Sustainability Report 2023

Enduring Prosperity

Perpetual GROUP

Acknowledgement of Country

Perpetual Group[1] acknowledges Aboriginal and Torres Strait Islander peoples of this nation. We acknowledge the Traditional Custodians of the lands on which our company is located and where we conduct our business. We pay our respects to ancestors, Elders, past and present. Perpetual Group is committed to honouring Aboriginal and Torres Strait Islander peoples' unique cultural and spiritual relationships to the land, waters and seas and their rich contribution to society.

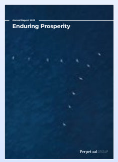
1. Perpetual Limited and its subsidiaries.

Contents

Our reporting suite

Welcome to our FY23 Sustainability Report, which provides an update on the sustainability performance of Perpetual Group for the financial year from 1 July 2022 to 30 June 2023 (FY23). This forms part of Perpetual Limited's annual reporting suite, which also includes our Annual Report, Corporate Governance Statement, Operating and Financial Review and Full Year Financial Statements.

Annual Report



Corporate Governance Statement

Sustainability Report

More information about our FY23 financial and operational performance can be found online: perpetual.com.au/shareholders/reports-and-presentations

About Perpetual Group

Perpetual Limited (Perpetual) is an ASX-listed company (ASX: PPT) headquartered in Sydney, Australia, providing asset management, wealth management and trustee services to local and international clients.

Our purpose

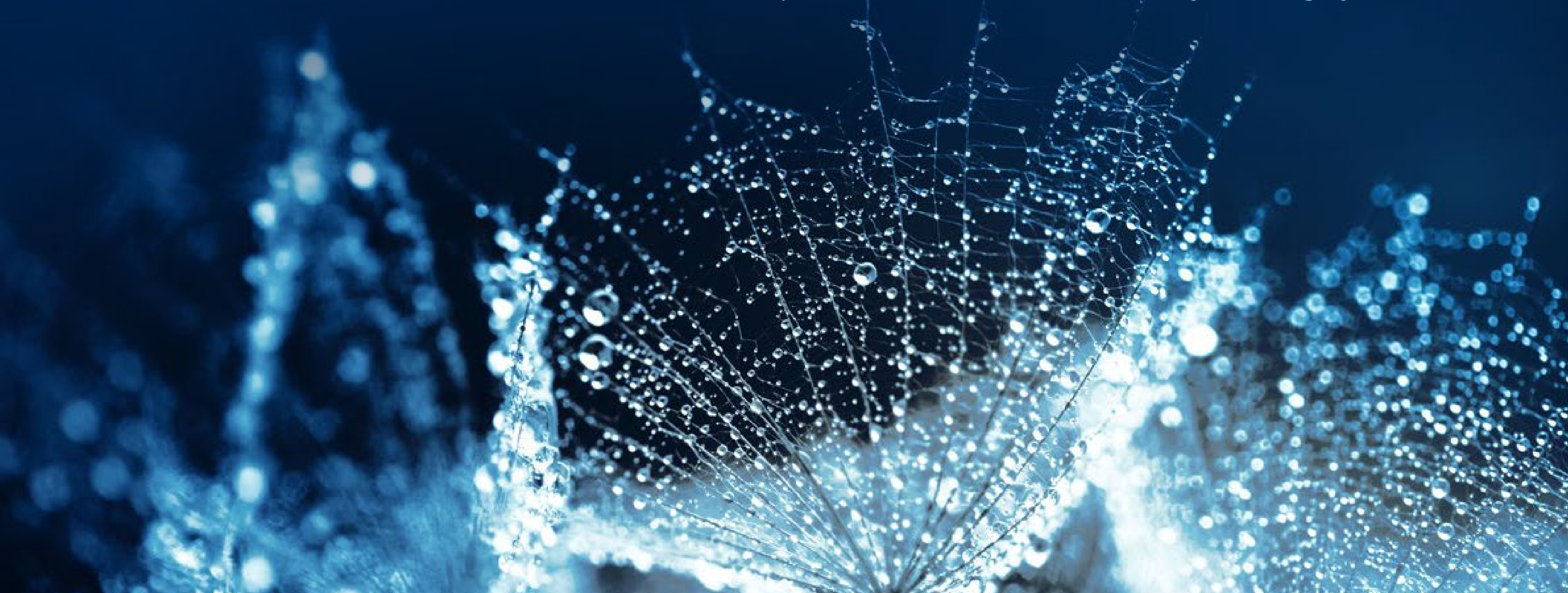
To create enduring prosperity

Our values

Excellence,
Integrity,
Partnership

Our sustainability focus

At Perpetual Group, creating enduring prosperity has been at the heart of what we do for over 135 years. This means seeking to help our clients navigate the low carbon transition, building an inclusive, high-performance culture, strengthening local communities, and working to uphold good governance, accountability and integrity in all we do.



Perpetual Group has a strong heritage in Australia, operating since 1886 where it began as a trustee company for individuals.

Our purpose is, and has always been, to create enduring prosperity.

For more information on our business divisions see our Annual Report at perpetual.com.au/shareholders/reports-and-presentations

Asset Management

A global multi-boutique asset management business offering an extensive range of specialist investment capabilities through seven boutique brands in key regions globally.

Perpetual

A trusted, dynamic, active manager, offering an extensive range of specialist investment capabilities designed to meet the needs of our clients across the globe.

PENDAL

A highly respected investment manager with leading Australian equities, global equities, cash, fixed income and sustainable investing capabilities.

BARROW HANLEY GLOBAL INVESTORS

A US-based diversified investment management firm offering value-focused investment strategies spanning global equities and fixed income.

J O Hambro Capital Management Group

An equities specialist asset manager with investment capabilities across US, UK, European, Asian, emerging markets and global equities, as well as multi-asset capabilities.

Regnan

A responsible investment brand, which provides advice and insights on important Environmental, social, and governance (ESG) issues, and also manages thematic and impact-driven global investment strategies.

TRILLIUM ASSET MANAGEMENT

US-headquartered Trillium has been at the forefront of ESG investing for over 40 years. One of the first investment firms to align values with investment objectives.

T | S | W

A US-based value-oriented investment firm, with a 50-year history of delivering to clients across US equities, international equities, fixed income and multi-asset strategies.

Wealth Management

The Wealth Management business consists of Perpetual Private and three other distinct specialist businesses (Fordham, Priority Life and Jacaranda), offering a unique mix of wealth management, advice and trustee services.

Perpetual | JACARANDA FINANCIAL PLANNING | fordham | PriorityLife

Corporate Trust

Our Corporate Trust business is a leading provider of fiduciary and digital solutions to the banking and financial services industry in Australia and Singapore.

Perpetual | LAMINAR CAPITAL

A message from our Chief Executive Officer and our Chief Risk and Sustainability Officer

From our origins as a trustee company in 1886, Perpetual Group has supported our clients and communities over generations. Our commitment to create enduring prosperity for our clients, our people and the communities we support is longstanding and embedded in our approach to sustainability.

The role we play in helping to create a sustainable world has never been more important as we look to the future and continue to grow globally. Since the launch of our sustainability strategy, Perpetual's Prosperity Plan, in September 2022, we have taken considerable steps throughout the year in progressing many of our commitments. Through our Prosperity Plan, we seek to help our clients navigate the low carbon transition; build an inclusive, high-performance culture; strengthen local communities; and work to uphold good governance, accountability and integrity.

