest and leading animal welfare charity. Justine is a member of RIAA, the Responsible Investment Association of Australasia.

Justine intends to stand down as a director during the coming year, due to commitments with her other boards. It is the Board's current intention to appoint additional directors (a search is currently underway) and it is felt that Justine will provide a significant and valuable contribution during any handover period to new candidates.

*Stephen Gibbs, Non-Executive Director*  
*BEC, MBA*

Stephen joined the Board in July 2012 as a Non-Executive Director. He is a member of the Audit, Compliance & Risk and the People, Remuneration & Nominations committees; he has also been appointed as a director of Australian Ethical Superannuation Pty Ltd.

Stephen is a director of Hastings Funds Management and Chair of CAER (Corporate Analysis Enhanced Responsibility). He was formerly Chair of the Responsible Investment Academy Advisory Council. From early 2000 he was CEO of ARIA, the trustee of the PSS and CSS – the superannuation schemes for federal government employees. When

Stephen left ARIA in January 2008 it had close to \$A20 billion under management. Prior to ARIA Stephen was the Executive Officer of the Australian Institute of Superannuation Trustees (AIST). His earlier career was in the trade union movement.

Other career highlights for Stephen include his personal invitation from the then UN General Secretary to join the steering committee and investor group which developed what became the United Nations Principles of Responsible Investment - UNPRI and membership of the ASX Corporate Governance Council from its inception until 2008.

***The Directors unanimously recommend that shareholders vote for Resolutions 2 & 3.***

***The Chairman of the Meeting intends to vote all available proxies for Resolutions 2 & 3.***

## **RESOLUTIONS 4 & 5: Removal of André Morony (Chair) & Phil Vernon (Managing Director)**

### **Resolutions 4 and 5 are not supported by the Board**

During the year a general meeting was called by a group of shareholders. Whilst we fully respect shareholders exercising their rights, the Board objects strongly to the manner in which this campaign was, and continues to be, conducted. As one indication, some 105 resolutions have been lodged over more than a dozen separate visits to the Company's Canberra office, each visit causing consternation and disruption amongst staff. Resolutions were constantly amended, directors were nominated without consent and in other cases withdrawn – causing unnecessary work.

In the course of their campaign the group of shareholders made numerous statements that, based on the legal advice it has received, the Board believes are defamatory. The directors are taking legal advice about the legal remedies available to them.

The way the campaign has been and continues to be conducted is extremely destabilising. Direct costs incurred by the company as a result of the campaign were \$125,000. The indirect cost impact on the business has been far greater.

The outcome of the general meeting held on 21 June 2012 was a vote firmly in favour of the Board and, by inference, the strategies being implemented by it. These strategies are necessary to position the company to survive and thrive in a vastly more competitive and challenging environment.

In this context, a recent report by Lonsec\*, a key rating agency in the retail investment space, on the Company's Smaller Companies Trust had this to say:

“Lonsec observes that the Board of the firm and senior management have made encouraging progress in improving the overall professionalism and investment culture over a number of years. This trend has continued in the past 12 months evident under the stewardship of Phil Vernon, in areas such as recruitment, investing in systems and tools, outsourcing certain back office functions to specialist providers, realigning products in line with core strengths, and instigating meaningful fee reductions on products. Pleasingly, these developments have been achieved without deviation from its commitment to provide responsible investment products.”

The Lonsec report had this to say about the dissident shareholder's campaign:

“This strategic impetus has come at a price culminating in an Extraordinary General Meeting in June this year at the behest of a group of aggrieved founding shareholders. The group sought to overhaul the firm's strategic direction, remove a number of Board members and gain Board positions. Ultimately, these motions proved unsuccessful with a substantial shareholder proving supportive of existing strategy. Lonsec believes this development was an unwelcome distraction for management and potentially unsettling for the investment team. Lonsec believes the firm, including Vernon, deserve praise for maintaining focus through this difficult period.”

Corporate shareholder activity should not be used to pursue personal agendas.

It is in this context that the Board recommends that shareholders reject resolutions 4 and 5.

Details of André and Phil's qualifications and experience follow.

\* The Lonsec Report on the Australian Ethical Smaller Companies Trust is dated September 2012. Further information about the report can be seen on the Company's website at:

<http://www.australianethical.com.au/news/smaller-companies-trust-retains-recommended-rating-lonsec>

*André Morony, Chairman  
BEC (Hons), MEd*

André joined the Board of Australian Ethical as a Non-Executive Director in June 2008 and was appointed Chairman in February 2011. He chairs the People, Remuneration and Nominations Committee and is a member of the Investment Committee.

