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Company Procedure Control Sheet

Procedure Title:	Code of Conduct
Section:	Group Wide
Identifier:	GW-2
Date Procedure Effective:	12 December 2001
Approved by:	AEI Board
Date of approval of this version:	27 August 2008
Compliance Plan Reference:	

Procedure Documentation (i.e. document(s) that describe the procedure)	
Name of Document	Location of document
GW-2 Code of Conduct v2.0	
Hardcopies attached (Yes/No):	*Yes*

Reference Documentation (i.e. document(s) relied upon or referred to in developing the procedure)	
Name of Document	Location of document

Modifications		
Authority to approve modifications:		
Date of Modification	Brief description of modification	Approved by / Date
27 August 2008	Changes to update the policy to reflect current practices and other policies developed since 2001. Includes reference to a separate Share Trading Policy.	AEI Board – meeting held 27 August 2008

Company Policy / Procedure

Title:	**Australian Ethical Investment Code of Conduct**
Author:	**Company Secretary**
Date:	**27 August 2008**
Version:	**2.0**

The Australian Ethical Code of Conduct is intended to provide guidance for employees and Directors on the standards that Australian Ethical expects in the conduct of its operations. The Code has been endorsed by the Australian Ethical Investment Ltd Board of Directors and applies to all employees and Directors.

Australian Ethical prides itself on its adherence to the Australian Ethical Charter in its dealings with all stakeholders. Australian Ethical strives to achieve conduct that is over and above best practice.

If you are in doubt as to whether anything you are contemplating might breach the Code, apply the following test:

Can this activity be justified in terms of the Australian Ethical Charter?

If there is an activity that we are proposing to undertake that involves no legal impropriety but which fails this test, then we should not undertake that activity, even if it is not expressly prohibited by this Code.

Specific standards of conduct

We must be aware of conflicts

There may be times when our personal interests conflict with those of Australian Ethical or our unitholders. Australian Ethical has a statutory duty to prefer the interests of unitholders in the event of a conflict - that is the interests of the unitholders must come first. If the conflict is between our personal interests and Australian Ethical, we should take action to remove or manage the conflict so as to avoid detriment to Australian Ethical. The company maintains a policy for managing conflicts of interest and a conflicts register. Employees should be familiar with the company's conflict management policy. If you have a conflict, you must disclose that

conflict to your supervisor. You and your supervisor are then responsible for putting into place measures to remove or manage the conflict.

We must not participate in insider trading

If you have non-publicly known, price-sensitive information such as information:

- acquired through working on investments;
- about a proposal;
- about any other entity in which Australian Ethical may have an interest; or
- that has come to your knowledge through your employment with Australian Ethical.

Then you must not:

- deal in that entity's investments;
- pass that information on to another person; or
- encourage another person (for example, a family member) to make any investments in the entity.

Trading that you undertake (both generally and in the company's shares) must comply with the company's Share Trading Policy.

We must not make unauthorised gains or payments

As a general rule, don't accept (or offer to give) gifts, services, discounts, gratuities or other gains from (or to) people who conduct business with Australian Ethical. Employees receiving gifts or soft dollar benefits from third parties by virtue of their employment must declare these to the Chief Executive Officer. Gifts may be accepted subject to the agreement of the Chief Executive Officer. Where proposed gifts are significant or are directed to the CEO, the CEO should discuss the matter with the Chair, and the Chair may choose to notify the Board.

AEI will not provide gifts or soft dollar benefits to third parties for the referral of clients or for the issue to clients of the company's products.

The offering of bribes to anyone is prohibited outright. Breaking this principle could compromise all concerned and is illegal.

We must only use company assets as authorised

Australian Ethical's assets are critical to our business competitiveness and success. These assets include office equipment, our computer systems, the data on those systems (including the passwords allowing access to that data), our intellectual property, our brands and corporate charge cards. Australian Ethical's assets are provided to you for conducting Australian Ethical business. Your must not use the assets for personal gain or to compete with Australian Ethical.