This year has been a significant year following the acquisition of Pendal Group (Pendal), which completed in January 2023 and has been followed by a period of integration as we bring our businesses together. Pleasingly, while this has impacted the delivery of some of our targets, we have made progress on a number of fronts, which we will share in this report. Following a review of the goals we outlined in our Prosperity Plan, we remain committed to them as a newly combined Group.

Accelerating the low carbon transition

We continue to invest in our capabilities, products and services and, in FY23, funds that we define as supporting a low carbon future had over $1 billion in net flows in our Asset Management business, in line with our commitment to grow this part of our business.[1]

The acquisition of Pendal has also meant that we can now offer a broader suite of sustainable and responsible investment capabilities to our clients, including through Regnan-branded thematic and impact focused funds. Furthermore, our greater scale and depth of responsible investment expertise will enable more opportunities to share best practice, systems and expertise.

Solid progress has also been made on our commitments relating to the environmental impact of own operations. We have purchased renewable power for our Australian offices and are on track to be carbon neutral in our global operations.

Championing inclusion and high performance

Our most valuable asset is the expertise of our people. We want every team member at Perpetual Group to feel supported to grow, both as a professional and as an individual. Investing in their wellbeing is critical to our growth and as we build a more globally diverse business, this will offer further opportunities for development and collaboration.

This year, we have once again been recognised by the Workplace Gender Equality Agency (WGEA) as an Employer of Choice for Gender Equality, a position we have held since 2018. Perpetual Group will continue to do more to strive for gender equality and increase the representation of women in our sector. In FY23, 34% of our global senior leader cohort were women, in line with FY22.

34%
of our global senior leader cohort in FY23 were women

1. Our definition of funds that support a low carbon future includes Trillium's larger cap-equity strategies, which are subject to an interim target for 75% of the holdings to commit to set science-based targets for reducing their GHG emissions, as approved by the Science Based Targets Initiative, by the end of 2030.

We remain committed to creating a more inclusive workplace. We celebrate Pride Month in May to support our LGBTQ+ colleagues and send a clear message that we are a workplace that is open and accepting.

We help our clients to identify priority areas which are traditionally underfunded by philanthropic donations and can recommend these to our clients, where appropriate. Despite 11% of Australians identifying as being of diverse sexuality, only the tiniest fraction of philanthropic grants (50 cents in every 100 philanthropic dollars) are explicitly given to support LGBTQ+ individuals and communities. In FY23, on behalf of our clients, we helped to facilitate $683,000 worth of grants to organisations supporting LGBTQ+ communities.

The period of integration following the acquisition of Pendal has been a period of change and uncertainty for a number of our people. This has impacted some of the commitments in the strategy. For instance, we have seen through our regular mood monitor survey that the environment of change is having an impact on our people. As an Executive Team, we are mindful of the impact that a significant business change can have and would like to thank the teams who have been working tirelessly to set our business up for the future.

$2.16m

Given through donations and volunteering[2]

Drawing on our trusted brand to uphold the highest standard

We are embedding our Prosperity Plan in the organisation through a focus on governance, training and improving our risk culture. In July 2023, we included new and refreshed key risk indicators in our Risk Appetite Statement to align with the KPIs in our sustainability strategy. Employees continue to complete mandatory training on topics such as personal trading, information security and privacy, and anti-money laundering and sanctions awareness.

In relation to our clients, we are pleased to report that this year we received a Net Promoter Score (NPS)[1] of +57, which was up from +49 in FY22. This is our highest ever NPS outcome and demonstrates the focus we place on supporting our clients.

Unfortunately, however, in June, after we conducted our NPS study, we experienced an extended outage as a result of an IT security incident at a registry system provided by a third-party provider to some of Perpetual's funds (see page 21). While there was no impact to any Perpetual client investments or superannuation accounts, we understand that the extended outage of myPerpetual has been frustrating for many of our clients and apologise for the inconvenience that may have been caused.

Following notification of the incident our investigations identified that some personal information was compromised. Notwithstanding that there was no notifiable data breach, given the ongoing and increasing threat of cyber security events, we took immediate steps to inform all of our clients.

Supporting strong communities

We are a longstanding supporter of the Uluru Statement from the Heart, calling for a First Nations Voice to be enshrined in the Constitution, and we continue to make progress towards our 2021–2023 Stretch Reconciliation Action Plan (RAP).

In FY23, we continued to support charitable causes across our global businesses. In Australia, we have a partnership with Lifechanger Foundation, an organisation that helps empower young people through wellbeing and mental health, which has helped them grow their initiatives in the state of New South Wales. Through our funding in FY23, LifeChanger has conducted over 285 workshops, reaching over 4,900 young people (see page 55). Other examples of charitable giving include a group of TSW associates who volunteered their time to prepare lunches for the families currently residing at Ronald McDonald House, which assists families of children receiving medical treatment in Richmond, Virginia, USA.

This year, we gave the equivalent of $2.16 million through donations and volunteering.[2] This falls just below our target of giving the equivalent of 1% of underlying profit before tax, which was impacted by an improvement in our reporting approach and the integration of our new businesses.

It has been a significant year bringing the Perpetual and Pendal businesses together. We have made good progress, but we know we still have much to do. Through our Prosperity Plan, we are committed to continuing to develop and improve our approach on sustainability, and to play our part to help create a more equitable and sustainable world.

Rob Adams
Chief Executive Officer and Managing Director

Sam Mosse
Chief Risk and Sustainability Officer

1. The Net Promoter Score is a measure of advocacy, or the extent to which our clients are willing to recommend us to friends, colleagues and peers.
2. Based on the Business for Societal Impact (B4SI) community giving reporting framework. This includes cash and in-kind donations, matched giving of staff fundraising, management costs associated with community giving activities, employee volunteering time and memberships and sponsorship of community organisations.

Perpetual's Prosperity Plan

In September 2022, we launched our sustainability strategy, Perpetual's Prosperity Plan. Our 2023 Sustainability Report provides an update on performance across the four pillars within our Prosperity Plan.

It also provides information on our new brands and boutiques following the acquisition of Pendal in January 2023.

Background to our priority focus areas

As part of developing our sustainability strategy, we conducted a materiality assessment to identify the sustainability issues most material to our business and stakeholders. Through interviews and focus groups, we asked stakeholders to identify the issues most important to them. These issues were quantitatively rated using surveys, mapped against Perpetual Group's policies and strategy, and assessed using external frameworks including the UN-supported Sustainable Development Goals (SDGs), Global Reporting Initiative and CDP. The priority themes of the materiality assessment are described in the graphic to the right.

Pillars and priority themes

Governance 10

Good governance

Upholding strong behaviours and conduct, and effectively managing our risks.

See pages 12–17

Ethical business

Ensuring client care, data privacy, transparency and anti-corruption.

See pages 20–22

Sustainable products and services

Developing sustainable products and capabilities and integrating ESG considerations.

See pages 18–19

Planet 23

Decarbonisation

Reducing investment exposure to carbon-related risks, disclosing climate risks, and reducing our own footprint.

See pages 25–33 and 35–36

Local environmental impacts

Improving waste, paper usage and using sustainable buildings.

See pages 31, 32 and 34

People 37

Diversity and inclusion

Inclusive hiring and promotion and creating an inclusive culture and sense of belonging.