André is a highly regarded and experienced individual within the Government and finance industry. His career spans over 40 years and started at the Commonwealth Treasury where he worked in a number of financial policy areas. He also represented Australia for three years at the Organisation for Economic Cooperation and Development (OECD) in Paris.

After leaving Government in 1986, André's roles included Chief Economist and Chief Investment Officer at Bankers Trust Australia (now BT) and Chief Investment Officer for the Commonwealth Government's superannuation scheme (ARIA). He currently sits on the investment committee of GESB, the Western Australian Government employees' superannuation fund.

*Phil Vernon, Managing Director & CEO  
BEC, MCom, MBA, FCPA, GAICD*

Phil joined Australian Ethical as Chief Executive Officer in December 2009 and was appointed Managing Director in July 2010. He is also a director of Australian Ethical Superannuation Pty Ltd.

Phil has 25 years experience in financial services including funds management and superannuation. Prior to Australian Ethical he was a member of the Executive Committee of Perpetual Limited heading up a business of 400 people. He has extensive experience in strategy, people management and leadership, corporate governance and industry regulation.

Phil was a champion of responsible investment within Perpetual at a time when they were facing criticism from the environmental movement for its significant shareholding in Gunns. With connections in the Tasmanian environment movement he had a unique insight to both sides of the debate. Phil furthered his commitment in the area and is currently a Director of Planet Ark, a not for profit environmental organisation and RIAA, the Responsible Investment Association Australasia.

***The Directors unanimously recommend that shareholders vote against Resolutions 4 & 5.***

***The Chairman of the Meeting intends to vote all available proxies against Resolutions 4 & 5.***

#### **RESOLUTIONS 6, 7 & 8: Election of directors nominated by shareholders**

**Resolutions 6, 7 and 8 are not supported by the Board**

In the context of the explanation provided above and noting that shareholders have already voted to reject candidates proposed by the group of shareholders at the general meeting of 21 June 2012 and affirmed the Board's mandate, the Board recommends that shareholders reject the candidatures of Penelope Le Couteur, Nigel Hennessey and Damian Hannes.

CVs for the nominees were not supplied to the Company.

***The Directors unanimously recommend that shareholders vote against Resolutions 6, 7 & 8.***

***The Chairman of the Meeting intends to vote all available proxies against Resolutions 6, 7 & 8.***

#### **RESOLUTION 9: Appointment of Auditor**

**Resolution 9 is supported by the Board**

The Company has been with the same audit firm, Thomas Davis & Co, since it was listed on the Australian Securities Exchange in 2002. In the course of 2012 six audit firms, including Thomas Davis & Co, were asked to tender for the provision of audit and tax services to the Company, its subsidiary, the managed investment schemes that the Company is the Responsible Entity of and the Australian Ethical Retail Superannuation Fund. Five audit firms provided tenders. Three firms were asked to present to the Audit, Compliance and Risk Committee. After considering the tenders, management's recommendation and the presentations the Audit, Compliance and Risk Committee recommended that

KPMG be appointed as the Company's auditor and that KPMG conduct the other audits required to be done for the Australian Ethical group. The Board accepted the Committee's recommendation.

***The Directors unanimously recommend that shareholders vote for Resolution 9.***

***The Chairman of the Meeting intends to vote all available proxies for Resolution 9.***

#### **RESOLUTION 10: Remuneration Report**

##### **Resolution 10 is supported by the Board**

Section 250R(2) of the Corporations Act 2001 requires directors to put forward and afford shareholders an opportunity to vote on a resolution to accept the remuneration report included in the directors' report in the Annual Report. Under section 250R(3) the vote on the resolution is advisory only and does not bind the directors or the Company. However, the Board recognise the vote as an indication of shareholder sentiment and have careful regard to the outcome of the vote and any discussion when setting the Company's remuneration policies.

