

Target Market Determination

Australian Ethical Superannuation (accumulation)

This Target Market Determination (**TMD**) seeks to offer consumers, distributors, and staff with an understanding of the class of consumers for which this product has been designed, having regard to the objectives, financial situation and needs of the target market.

This document is not to be treated as a full summary of the product's terms and conditions and is not intended to provide financial advice. This document does not take into account any person's individual objectives, financial situation or needs. Consumers interested in acquiring this product should carefully read the relevant Product Disclosure Statement (**PDS**) and any supplementary documentation issued by Australian Ethical Superannuation Pty Ltd ABN 43 079 259 733, RSE L0001441, AFSL 526055 (**Australian Ethical**) which is the trustee of the Australian Ethical Retail Superannuation Fund ABN 49 633 667 743, USI AET0100AU before deciding whether to enter this product. The relevant PDS is available australianethical.com.au/super/pds.

A TMD is required under section 994B of the *Corporations Act 2001* (Cth) (**Act**). It sets out the target market for the product, triggers to review the target market and certain other information. It forms part of Australian Ethical's design and distribution framework for this product.

Product Description & Key Attributes

| | |
|---------------------|--|
| Name of product | Australian Ethical Retail Superannuation Fund (accumulation) |
| TMD date | 29 September 2023 |
| TMD version | 2 |
| Fund ABN | 49 633 667 743 |
| USI code | AET0100AU / CHR001AU |
| Product description | This is a product for individuals to accumulate savings for retirement through superannuation and may desire to obtain Death, Total and Permanent Disablement (TPD), or Income Protection (IP) cover. This product is not a self-managed superannuation fund. <i>Note: this TMD only relates to the investment options in this product that are not Australian Ethical's Balanced (accumulation) option (which is the MySuper product).</i> |

Target Market Summary This product **is** designed for individuals who:

- are over the age of 15;
- desire a range of investment options with differing risk and return profiles;
- may desire to obtain insurance through their superannuation account, including Death, TPD, and IP cover; and
- wish to invest in a generally ethical and sustainable manner in line with the Australian Ethical Charter.

This product **is not** designed for consumers who:

- wish to manage all of their retirement investments through a self-managed superannuation fund;
- wish to manage their individual investment holdings directly; or
- do not wish to invest in a generally ethical and sustainable manner in line with the Australian Ethical Charter.

Note: preservation rules apply to this product – amounts saved into superannuation cannot be withdrawn until retirement except in certain permitted scenarios.

| | |
|-------------|---|
| Issuer name | Australian Ethical Superannuation Pty Ltd |
| Issuer AFSL | 526 055 |

Target Market

The target market for the product is the class of persons who are the type of consumer set out below, who have the objectives, needs, and are in the financial situation as set out below.

Type of Consumer

A consumer is in the target market for this product if they are an individual (natural) person who is either a full-time, part-time or casual employee of any industry in Australia, or a member of another superannuation fund where consolidation may be contemplated.

Objectives

A consumer with any one or more of the following short-term and long-term objectives:

- to accumulate capital/wealth for retirement;
- to hold capital/wealth during retirement;
- to benefit from an environment for concessional taxation of savings; or
- to obtain protection through having insurance.

Needs

A consumer with the following needs:

1. Investments

- to have a level of decision making with the product to choose investment options from an investment menu, with administration provided;
- except where the default strategy is chosen, wants to choose from the following type of investment strategies on the investment menu:
 - *Australian equities;*
 - *International equities; or*
 - *ready-made diversified portfolio options;*
- except where the default strategy is chosen, wants to hold between one and seven of the following investment options with the following investment objectives and characteristics:

| Investment Option | Investment option member characteristics and suitability |
|-------------------------|--|
| Defensive | <ul style="list-style-type: none"> • suitable for consumers seeking preservation of capital through low risk income generating investments. It is suitable for consumers who can bear low risk over a short investment horizon of one year or greater. • suitable for stand-alone use or as part of a diversified portfolio of investments being either a core or satellite exposure. • not suitable for consumers requiring capital guarantees. |
| Conservative | <ul style="list-style-type: none"> • suitable for consumers seeking returns moderately above inflation through a mixture of income and a low amount of capital growth through exposure to a diversified range of asset classes, predominantly to interest bearing assets, and with low exposures to Australian and international shares, property, and alternative investments. • suitable to consumers who can bear a low to medium level of risk over a medium investment horizon of four years or greater. • suitable for stand-alone use or as part of a diversified portfolio of investments being either a core or satellite exposure. • not suitable for consumers requiring capital guarantees or cannot withstand bearing capital losses within a short investment timeframe. |
| Balanced (accumulation) | <ul style="list-style-type: none"> • suitable for consumers seeking capital growth and income through exposure to a diversified range of asset classes, including Australian and international shares, property, fixed income securities and alternative investments, who can bear a medium to high level of risk over a medium investment horizon of eight years or greater. • suitable for stand-alone use or as part of a diversified portfolio of investments being either a core or satellite exposure. • not suitable for consumers requiring capital guarantees or cannot withstand bearing capital losses within a short investment timeframe. |
| Growth | <ul style="list-style-type: none"> • suitable for consumers seeking capital growth and income through exposure to a diversified range of asset classes, including Australian and international shares, property, interest bearing investments and alternative investments, who can bear a high level of risk over a medium to long investment horizon of nine years or greater. • suitable for stand-alone use or as part of a diversified portfolio of investments being either a core or satellite exposure. • not suitable for consumers requiring capital guarantees or cannot withstand bearing capital losses within a short investment timeframe. |
| High Growth | <ul style="list-style-type: none"> • suitable for consumers seeking capital growth and income through exposure to a diversified range of asset classes, including Australian and international shares, property and alternative investments, who can bear a high level of risk over a long investment horizon of ten years or greater. • suitable for stand-alone use or as part of a diversified portfolio of investments being either a core or satellite exposure. • not suitable for consumers requiring capital guarantees or cannot withstand bearing capital losses within a short investment timeframe. |
| International Shares | <ul style="list-style-type: none"> • suitable for consumers seeking capital growth through exposure to an international equity portfolio, who can bear a high level of risk over a long investment horizon of seven years or greater. • suitable for stand-alone use or as part of a diversified portfolio of investments being either a core or satellite exposure. • not suitable for consumers requiring capital guarantees or cannot withstand bearing capital losses within a short investment timeframe. |
| Australian Shares | <ul style="list-style-type: none"> • suitable for consumers seeking capital growth through exposure to an Australian equity portfolio, who can bear a very high level of risk over a long investment horizon of seven years or greater. • suitable for stand-alone use or as part of a diversified portfolio of investments being either a core or satellite exposure. • not suitable for consumers requiring capital guarantees or cannot withstand bearing capital losses within a short investment timeframe. |

2. Insurance

This product is suitable to a consumer with any one or more of the following insurance needs:

- assistance with financial or financial-in-kind commitments that will not otherwise be satisfied in the event of death, terminal illness or total and permanent disability; or
- assistance with financial or financial-in-kind commitments that will not otherwise be satisfied in the event of disability.

A summary of the key features of the insurance offering available through this product (if a consumer chooses to pay and receive this cover) is provided below:

| Insurance option | Insurance option consumer characteristics and suitability |
|-----------------------|--|
| Default Death and TPD | <ul style="list-style-type: none">• Consumer wants to receive a benefit should they become totally and permanently disabled or for their nominated beneficiary to receive a benefit upon their death or diagnosis of a terminal illness.• Available to consumers between 15 and 64.• Automatic acceptance if you are aged between 25 or older and under 65, and;<ul style="list-style-type: none">◦ you have had an account balance of at least \$6,000; and◦ your account is not inactive.• Opt-in to receive insurance early (if bullet point 3 has not been met). |
| Fixed Death and TPD | <ul style="list-style-type: none">• Consumer wants to receive a benefit should they become totally and permanently disabled or for their nominated beneficiary to receive a benefit upon their death or diagnosis of a terminal illness.• Available to consumers between 15 and 64• You must satisfy the following conditions for Fixed Cover<ul style="list-style-type: none">◦ aged 15 or over and under 65; and◦ satisfy the conditions for cover. |
| IP | <ul style="list-style-type: none">• Wants to receive a monthly benefit if they are temporarily unable to work due to injury or illness.• Available to consumers between 15 and 64.• Aged 15 or over and under 65;<ul style="list-style-type: none">◦ A permanent employee or self-employed and working at least 15 hours per week; and◦ Not a casual worker, or short-term contractor under a contract of 6 months or less. |

3. Financial situation of consumer

A consumer who is in any one of the following life stages who has been mandated or chosen to invest into the superannuation environment:

- Child (between 15 and 18)
- Accumulation (under 65)
- Pre-retirement (40 to 65)

APPROPRIATENESS OF THE TARGET MARKET

This product is likely to be consistent with the likely objectives, financial situation and needs of the class of consumers in the target market. This is based on an analysis of the key terms, features and attributes of the product and a finding that these are consistent with the likely objectives, financial situation and needs of the identified class of consumers.