See pages 39–43

Talent, development and wellbeing

Talent attraction, retention, development and employee wellbeing.

See pages 44–45

Communities 46

Social and community impacts

Engaging in volunteering, community giving, philanthropy services, socially sustainable procurement and protecting human rights.

See pages 52–56

First Nations advocacy and support

Conducting Native Title and trustee services and implementing our RAP.

See pages 48–51

Ensuring robust governance of our sustainability strategy

The Perpetual Limited Board (Board) is responsible for setting Perpetual Group's sustainability strategy and monitoring performance on its implementation. Our Executive Committee provides leadership to support delivery of the strategy, makes decisions on key issues and oversees performance. Six-monthly progress updates on the sustainability strategy are provided to the Board and Executive Committee.

In January FY23, sustainability was added to Sam Mosse's responsibilities in a newly expanded role of Chief Risk and Sustainability Officer (CRSO), formally representing and championing sustainability on the Executive Committee. The Group Sustainability Team reports into the CRSO and is responsible for the day-to-day management, monitoring and reporting of the sustainability strategy and supporting the divisions to deliver our commitments.

In FY23, it was agreed that a sustainability overlay would be applied to bonus funding for Executive remuneration.

To do this, an assessment was conducted on progress against each of the 35 commitments in the Prosperity Plan. On balance, given the Group's progress against the commitments, no adjustments were made to bonus funding levels were recommended at the Group or divisional level.

This year, the Board has engaged KPMG to provide independent, limited assurance on Perpetual Group's Greenhouse Gas (GHG) metrics for our operations in FY23 as shown in table 2 on page 33. KPMG's assurance statement can be found online: perpetual.com.au/sustainability/archive.

We support the International Sustainability Standards Board (ISSB) aim to encourage more comprehensive, globally consistent sustainability disclosures. We have further developed our approach to carbon emissions reporting (see pages 31–36) and will revise our metrics and reporting based on these standards once they are implemented by the Australian government.

Progress on our Prosperity Plan

For more than 135 years, Perpetual Group has been building prosperity for our clients.

We know that lasting financial wellbeing depends on a sustainable planet and resilient, equitable communities. This is our plan to create enduring prosperity, not only for our clients and shareholders, but also for communities and the environment on which we all depend.

On this page is a description of the four pillars of our sustainability strategy and a high-level overview of our progress on our commitments.

Despite a significant period of change as we have brought together Perpetual Group and Pendal, 27 of our 35 commitments are either on track or achieved. We have plans in place to address those that are not currently on track.

Progress across the four pillars of our sustainability strategy

	Not on track	On track	Achieved
Governance	0	3	6
Planet	2	5	3
People	5	3	0
Communities	1	4	3

Governance

Committed to the highest standard

Draw on our trusted brand and deep history, to work to uphold best practices, accountability and integrity in all we do.

> To view all Governance commitments and our progress on them to date, see page 11

Planet

Accelerate the low carbon transition

Seek to help our clients navigate the risks and opportunities of a low carbon future and reduce the environmental footprint of our own operations.

> To view all Planet commitments and our progress on them to date, see page 24

People

Champion inclusion and high performance

Create a harmonious, diverse and inclusive workplace culture that enhances wellbeing and supports each of our people to bring their best.

> To view all People commitments and our progress on them to date, see page 38

Communities

Support strong communities

Leverage our services, time and philanthropy to support not-for-profit organisations, give back to communities, and help advance First Nations prosperity.

> To view all Communities commitments and our progress on them to date, see page 47

Governance

Committed to the highest standard

We partner with our clients to support their financial wellbeing, creating relationships spanning over generations. On their behalf, we prioritise providing exceptional products and outstanding service.

Perpetual Group is built on a solid foundation of excellence, integrity, accountability and transparency. We are committed to continually raising governance standards within our industry.

Performance against our commitments

Commitment	Status (Not on track / On track / Achieved)	FY23 progress	More info
Increase ESG skills and capabilities across our business	On track	Training program commenced on climate risk. Launched internal online training module on Aboriginal and Torres Strait Islander Cultures and History.	pages 25 and 35
Uphold our values and always act with integrity	Achieved	Employees are assessed annually on the extent to which they demonstrate key risk and enterprise behaviours. Analysis of those assessments are then discussed with relevant leadership teams, the CEO and the Board. No employees cited workplace culture and values as their reasons to leave in their exit interviews.	page 20
Maintain strong client advocacy with +40 Net Promoter Score	Achieved	+57, an increase from +49 in FY22.	page 22
Maintain compliance and promote strong governance standards in our business, with our clients, investment holdings and other stakeholders	Achieved	The Board considers it complies with all of the ASX's Corporate Governance Principles and Recommendations (4th Edition). Mandatory training was conducted on topics such as personal trading, anti-money laundering and sanctions, and information security and privacy. Our Corporate Trust division conducted a review in FY23 of new regulatory initiatives and updated policies, where appropriate.	pages 17 and 20
Integrate considerations within client and supplier due diligence to ensure alignment with sustainability strategy	On track	All new clients are subject to thorough due diligence checks set out in Part B of our Anti-Money Laundering and Counter-Terrorism Financing program. Corporate Trust completed a review of our current oversight arrangements and the practices of our clients on sustainability-related product disclosure. Supplier due diligence was updated to align with updated Modern Slavery Framework.	pages 17, 20 and 56
Contribute to public policy, thought leadership and multi-stakeholder collaborations around priority sustainability sub-topics	Achieved	Partnered with The Stanford Centre on Philanthropy and Civil Society to run values-based philanthropy and investment workshops for clients. Perpetual Group sponsored the Dhawura Ngilan Business and Investor Initiative and participated in sector collaboration on increasing diversity in asset management, such as Future IM/pact, Diversity Project Pathway and Wall Street Diversity Accelerator. Regnan hosted a roundtable on sustainable agriculture with senior executives and non-executive directors across Australia.	pages 29, 41, 51 and 53
Continue to incorporate consideration of ESG factors into investment analysis, decision making and engagement practices	On track	Consideration of ESG issues is incorporated into investment approaches based on each of our businesses' investment processes for the majority of our asset under management (AUM) except for some asset classes such as derivatives, cash, currency and commodities.	page 23
Ensure robust governance and transparent disclosure of sustainability strategy in FY23	Achieved	Commenced six-monthly sustainability strategy updates to the Board and FY23 operational carbon emissions metrics have been externally assured.	page 8
Include sustainability priorities in Executive remuneration	Achieved	Qualitative overlay on sustainability applied to setting bonuses as part of FY23 Group Scorecard.	page 8

Investing responsibly across our businesses

Each of our asset management businesses has their own investment philosophies and our investment teams exercise independence in determining their investment objectives. Consideration of material ESG issues is integrated into investment analysis, decision-making and ownership practices in the context of each of our businesses' investment approaches and the needs of their clients.

There are consistent beliefs on responsible investing that underpin each of our managers' investment activities, where relevant:

- Material ESG risks and opportunities may impact the long-term performance of our clients' investments.
- Being active stewards of our clients' capital, including in engagements on governance and sustainability issues, can support better investment outcomes.
- Improving sustainability outcomes can have benefits for society and the stakeholders of the companies in which we invest, supporting the resilience of financial returns.