At last year's annual general meeting more than 25% of the votes cast in respect of the resolution to adopt the 2011 Remuneration Report were against that resolution. The Company therefore recorded what is known as a "first strike" under the new executive remuneration provisions of the Corporations Act 2001, which applied for the first time last year. As noted in the 2012 Remuneration Report:

"At the 2011 AGM, the Remuneration Report received 40% of the vote against it. There were no specific comments at the Meeting criticising any aspect of the remuneration report. Australian Ethical Investment has a long history of paying below market salaries. This includes KMPs, the Managing Director and Non-executive Directors. The directors are of the view that the vote received against the 2011 Remuneration Report was not about the remuneration of KMP's, rather, as a result of misleading information distributed by a few shareholders.

We therefore encourage shareholders to read this remuneration report carefully before deciding on how to vote. A vote of greater than 25% against the 2012 Remuneration Report will result in the board being subjected to a spill motion."

***The Directors unanimously recommend that shareholders vote for Resolution 10.***

***The Chairman of the Meeting intends to vote all available proxies for Resolution 10.***

#### **RESOLUTION 11: Holding a Spill Meeting to remove all directors from office**

##### **Resolution 11 is not supported by the Board**

Resolution 11 will only be put to a vote if at least 25% of the votes cast on Resolution 10 (Remuneration Report) are cast against the adoption of the report. This would constitute a "second strike" for the Company and Resolution 11 will be put to the meeting and voted on as required by section 250V of the Corporations Act (the spill resolution).

If less than 25% of the votes cast on Resolution 10 are against adopting the remuneration report at the Meeting, then there will be no second strike and Resolution 11 will not be put to the meeting.

If put, the spill resolution will be considered as an ordinary resolution. If the spill resolution is passed, it will be necessary for the Company to convene a further general meeting within 90 days ("Spill Meeting") to consider the composition of the board.

If a Spill Meeting is held, André Morony\*, Justine Hickey\*, Stephen Gibbs\* and Stephen Newnham will automatically vacate office at the conclusion of the Spill Meeting unless they are willing to stand for re-election and are re-elected at the Spill Meeting. Phil Vernon, as the Managing Director, is not required to stand for re-election at a Spill Meeting because of section 250V(1)(c).

Short CV's for André, Justine and Stephen Gibbs appear above; Steve Newnham's follows. As noted above, CVs for the directors nominated by certain shareholders were not provided to the Company.



*Steve Newnham, Executive Director  
BA, LLB, DFP*

Steve joined the Board in December 2010 as a Non-Executive Director. In 2012, he became an Executive Director, chiefly responsible for sales and marketing. Steve has over 20 years experience in the financial industry. He was Head of Distribution at Zurich Financial Services, chairman of a financial planning dealer group Financial Lifestyle Solutions, director of a wrap platform and a financial planning administration business, and Executive Vice President of BT Financial Group. He was also an early member of the Financial Planning Association Future 2 Foundation awareness and fund raising committee.

Steve has significant involvement with community and social justice activities, working on homeless shelter support schemes, indigenous fellowship programs, environmental and drought relief projects and mental health awareness initiatives. In addition, he has been a member of the Australian Rowing and Surf Lifesaving teams and spent 15 years as a surf lifesaver.

***The Directors unanimously recommend that, if it is put, shareholders vote against Resolution 11.***

***The Chairman of the Meeting intends to vote all available proxies against Resolution 11.***

\* This assumes the relevant director is not removed or re-elected or elected at the Meeting as the case may be.

End.

## Additional information

### Annual report

The Company's annual report is available from its website at: <http://www.australianethical.com.au/annual-reports>.

### Proxies

A shareholder has the right to appoint a proxy, who need not be a shareholder of the Company. If a shareholder is entitled to two or more votes they may appoint two proxies and may specify the percentage of votes each proxy is appointed to exercise.

To appoint a proxy, ordinary shareholders should complete the proxy form distributed with this notice of meeting. The proxy form must be deposited at the share registry, Boardroom Pty Limited, or at the Company's Registered Office not later than 48 hours before the commencement of the meeting (i.e. by 5:30 pm on Tuesday, 20 November 2012). Any proxy received after that time will not be valid for the scheduled meeting.

Proxies can be delivered as follows:

By hand	Boardroom Pty Limited Level 7, 207 Kent Street Sydney NSW 2000
By mail	Boardroom Pty Limited GPO Box 3993 Sydney NSW 2001
By facsimile	+ 61 2 9290 9655
Online	<a href="http://www.boardroomlimited.com.au/vote/aeiagm2012">www.boardroomlimited.com.au/vote/aeiagm2012</a>

**If posting your proxy, please ensure you mail it sufficiently in advance so that it arrives by the required time.**

In appointing a proxy, ordinary shareholders should consider how they wish to direct the proxy to vote. A shareholder can direct a proxy to vote "for" or "against" or abstain from voting on each proposed resolution; or they can leave the decision to the appointed proxy after discussion at the Meeting. If shareholders complete and return their proxy form but do not nominate the identity of the proxy, they will be taken to have appointed the Chairman of the Meeting as their proxy to vote on their behalf.