We have obligation of care and diligence

We need to exercise care and diligence in the performance of our duties. We have a responsibility to our shareholders and unitholders to ensure that our work is accurate, that we attend to detail and that we make decisions based on up to date information.

We must also be courteous, open and honest in our dealings.

We must protect confidential and personal information

In the course of our duties, we may learn confidential information about Australian Ethical, its unitholders or investees. It is very important not to use or give out confidential information unless you have been given permission. This includes not giving confidential information to other sections in Australian Ethical or using the information provided for a different purpose without first obtaining the written consent of the entity and authorisation of the relevant person.

You must comply with the company's Privacy Policy when handling personal information of our unit holders or other staff.

We must ensure everyone has an equal opportunity

Australian Ethical has a long-standing commitment to equal opportunity for all its employees. Discrimination or harassment of any kind is prohibited and is absolutely inconsistent with our philosophy.

We must compete fairly

Australian Ethical is committed to fair competition. When competing for business we must do so vigorously but fairly. This means not intentionally misleading clients, business partners, competitors or the community; only using Australian Ethical's reputation in legitimate ways and refusing to associate in doubtful market practices.

We must take into account any environment, health and safety impacts before making any business decision

The Australian Ethical Charter ('Charter') outlines the policies used when Australian Ethical makes investment decisions on behalf of our unitholders. These policies require Australian Ethical staff to consider a range of environmental and social criteria as part of this process.

It is important that, in addition to selecting companies which meet the Charter, Australian Ethical also acts in such a way as to promote the principles we espouse in our everyday business dealings. Staff should strive to ensure that our business decisions do not compromise our commitment to avoiding any injury to people or damage to the environment, and that we comply at all times with local regulations, where we are unable to exceed them.

We must not make unauthorised public statements

Only staff specifically authorised to do so may make public statements on behalf of Australian Ethical. We must take great care in public speaking engagements, media releases and official appearances. In particular, we must be careful in the following areas:

Sensitive information: Ensure all non-public, price sensitive information concerning Australian Ethical or its businesses is disclosed to the Company Secretary before it is released publicly or widely disseminated within the Group. This is particularly important as Australian Ethical must inform the market before briefing media or making any general public announcements. The company cannot make selective price sensitive disclosures (such as to analysts or ratings agencies) or preliminary disclosures to the media, even if it is requested to be "embargoed" until public release.

The public face of Australian Ethical: Do not make comments that may be construed as representing the official views of Australian Ethical. Ensure that any publicly available information we use (for example, in publications, memos, presentations or releases) utilises the current form of that information located on our home page or Product Disclosure Statement, or has been otherwise approved.

We must not make unauthorised political donations on behalf of Australian Ethical

Political donations may only be made by the Board.

We must be familiar with policies and procedures that relate to our work

We must make ourselves aware of the policies and procedures that affect our roles. In particular, we must be clear on our limits of authority and never exceed those limits by committing Australian Ethical verbally, in writing or by e-mail beyond those limits.

We have responsibilities to shareholders and the community

We have a responsibility to our shareholders to deliver shareholder value through:

- the sustainable and efficient operation of the company;
- adoption and implementation of sound risk management processes; and
- compliance with applicable laws and regulations.

We have a responsibility to the community within which we work. We need to consider the impacts on our local and broader community when making business decisions.

Reporting breaches of the Code

We have a responsibility to report breaches of the Code. Australian Ethical maintains a Whistleblowing Support Policy that includes procedures for reporting breaches of the Code or concerns about unethical practices to the Staff Advocate. The intent of the Policy is to ensure that you are not disadvantaged or penalised for reporting, in good faith, breaches of the Code or other unethical practices.

Obligation to comply with the Code

We should adhere to the Code both in accordance with its terms and spirit. Breach of the code may be subject to disciplinary action including termination of employment.