The acquisition by Perpetual Group of Pendal in January 2023, brought together a truly global, multi-boutique asset management business, with a broader set of responsible investment capabilities. A description of our businesses and brand's approaches to responsible investment is described on pages 12–17. For the FY23 Sustainability Report, we have included detailed explanations about each boutique, including how they consider climate in their investment approach (pages 25–27) and how they engage on climate (pages 28–30).

Our memberships, certifications and partnerships

Investor Group on Climate Change

Signatory of: PRI Principles for Responsible Investment

riaa Responsible Investment Association Australasia

Asset Management

BARROW HANLEY GLOBAL INVESTORS

Barrow Hanley believes integration of ESG risk factors aligns with the pursuit of superior risk-adjusted returns for the firm's clients and their beneficiaries.

Barrow Hanley considers ESG factors in its research and valuation analysis and monitors third-party ESG ratings for active management and shareholder engagement, where appropriate, through dialogue and proxy voting with a company's board and management. The firm has developed a proprietary scoring system to assign an ESG Composite Score, built on ESG scores by the firm's analysts, and incorporates third-party ESG scores with a robust ranking methodology.

As an active owner, Barrow Hanley believes there is value in partnering with investee companies to mitigate business risks and unlock shareholder value. This involves meeting with companies to discuss performance and conduct that will have a positive long-term effect on shareholder value, including proxy voting.

> For more information visit:
barrowhanley.com/barrow-hanley-responsible-investing

J O Hambro Capital Management Group

J O Hambro operates a multi-boutique structure, with 13 individual investment teams offering 21 investment strategies, covering global and regional equities. With no house view, fund managers are given full investment autonomy, subject to regulatory and contractual requirements.

The firm's broad purpose is to deliver resilient, sustainable financial long-term returns for clients through active management that seeks to guide them through a world in constant flux, identifying structural trends and managing emerging risks, including those associated with environmental and social issues.

Stewardship and engagement with investment holdings is led by fund managers, with each investment team conducting their own analysis and engaging with the companies they hold or consider holding, according to their specific investment objectives.

J O Hambro have a dedicated Sustainable Investments team to support fund managers. They have developed a proprietary sustainability data, engagement and reporting platform called Affinity used by investment teams to enhance their analysis of the sustainability issues that may influence future returns and to record their consideration of these issues. The Sustainable Investments team also includes a new data science expert that has developed a probabilistic climate modelling tool: the Horizon model, which scores how likely a company is to reach the target that they have set (see page 25).

In 2022, J O Hambro signed a multi-year partnership with the University of Exeter's Global Systems Institute and Business School to develop further understanding on how the latest research on global systems risks related to climate change and sustainability can be integrated into company boardrooms.

› For more information on J O Hambro's approach to sustainability investment see their latest Stewardship Report at johcm.com/uk/about-us/584/stewardshipreport

Perpetual

The Perpetual investment teams believe that ESG risks and opportunities impact the long-term investment performance of their clients' portfolios and that being active stewards of their client's capital can improve the investment outcomes for clients, including in relation to ESG issues.

It is the Perpetual investment teams' policy that investment managers should incorporate ESG issues into investment analysis and decision-making, where relevant and possible to each investment strategy and asset class. ESG issues will be relevant to all fundamental, active investment strategies where these issues are assessed by the Perpetual investment teams to be a factor that may impact the current or future financial performance of an investment.

There are certain investments where ESG considerations are not taken into account when deciding whether to select, retain or sell an investment. They may include derivatives and commodities.

Perpetual investment teams use a variety of tools to assess ESG issues as part of their investment processes, some of which are described to the right.

› For more information visit: perpetual.com.au/asset-management/institutional-investors/responsible-investing

Australian equities

The ESG workbook is used by Perpetual's equity investment managers and analysts and draws on internal and external ESG research to highlight a company's ESG risks and issues, where considered by the investment team to have the potential to impact the current or future financial performance of an investment. The ESG workbook helps to prioritise issues for engagement with investee company management.

Credit and fixed income

An ESG risk scoring process, which includes internal and external research on an issuer's approach to managing ESG issues, allows Perpetual's credit analysts to assess the ESG risks as part of their credit research on each corporate issuer and whether the issuer has any measures in place to address those risks. ESG risk scores are included in each corporate issuer credit profile and assists the portfolio manager to evaluate credit risk.

PENDAL

Pendal's responsible investment philosophy is based on three core beliefs:

1 Attention to ESG issues contributes to better informed investment decisions and can improve the quality and consistency of long-term value creation.

2. As an active manager, investment teams are well positioned to identify a full range of risks faced by the entities in which they invest, including ESG risks and opportunities.

3. The investment teams' actions and decisions can affect practices in the entities in which they invest, such as in the way the company manages its risks, or its impact upon the environment or the community. They have both a fiduciary duty and an interest in responsibly managing this influence.

Pendal Australian Equities

The Pendal Australian Equities team's ESG integration framework is a standalone process that is designed to systematically feed into the overarching investment decision making process to enhance risk-adjusted returns.

In undertaking a company assessment, the team takes the most material ESG factors and considers to what extent ESG information contributes to analysts' views on, for instance, revenue forecasts, execution capability, competitive position, and the likelihood of an ESG issue materialising. The Pendal Australian Equities team's assessment of materiality is informed by industry standards and Pendal analysts' own insights. At the portfolio construction level, the portfolio manager is aware of the ESG issues at play in an analyst's assessment of a company, through a centralised ESG integration database.

The team sets priorities for key ESG themes – such as climate change or diversity, equality and inclusion – that are assessed as being material at a portfolio level or to clients and which holdings have material exposure to those themes. From a bottom-up perspective, analysts also identify ESG issues, typically through their integration frameworks. These insights are brought into engagements for discussions with boards and management teams, where relevant.

Pendal Income and Fixed Interest

The primary consideration for the Pendal Income and Fixed Interest (I&FI) team's approach to ESG integration in fixed income is to maximise risk-adjusted returns. The team views ESG integration as a way of understanding other risks and opportunities outside of traditional credit research and see ESG risks as having the potential to highlight future credit concerns. Different approaches are taken for Pendal's sustainability-labelled income and fixed interest strategies.

The I&FI ESG integration process includes conducting research to understand ESG risks across different issuers, engagement with issuers, pricing ESG risks, and monitoring changes to issuers and broader risks.

> For more information on Pendal's approach to responsible investment, including for other asset classes such as Global Equities, Multi-Asset and Small Caps, see their Responsible Investment Philosophy and Approach document here: pendalgroup.com/about/investment-capabilities/responsible-investing

Regnan

Regnan draws on more than 20 years of experience in sustainable investment, providing research, engagement and advisory services on the role of sustainability and governance issues in support of better financial outcomes. In 2020, they expanded into impact and thematic investment capabilities, established in J O Hambro and Pendal Australia under the Regnan brand (see page 18 for Regnan funds). These teams take a systems-thinking approach to help identify how best to support meaningful change by understanding the trajectory of sustainability challenges and where in the sustainability value-chain the most attractive opportunities can be found.

Regnan conducts research, systems-engagement and advocacy in collaboration with Regnan-branded funds as well as providing sustainability insights to support client needs. The engagement process includes research-based assessments to set change objectives; these objectives can be thematic or at a company level and aim to address risks and opportunities that are company specific and often portfolio-wide, such as climate transition.

Progress is tracked throughout the engagement, often over a number of years, identifying the impact achieved, risks mitigated or opportunities realised.