The product's key terms, features and attributes have been critically assessed and found to be consistent with the likely objectives, needs and financial situation of the identified class of consumers in the target market for the following main reasons:

- consumers have access to a range of investment options with varying investment objectives, risk levels and investment timeframes, which cater to a wide range of expected consumer risk appetites and objectives; and
- the insurance offerings provide a default age-based level of cover to enable consumers in the target market (who meet the eligibility criteria) to alleviate the financial burden in the event of illness or injury causing a cessation of work, or death, while also allowing them to amend their cover to suit their personal situation and requirements.

Distribution Conditions/Restrictions

This product can only be offered and/or issued in accordance with the relevant product terms and conditions outlined in the PDS (as amended from time to time). This product can only be distributed:

- **Directly:** Through the application form on the Australian Ethical website and only after the consideration of this TMD.
- **Through a third party financial adviser:** Under personal advice that takes this TMD into consideration.
- **Through authorised representatives by general or intrafund advice:** No additional conditions/restrictions.

Appropriateness of the Distribution Conditions/Restrictions

The distribution conditions will make it more likely that the consumers who acquire the product are in the target market on the basis of:

- information acquired by Australian Ethical through monitoring its authorised representatives' distribution activities;
- information about how consumers acquired the product acquired through surveys conducted by Australian Ethical;
- any other relevant information about a third party distributor, about which Australian Ethical is aware;
- Australian Ethical's experience of direct distribution of its product;
- contact centre and member facing employees are trained on the product, including product eligibility; and
- the distribution of the product will be only via channels known to us in our capacity as issuer.

Review Triggers

Where Australian Ethical determines that any of the below review triggers has occurred, Australian Ethical will undertake a review of this TMD:

1. ASIC reportable significant dealing outside of TMD.
2. Significant or unexpectedly high number of complaints (as defined in section 994A(1) of the Act) regarding product design, product availability or any distribution condition where the product issuer considers this reasonably suggests that this TMD is no longer appropriate.
3. Material change to key product attributes, terms and/or conditions where the product issuer considers this reasonably suggests that this TMD is no longer appropriate.

4. The use of product intervention powers, regulator orders or directions in relation to the distribution of this product where the product issuer considers this reasonably suggests that this TMD is no longer appropriate.
5. A significant breach event relating to the design or distribution of this product where the product issuer considers this would reasonably suggest that (i) this product is unsuitable for a particular cohort of consumers and (ii) the TMD may no longer be appropriate.
6. Australian Ethical, as the trustee of the Fund, makes a determination for purposes of s52(9) of *Superannuation Industry (Supervision) Act 1993* (Cth) that the financial interests of the consumers who hold this product are not being promoted.

Maximum period for reviews

| Review periods | Maximum period for review |
|-------------------|---------------------------|
| Initial review | 1 year and 3 months |
| Subsequent review | 1 year |

The review period allows for the collection of data for the review period plus three months for the completion of the review.

Distributor Information Reporting Requirements

| Regulated person(s) | Requirement | Reporting deadline |
|---------------------|---|---|
| All distributors | To the extent a distributor is aware of dealings outside the target market these should be reported to the issuer, including reasons why acquisition is outside of target market, and whether acquisition occurred under personal advice. | Quarterly within 10 business days after the end of the calendar quarter |
| All distributors | Complaints (as defined in section 994A(1) of the Act) relating to the Fund and options offered in relation to the Fund, where the nature of the complaints relate to product design, insurance claims, product availability and distribution conditions. The distributor should provide all the content of the complaint, having regard to privacy. | Quarterly within 10 business days after the end of the calendar quarter |
| All distributors | To the extent a distributor is aware of any significant dealing outside of target market under s994F(6) of the Act, these should be reported to the issuer. | As soon as practicable but no later than 10 business days after distributor becomes aware of the significant dealing. |

Distributors must report to Australian Ethical using the FSC data standards (If practicable) and provide the reports via email to DDO@australianethical.com.au. Additional information on significant dealings is provided in the 'Definitions' section at the end of this document.