If the Chairman of the Meeting is appointed as your proxy or may be appointed by default, and you do not wish to direct your proxy how to vote in respect of Resolution 10 (Remuneration Report) and Resolution 11 (Holding a Spill Meeting to Remove all Directors from Office), please mark the last box under the heading "Step 1 – Appointment of Proxy" on the proxy form. By marking this box, you acknowledge that the Chairman of the Meeting may vote as your proxy even if they have an interest in the outcome of Resolution 10 and Resolution 11 and votes cast by the Chairman of the Meeting for Resolution 10 and Resolution 11, other than as proxy holder, will be disregarded because of that interest. If you do not mark this box on the proxy form and you have not directed your proxy how to vote the Chairman of the Meeting will not cast your votes on Resolution 10 and Resolution 11 and your votes will not be counted in calculating the required majority if a poll is called.

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote on Resolution 10 (Remuneration Report) and Resolution 11 (Holding a Spill Meeting to Remove all Directors from Office) by marking either "For", "Against" or "Abstain" on the proxy form for each of those items of business.

The Chair will vote all undirected proxies:

- **in favour** of resolutions 2, 3, 9 and 10; and
- **against** resolutions 4, 5, 6, 7, 8 and 11.

**If you appoint the Chairman of the Meeting as your proxy and wish to vote differently to how the Chairman of the Meeting intends to vote on any of the items, you must mark "For", "Against" or "Abstain" on the proxy form for the relevant resolution.**

**Voting entitlements**

The Directors have determined that the shareholding of each shareholder for the purposes of ascertaining the voting entitlements for the AGM will be as it appears in the share register at 5:30 pm on Tuesday, 20 November 2012 (Section 1074E; Regulation 7.11.37 Corporations Act 2001, ASTC Settlement Rules, Section 5.6).

**Written questions**

Members are able to put written questions to directors or to the auditors. To submit a written question please complete the question form distributed with this notice. Questions directed to the auditor should relate to the content of the auditor's report or the conduct of the audit of the annual financial report to be considered at the meeting.

The question form should be deposited at the Company's Registered Office not later than five business days prior to the meeting – by 5:30 pm on Thursday 15 November 2012. Written questions can be delivered to the Registered Office by hand, posted to Australian Ethical Investment Ltd, GPO Box 3993, Sydney NSW 2000 or faxed to 1 300 653 459. If posting your question form, please ensure that you mail it sufficiently in advance so that it arrives at the Registered Office by the required time. Please include the shareholder name on the form exactly as it appears on your holding certificate.

Written questions addressed to the auditor will be passed onto the auditor for consideration.

**Recording of proceedings**

Please note that the Company intends to record the proceedings of the AGM.



**FOR ALL ENQUIRIES CALL:**  
(within Australia) 1300 737 760  
(outside Australia) +61 2 9290 9600

**FACSIMILE**  
+61 2 9290 9655

**ALL CORRESPONDENCE TO:**  
Boardroom Pty Limited  
GPO Box 3993  
Sydney NSW 2001  
Australia

**Your Address**  
This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction on the form. **Please note, you cannot change ownership of your securities using this form.**

**Reference Number:**  
Please note it is important you keep this confidential

## YOUR VOTE IS IMPORTANT

FOR YOUR VOTE TO BE EFFECTIVE IT MUST BE RECORDED BEFORE 5:30 PM  
TUESDAY 20<sup>TH</sup> NOVEMBER 2012

## TO VOTE BY COMPLETING THE PROXY FORM

### STEP 1 Appointment of Proxy

Indicate here who you want to appoint as your Proxy  
If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chairman of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

#### Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

#### Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

### STEP 2 Voting Directions to your Proxy

You can tell your Proxy how to vote

To direct your proxy how to vote, place a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### STEP 3 Sign the Form

The form **must** be signed as follows:

**Individual:** This form is to be signed by the securityholder.

**Joint Holding:** where the holding is in more than one name, all the securityholders must sign.

**Power of Attorney:** to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. **Please indicate the office held by signing in the appropriate place.**

### STEP 4 Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below not later than 48 hours before the commencement of the meeting at **5:30pm on Thursday 22<sup>nd</sup> November 2012**. Any Proxy Form received after that time will not be valid for the scheduled meeting.