The Regnan Sustainable Value Assessment (SVA)[1] is a forward looking and bottom-up analysis of environmental and social issues, and how they are governed, undertaken by experienced specialists. Regnan methodologies have been designed to promote comprehensive evaluation of sustainability issues while also providing flexibility to incorporate company specific considerations.

› For more information visit regnan.com

TSW

TSW considers ESG issues throughout the fundamental research process as they relate to risks and valuations. Companies or industries are not excluded from TSW's investable universe based solely on ESG factors. As value investors, TSW's fund managers may find opportunity in companies with addressable ESG issues that may have had a material impact on company valuation. Companies with negatively perceived ESG characteristics, those where management has made a commitment to improve ESG practices, or cases where the market has severely penalised the company and has failed to recognise positive change, may offer potential for attractive returns.

Company disclosures, including on ESG and other risk factors, are analysed during the fundamental review process and factored into the risk and reward outlook of the companies under consideration for investment. Where ESG considerations may be a material risk or a key catalyst, heightened scrutiny is required. In addition, sell-side research on ESG-related issues is also considered alongside proprietary research.

TSW engages regularly with the management teams to suggest and highlight areas of concern or improvement, including on ESG topics, if the investment team believes there is increased risk or potential positive change offering an opportunity for value creation for shareholders.

1. Regnan's Sustainability Value Assessment is undertaken for all Regnan Sustainable Water and Waste Fund holdings and on-request for the Regnan Global Equity Impact Solutions Fund holdings.

TRILLIUM ASSET MANAGEMENT®

Trillium, headquartered in Boston, Massachusetts, has been focused solely on sustainable and responsible investing since 1982. It is the firm's belief that a company's commitment to implementing ESG principles is instrumental in creating distinct competitive advantage and building long-term value.

Trillium's investment process integrates in-depth ESG research and analysis with fundamental financial due diligence to help identify the companies best positioned to deliver risk-adjusted, long-term outperformance.

It is fundamental to Trillium's mission and fiduciary responsibility to engage with the companies held on behalf of its clients to press for positive change on any material ESG concern or opportunity that Trillium believes will help protect or enhance shareholder value. The stages in Trillium's process are set out in the graphic below.

> For more information visit trilliuminvest.com

Target strategic leaders

Identify through fundamental bottom-up selection.

- Innovators with competitive advantages
- Attractive, dynamic end markets
- Long-term strategy aligned with stakeholders

Evaluate financial integrity

Measure management and board quality by analysing execution history and financial statement reporting.

- Growth-focused, strong fundamentals
- Reasonable valuations
- Cashflow and balance sheet strength

Assess ESG integrity

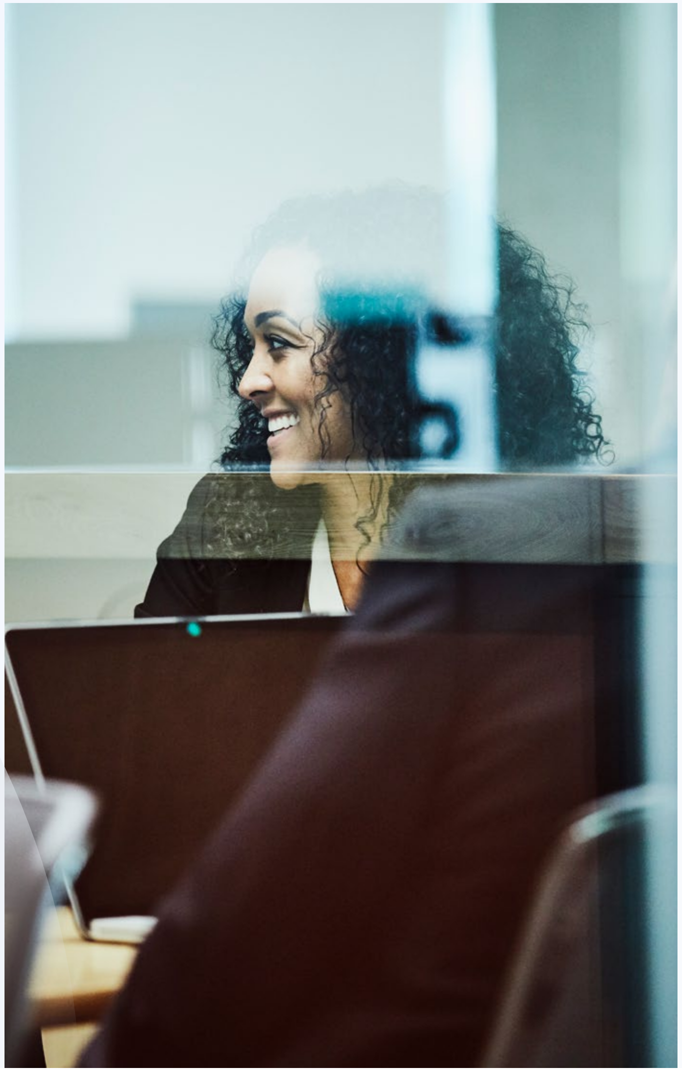
Analyse ESG risks and opportunities informed by proprietary data and insights.

- Industry-specific and materiality-based benchmark review
- External and independent information sources
- In-depth peer and competitive analysis

Advocacy

Conduct issue area and company specific analysis to engage with companies to promote positive ESG changes.

- Active ownership and mission
- Strive to improve returns and ESG performance
- Depth and breadth of team and initiatives



Wealth Management

Our Wealth Management division defines responsible investment as a holistic strategy that incorporates consideration of ESG issues in investment decisions.

The Wealth Management investment team believes that the investment management industry can help promote more sustainable economic growth by investing in businesses and assets that consider social and environmental impacts as part of delivering value to investors. This should translate into more attractive risk-adjusted returns.

Where the Wealth Management investment team manages direct assets on behalf of clients, such as Australian Equities, ESG considerations are intrinsic to the way in which securities are selected. Investment teams consider a range of ESG issues, but the degree to which ESG issues influence varies across strategies. For the Responsible Investment Direct Equities strategy, an ESG screening framework dictates the universe of investable options. For other strategies, ESG issues are considered alongside, and do not necessarily override, other factors as part of assessing expected financial outcomes for an individual investment.

As a multi-manager, a significant portion of the Wealth Management team's investments are managed on behalf of clients by external investment managers. The team's manager selection process incorporates ESG considerations as part of the due diligence and monitoring of all investment managers.

› For more information on the Wealth Management division's approach to responsible investment, see the responsible investment policy here: perpetual.com.au/PPResponsibleInvestmentPolicy

Corporate Trust

Since its foundation in 1886, Perpetual Group has promoted high standards of governance with clients and other stakeholders. As a leading provider of fiduciary services across Australia and Singapore, for our Corporate Trust division, strong governance is central to how the business is managed and how the interests of clients and beneficiaries are protected.

In the last year, Australia's financial services and consumer credit regulator, the Australian Securities and Investments Commission (ASIC), has overseen the implementation of several important regulatory initiatives focused on consumer protection such as design and distribution obligations, greenwashing protection, complaints handling and breach reporting. Similarly, the Monetary Authority of Singapore (MAS) in Singapore has also introduced new regulations and guidelines relating to sustainable finance, greenwashing, business continuity and countering financing of terrorism controls. It is the role of the Corporate Trust division in the jurisdictions where they operate to ensure trusts comply with relevant laws and regulations, and they closely monitor the regulator's interpretation of those laws.