Important information about this document

This TMD is made by Australian Ethical Superannuation Pty Ltd (ABN 43 079 259 733, AFSL No. 526 055, RSELL0001441) (**Australian Ethical**) pursuant to section 994B of the Corporations Act 2001 (Cth). Australian Ethical is the trustee of the Australian Ethical Retail Superannuation Fund (SFN 4794/449/82, Registration Number R1004731)] (**Fund**) and the issuer of the product.

This document is not a summary of the Fund or the product, or the Product Disclosure Statement for the product (PDS). It does not (and is not intended to) set out a summary of the terms or features of the product.

This document is intended to provide a record of Australian Ethical's assessment of the product, which forms the basis of this TMD. It also details the product's distribution channel(s) and distribution strategy which must align to this TMD. This document is also used as a basis for the periodic review of the product's suitability for distribution to the identified target market.

This document does not (and is not intended to) provide or constitute financial product advice. The target market described in this TMD is general in nature only and does not make any statement or representation that a particular person is or is not in the target market described in this TMD. This TMD does not take into account the objectives, financial situation and needs of any particular person and Australian Ethical makes no representation as to whether or not the Fund or the product is suitable for any particular person.

Prior to making any decision in relation to the Fund or the product, investors should obtain and consider the PDS, and obtain financial product advice if necessary. The PDS may be obtained by contacting Australian Ethical on 1800 021 227 or at australianethical.com.au/super/pds. This TMD should not be taken by a person to be a substitute for obtaining and considering the PDS or obtaining financial product advice that takes into account the person's objectives, financial situation and needs

An investment in the Product is subject to investment risk, including the loss of income or the principal invested. While any forecasts, estimates and opinions in this material are made on a reasonable basis, actual future results and performance of the product may differ materially from the forecasts, estimates and opinions set out in this TMD. No guarantee as to the repayment of capital, the performance of the product or any rate of return described in this TMD is made by Australian Ethical or any other person.

This material is not intended for distribution to, or use by, any person in any jurisdiction or country where such distribution or use would be contrary to local law or regulation.

Australian Ethical, and its officers, employees, agents and advisers, believe that the information in this TMD and the sources on which the information is based (which may be sourced from third parties) are correct as at the date of this TMD. While every care has been taken in the preparation of this TMD, no warranty of accuracy or reliability is given and no responsibility for the information is accepted by Australian Ethical, or its officers, employees, agents or advisers. To the fullest extent permitted under law, Australian Ethical excludes all liability for information provided in this TMD.

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Definitions

| Term | Definition |
|------------------------------|--|
| Distributor Reporting | |
| Significant dealings | <p>Section 994F(6) of the Act requires distributors to notify the issuer if they become aware of a significant dealing in the product that is not consistent with the TMD. Neither the Act nor ASIC defines when a dealing is 'significant' and distributors have discretion to apply its ordinary meaning.</p> <p>The issuer will rely on notifications of significant dealings to monitor and review the product, this TMD, and its distribution strategy, and to meet its own obligation to report significant dealings to ASIC.</p> <p>Dealings outside this TMD may be significant because:</p> <ul style="list-style-type: none">• they represent a material proportion of the overall distribution conduct carried out by the distributor in relation to the product, or• they constitute an individual transaction which has resulted in, or will or is likely to result in, significant detriment to the consumer (or class of consumer). <p>In each case, the distributor should have regard to:</p> <ul style="list-style-type: none">• the nature and risk profile of the product (which may be indicated by the product's risk rating or withdrawal timeframes),• the actual or potential harm to a consumer (which may be indicated by the value of the consumer's investment, their intended product use or their ability to bear loss), and• the nature and extent of the inconsistency of distribution with the TMD (which may be indicated by the number of red or amber ratings attributed to the consumer). <p>Objectively, a distributor may consider a dealing (or group of dealings) outside the TMD to be significant if:</p> <ul style="list-style-type: none">• it constitutes more than half of the distributor's total retail product distribution conduct in relation to the product over the reporting period,• the consumer's intended product use is <i>Solution / Standalone</i>, or <p>the consumer's intended product use is <i>Core component</i> and the consumer's risk (ability to bear loss) and return profile is <i>Low</i>.</p> |