**Proxies may be lodged using the reply paid envelope or:**

**BY MAIL** - Share Registry – Boardroom Pty Limited, GPO Box 3993, Sydney NSW 2001 Australia

**BY FAX** - + 61 2 9290 9655

**IN PERSON** - Share Registry – Boardroom Pty Limited, Level 7, 207 Kent Street, Sydney NSW 2000 Australia

### Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

# Australian Ethical Investment Ltd

## STEP 1 - Appointment of Proxy

I/We being a member/s of **Australian Ethical Investment Limited** and entitled to attend and vote hereby appoint

the Chairman of the Meeting (mark with an 'X') **OR**

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy at the **Annual General Meeting of Australian Ethical Investment Limited to be held at Hardware Lane Meeting Room, Citadines on Bourke, 131-135 Bourke Street MELBOURNE VIC 3000 on Thursday 22 November 2012 at 5:30pm** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

### Important for Resolutions 10 & 11

If you appoint the Chairman of the Meeting as your proxy or he is appointed as your proxy by default, by not marking any of the below "For", "Against" or "Abstain" boxes you will have directed the Chairman of the Meeting to vote in favour of Resolution 10 and against Resolution 11 even though this item is connected directly or indirectly with the remuneration of a member of the key management personnel.

Note: If you do not wish to give the Chairman of the Meeting such a directed proxy, you should ensure that a box other than the "For" box is clearly marked for Resolution 10 and a box other than the "Against" box is clearly marked for Resolution 11 Step 2 below.

**The Chairman of the Meeting will vote all undirected proxies in favour of Resolutions 2, 3, 9 & 10 and against Resolutions 4, 5, 6, 7, 8 & 11**

## STEP 2 - Voting directions to your Proxy – please mark to indicate your directions

Ordinary Business		For	Against	Abstain*
Resolution 2	Election of Director - Justine Hickey	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Election of Director – Stephen Gibbs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Removal of Director - Andre Morony	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Removal of Director - Phillip Vernon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Appointment of Penelope Le Couteur as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Appointment of Nigel Hennessey as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Appointment of Damian Hannes as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	Appointment of KPMG as Auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10	Adoption of the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11	Holding a Spill Resolution to remove Directors from office	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

\*If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

## STEP 3 - PLEASE SIGN HERE This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name .....

Contact Daytime Telephone ..... Date / / 2012

## Twenty sixth Annual General Meeting of Shareholders

### Written questions from shareholders

The directors of Australian Ethical Investment Ltd invite you to ask written questions on:

- the management of the company;
- the content of the auditor's report to be considered at the meeting;
- the conduct of the audit of the annual financial report to be considered at the meeting.

This question form should be deposited at the Company's Registered Office not later than five business days prior to the meeting - by 5:30 pm on Thursday, 15 November 2012. Written questions can be delivered to the Registered Office by hand, posted to Australian Ethical Investment Ltd, GPO Box 3993 Sydney NSW 2001 or faxed to 1300 653 459. If posting your question form, please ensure that you mail it sufficiently in advance so that it arrives at the Registered Office by the required time.

Written questions addressed to the auditor will be passed onto the auditor for consideration.

Please note that the company intends to respond to written questions thematically. Answers to questions will be provided at the Annual General Meeting and will also be published on the company's website. The company may not provide individual answers to written questions at the meeting. Also, the company 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. 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.

Directors provide this opportunity to enable shareholders who may not be able to attend the Annual General Meeting to ask questions. This is something that directors choose to do, not something that they are compelled to do.

**Shareholder name (exactly as it appears on holding statement)**

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**Address and contact details**

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**Question(s)**


19 October 2012

To: Australian Ethical Investment Ltd shareholders

Dear Shareholder,

**Nomination of KPMG for appointment as Auditor**

I, Tom May, being a member of the Company, hereby nominate KPMG of 10 Shelley Street, Sydney NSW 2000 for appointment as auditor of Australian Ethical Investment Limited as required by Section 328B of the Corporations Act.

Yours sincerely



Tom May  
**General Counsel & Company Secretary**