In response to guidance issued by ASIC in June 2022 relating to avoiding greenwashing when offering or promoting sustainability-related products, the Corporate Trust division completed a review of their current oversight arrangements and the practices of their clients on sustainability-related product disclosure. The Australian business refreshed their advertising and marketing guidelines to ensure policies reflect required practices relating to the new ASIC regulatory initiatives, as described above. The team also shared a series of recommendations with clients on good practice of disclosure on sustainability-labelled investments, supported by training videos, webinars and guides.

In Singapore, the team has reviewed the MAS regulation relating to greenwashing with clients, including an annual discussion to address their obligations on the topic. They updated in-house compliance manuals on business continuity management guidelines and countering the financing of terrorism controls.

Offering sustainability-orientated products

As well as considering ESG issues as part of our investment processes, our asset management boutiques also offer sustainability-orientated funds to clients, ranging from those with norms-based and ESG screens to those with a sustainable thematic or impact focus. These products provide solutions that meet the needs of clients interested in investing in a manner consistent with their sustainability preferences, or who want to use ESG information to impact investment performance.

As of 30 June 2023, $17.8 billion of our assets under management were in funds with an ESG, sustainability or impact label in their product name or where sustainability is mentioned in the investment objective of the fund or is a stated client intent in the schedule of an Investment Management Account.

The acquisition of Pendal has added a broader range of sustainability-focused capabilities, including thematic and impact-focused strategies, to the funds we are able to offer our clients.

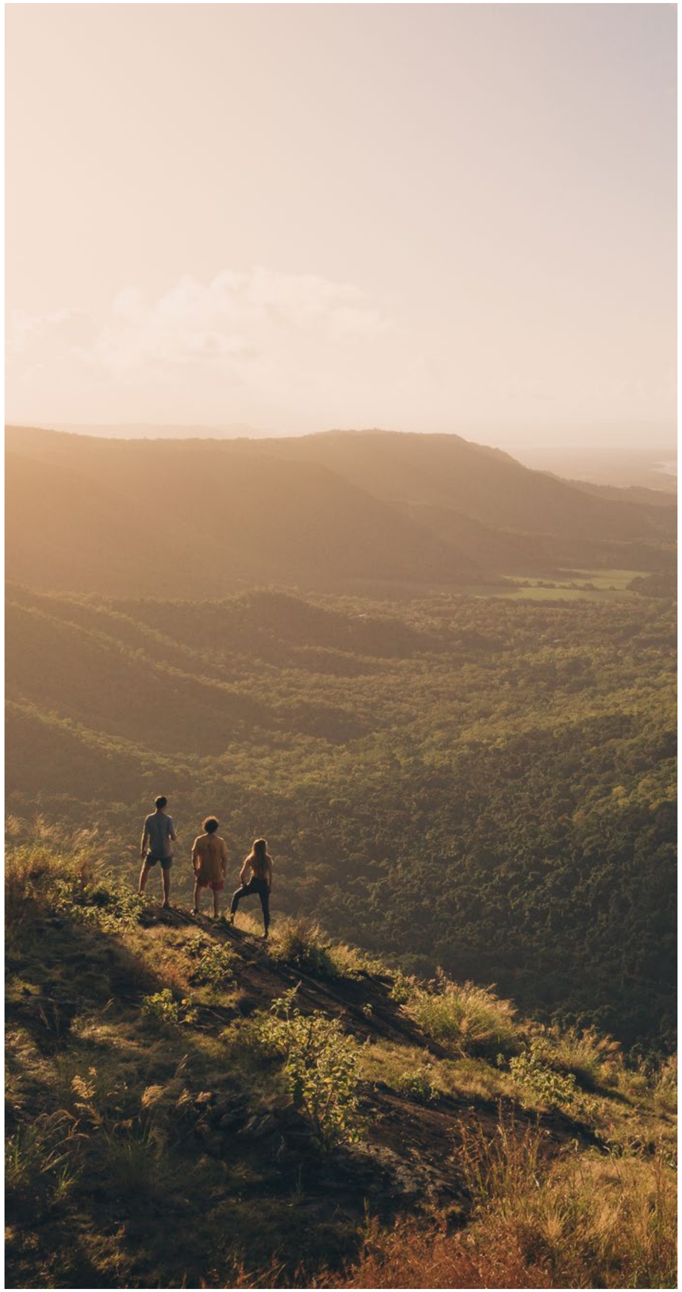
The Pendal Australia Sustainable Series funds consists of 11 actively managed sustainability-focused funds. These include:

- The Pendal Horizon Sustainable Australian Share Fund, a concentrated, high-conviction strategy positioned to benefit from the transition to a more sustainable Australian economy.
- The Pendal Sustainable Australian Share Fund, an actively managed portfolio of Australian shares tilted towards companies and industries that demonstrate leading sustainability characteristics as determined under the fund's sustainability assessment framework.
- The Pendal Sustainable Australian Fixed Interest Fund, an actively managed portfolio of Australian cash and fixed interest securities that aims to meet its investment objectives by investing in government bond and credit securities that pass the fund's sustainable and ethical screens. The fund also seeks investments in securities that, in addition to meeting our financial risk and return requirements, also aim to generate positive social or environmental outcomes.

We now also offer the Regnan-branded sustainability themed and impact-focused funds, which leverage the Regnan team's sustainable systems thinking approach, based on experience over 20 years in providing research, engagement and advisory services on sustainability and corporate governance issues. The current Regnan-branded funds are set out in the table below and new strategies will be available in FY24.

Table 1: Regnan-branded funds

Regnan Global Equity Impact Solutions Fund	Regnan Sustainable Water and Waste Fund	Regnan Credit Impact Trust
The Regnan Global Equity Impact Solutions Fund aims to outperform the broad global equity market over rolling 5-year periods by investing in companies that have a positive impact on people and the planet. The fund uses the SDGs as a lens to identify companies where having a positive impact is core to the investment's financial performance.	The Regnan Sustainable Water and Waste Fund's aim is to generate capital growth over rolling 5-year periods and to pursue a sustainable objective by investing in companies which provide solutions to global water and/or waste-related challenges.	The Regnan Credit Impact Trust is a defensive credit strategy that invests in green, social and sustainable bonds that aims to generate a return; and positive and measurable social or environmental outcomes in Australia and around the world.
Managed by J O Hambro	**Managed by J O Hambro**	**Managed by Pendal Australia**
The fund is available to clients in Australia, UK, US, EU and other selective countries.	The fund is available to clients in Australia, UK, EU and other selective countries.	The Trust is only available to clients in Australia.



J O Hambro has additional strategies that are not specifically labelled as sustainable funds, but do have environmental and social screens to meet the binding criteria for Article 8 funds in the EU.

These new capabilities build on the existing suite of sustainability or ESG-labelled strategies across Perpetual Group. Funds in our Perpetual Asset Management boutique include the Perpetual ESG Australian Share Fund and the Perpetual ESG Credit Income Fund, which will not invest in companies and issuers that derive 5% or more of their revenue[1] from a range of values-based criteria, including fossil fuel exploration and extraction or the manufacture or sale of alcohol or tobacco.[2]

Trillium has 11 equity and fixed income US, global, and ex-US international ESG investment strategies also available in Australia and Europe. These include the Trillium ESG Global Equity Fund, designed to address the risks and opportunities created by the increasing constraints on natural capital; and the Trillium Sustainability Opportunities Fund, a high-conviction, higher-tracking error sustainability-themed strategy that invests in companies supporting the transition to a more sustainable economy.

Barrow Hanley's suite of ESG-labelled strategies consists of the Barrow Hanley Concentrated Emerging Markets ESG Fund, a concentrated emerging markets ESG equity strategy; the Barrow Hanley Global Value Equity ESG Fund, a global ESG equity strategy, composed of fundamentally researched ideas; and the Barrow Hanley US ESG Value Opportunities Fund, a fully integrated, active value approach utilising engagement to mitigate risk, improve the company's balance sheet, and optimise shareholder value.

We launched two UCITS[3] sub-funds funds in Europe – the Trillium ESG Global Equity Fund and the Barrow Hanley US ESG Value Opportunities Fund – which were classified as Article 8 funds under SFDR regulations.[4]

1. Generally calculated using the total gross amount of income generated by the sale of good or services from normal business operations.
2. For involvement in the production of tobacco, manufacture of nicotine alternatives and tobacco-based products and the development, production and maintenance of controversial weapons, a 0% revenue threshold is applied.
3. Undertakings for the Collective Investments in Transferable Securities
4. Article 8 funds are defined as those that promote environmental or social characteristics, or a combination of both, provided that the companies in which the investments are made follow good governance practices.

Upholding high governance standards in our business

The Perpetual Group Board is committed to upholding high standards of corporate governance in our business by ensuring we have the right systems, procedures and practices in place.

The success of Perpetual Group and delivering on our strategy relies on this commitment. The Board considers it complies with all of the ASX's Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Edition).

› For more information on our compliance with the ASX Recommendations see: perpetual.com.au/corporate-governance-and-policies

Perpetual Group is committed to managing its key risks through robust corporate governance and by seeking to make effective risk management part of decision-making and business practices. This commitment is reflected in our Risk Management Framework (RMF), which in August 2023 was updated to support risk behaviour alignment to our refreshed enterprise behaviours, our sustainability strategy and to integrate the newly acquired Pendal entities globally.

During the year, mandatory training was conducted on topics such as continuous disclosure and personal trading, anti-money laundering and sanctions, and information security and privacy. All new clients are subject to thorough due diligence checks set out in our Anti-Money Laundering and Counter-Terrorism Financing program, which includes the minimum customer identification procedures to confirm each customer's existence, and that they are who they claim to be.

We seek to promote a culture that creates an environment of risk awareness, ownership and responsiveness.

We have several indicators we use to measure our risk management behaviour:

- Employees are assessed annually on the extent to which they demonstrate key risk and enterprise behaviours. Analysis of those assessments are then discussed with relevant leadership teams, the CEO and the Board.
- Risk and compliance reviews of financial adviser client files had a pass rate of 98% indicating high quality advice results.
- No employees who left the business cited workplace culture and values as their reasons to leave in their exit interviews.

Creating opportunities for open and transparent feedback from our clients and other stakeholders is important to our business. We ensure our employees, clients or people who we have a business relationship with have easy and accessible options to contact our business with any concerns they may have. Perpetual Group has a public complaints procedure that can be viewed on our website in multiple languages here: perpetual.com.au/privacy-policy/making-a-complaint.

Our Whistleblowing Policy is designed to encourage, support and protect individuals who report actual or suspected misconduct. Misconduct includes a breach of law, conduct inconsistent with our Code of Conduct, fraud, bribery, corrupt practices or unethical behaviour, human rights concerns and any behaviour which is detrimental to the interests of Perpetual Group or its clients. To encourage reporting of any concerns about suspected misconduct, Perpetual Group has an independent reporting service, with all whistleblower concerns received investigated by our Whistleblower Protection Officers, Perpetual Group's CRSO, Chief Financial Officer and external provider, PKF Integrity Services.

98% Risk and compliance reviews of financial adviser client files had a pass rate of 98% indicating high quality advice results.

The threat and sophistication of cyber-attacks continues to increase for companies and other organisations as the world becomes more digitally connected.

In June 2023, we experienced an extended outage as a result of an IT security incident at a registry system provided by a third-party service provider to some of Perpetual's funds. The third-party provides unit registry and administration services to Perpetual's Asset Management and Wealth Management divisions' investment funds, WealthFocus and Select products.

There was no impact to Perpetual's listed products, institutional mandates, Pendal, Perpetual Corporate Trust, Perpetual Wrap clients or any of our international asset management businesses. Importantly, there was no impact to any Perpetual client investments, or our Perpetual's own systems, which remained and continue to remain safe and secure.

The outage caused delays in client payments and transactions and also impacted access to our online services portal, myPerpetual for an extended period of time. All client payments have been made.

Our assessment identified that sensitive client data remains secure and encrypted. A limited amount of personal information was compromised. Notwithstanding that there was no notifiable data breach, given the ongoing and increasing threat of cyber security events, we proactively informed our clients of this issue. We apologise to our clients for any inconvenience or concern that may have been caused.

As highlighted in the Annual Report, the Board has taken steps to strengthen its oversight of the Perpetual Group's Technology and Cyber Risk through the creation of a new sub-Committee, the Technology and Cyber Committee, to be chaired by Mona Aboelnaga Kanaan with two other non-executive Directors.

- For our dedicated webpage developed to support our clients see: perpetual.com.au/privacy-policy/security/third-party-it-security-update

Striving for excellence in client experience

We strive to maintain a high standard of service for our clients.

We measure client satisfaction through a Net Promoter Score (NPS). This is a measure of advocacy, or the extent to which our clients are willing to recommend us to friends, colleagues and peers.

In FY23, we recorded a score of +57, up from +49 the previous year. This is our highest score to date, however, the NPS surveys for most client segments were undertaken from the last week of April until the closing date of 22 May 2023. This was prior to the IT security incident described on the previous page, which impacted services to clients due to an extended outage of myPerpetual. This may have impacted the score had it been conducted after this event.

This is the first year our Asset Management Americas business has been included in the Perpetual Group NPS. The Pendal businesses will be included in the Perpetual NPS score in FY24.

Putting our clients first

We appreciate that trust is earned when we do the right thing by our clients.

Effective management of complaints demonstrates our commitment to addressing concerns and improving our relationships with our clients. Our Client Advocacy team are responsible for assisting clients to achieve a responsive, timely and fair resolution to complaints they raise about our Australian businesses and for analysis and reporting on complaints received across the Group. The Head of Client Advocacy reports directly to the CRSO.

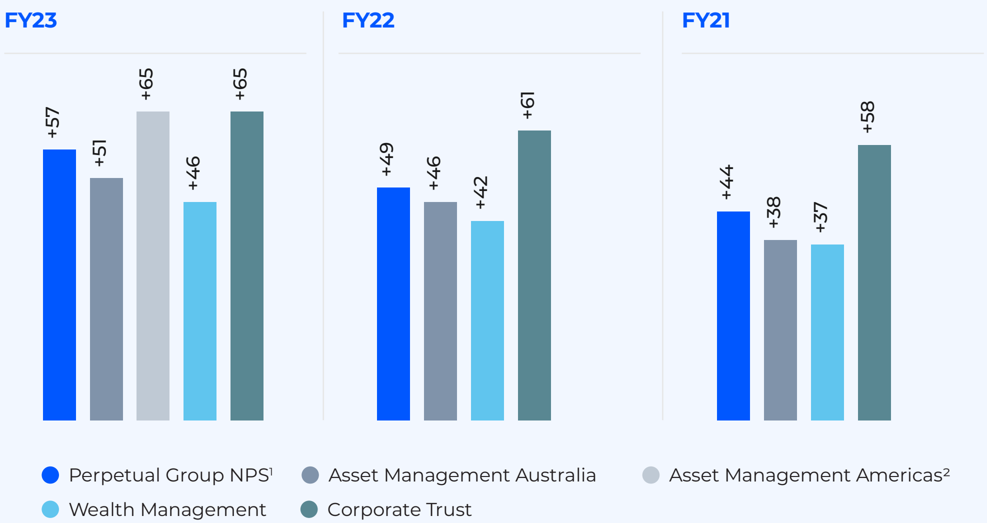
During FY23, we received 2,813 complaints across the Group. This is higher than the 1,024 complaints we reported in FY22. The increase in reported volumes principally reflects the impact of the extended outage as a result of the IT security incident that occurred in early June 2023 at a registry system provided by a third-party service provider to some of Perpetual's funds, with 1,051 of the complaints received during FY23 raised with us during the month of June 2023.

For complaints that required an investigation, the median length of time to close a complaint was 31 days. The Perpetual Group service commitment to clients is set out in our client charter.

To make our complaints handling processes as accessible as possible, our complaints handling policy is now available in 10 community languages, as well as in Easy English, large print and audio formats.

› For more information about our approach to client advocacy, see perpetual.com.au/about/service-commitment

Chart 1 – Net Promoter Score (NPS)



+57
FY23 Net Promoter Score up from

+49
in FY22

1. The Pendal Australia, J O Hambro and TSW businesses were not included in our overall Perpetual NPS.
2. FY23 is the first year our Asset Management Americas business has been included in the Perpetual Group NPS.

Planet

Accelerating the low carbon transition

We believe it is important to support our clients to navigate the shifting risks and opportunities of the low carbon transition.

Considering climate risks, where appropriate, is an important part of our investment research and analysis.[1] We offer sustainable and ESG-focused investment solutions and actively engage with our investment holdings to support their role in the energy transition, when suitable to do so.

We will seek to reduce the environmental impact of our operations while improving our disclosure on climate. We will continue to evolve and look for opportunities to play an increasing role in the decarbonisation of the global economy.

1. There are certain asset classes in our Asset Management and Wealth Management businesses where we do not consider climate risk, such as derivatives, cash, currency and commodities.

Performance against our commitments

Commitment	Status	FY23 progress	More info
Grow our products and services that support a low carbon future	Achieved	Over $1 billion in net flows in FY23 to funds defined as supporting a low carbon future.[1]	page 30
Carbon neutral operations by FY23	On track	Carbon reduction programs in place, including renewable power purchases, and on track to purchase carbon offsets for remaining operational emissions in FY23.	page 31
100% renewably powered operations by FY25	On track	Purchased renewable power for our Australian offices.	page 31
Reduce energy intensity per full time equivalent (FTE) employee by one third in Australian operated offices by FY30 (FY21 baseline)	On track	Energy usage per FTE of our Australian offices in FY23 was 1.297 MWh per FTE.[2] We anticipate through office consolidation and energy efficiency measures, we will be able to meet our target.	page 31
Require Greenstar or NABERS 5 star minimum for all future lease transactions in Australia	Not on track	Received 5-star NABERS energy rating for our tenancy at our Rialto Melbourne office, but renewed two leases which do not meet Greenstar or NABERS 5-star minimum due to the specific requirements of one office, and to extend another lease while we search for a new premises.	page 32
Measure baseline for waste to landfill to set waste reduction target in our operations by FY23	Achieved	Set target to reduce waste to landfill by 10% by FY26 in Australian offices.[3]	page 34
Reduce paper purchased for printing in Australian offices by 50% by FY25[4] (FY21 baseline)	Not on track	With more people coming back to the office, paper purchases increased to 9 tonnes in FY23, from 6 tonnes the previous year. We will seek to address this through internal communication campaigns and a reduction in the number of printers.	page 34
Align our Group reporting to the Taskforce on Climate-related Financial Disclosures (TCFD)	On track	Additional disclosure relating to TCFD recommendations. We will revise our metrics and reporting based on the ISSB standards once they are implemented by the Australian government	pages 35–36
Measure and disclose carbon risk and emissions indicators associated with key large cap equity portfolios	Achieved	Disclosed carbon emissions metrics associated for Group-wide equity investments.	page 36
Climate change considered, where appropriate, as part of investment approaches	On track	Approaches to climate disclosed.	pages 25–27

1. Our definition of funds that support a low carbon future includes Trillium's larger cap-equity strategies, which are subject to an interim target for 75% of the holdings to commit to set science-based targets for reducing their GHG emissions, as approved by the Science Based Targets Initiative, by the end of 2030.
2. The energy usage per FTE KPI divides total energy usage in our Australian office in FY23 by total FTE employees in Australia as at 30 June 2023. Based on this methodology, consistent with prior year reporting, it means including energy usage for six months for the new Pendal businesses in the numerator for the calculation, while all Australian Pendal FTE employees as at 30 June 2023 are included in the denominator. This means the intensity figure is lower than if there was a full year of Pendal energy usage.
3. E-waste and waste from office refurbishments have been excluded from target due to current data unavailability and due to those waste streams being linked to project-based activities.
4. The measurement for this target is consistent with prior year reporting, however, we have updated the description to paper purchased for printing to reflect the metric more accurately.

Considering climate as part of our investment processes

As a diversified multi-boutique and global business, each of our asset managers have their own investment philosophies and approaches to managing climate risks and opportunities for our clients.

Our investment teams exercise independence in determining their investment strategies. As active managers, they do this through integrating climate risk considerations within investment processes, where appropriate, and through active engagement with the boards and management teams of the companies they hold, when suitable to do so.

Pages 25 to 27 describe the approach each of our asset management boutiques and brands take when considering climate as part of investment approaches.

Asset Management

Barrow Hanley Global Investors

As a long-term investor, the Barrow Hanley team looks for opportunities to engage in constructive dialogue with companies to improve ESG performance, including on climate-related issues. Barrow Hanley believes setting a science-based target can be an important measure of the commitment a company is making to demonstrate progress toward a low carbon future.

The proprietary Barrow Hanley Composite ESG Score is a key element of their investment process, using a weighted average of the scores from the firm's analysts, third-party ESG research and external reporting frameworks. Data on climate risks and carbon emissions informs the firm's climate pathway analysis and reporting to clients.

The energy team at Barrow Hanley apply a discount rate of 2%, which equates to a shadow carbon price of US$50 to US$75 (A$75[1] to A$113[1]), when valuing energy and utilities holdings as those sectors will be more exposed to future regulation that leads to a higher carbon price.

J O Hambro Capital Management Group

At J O Hambro, fund manager independence is at the core of the firm's culture. While climate change and the need to transition to a low carbon economy are considered in all funds, how evidence is framed, analysed and interpreted differs from one fund to another, according to their investment objective.

Tools and partnerships have, however, been developed to assist across J O Hambro's funds, including the probabilistic emissions projection model, Horizon. The Horizon model projects a company's emissions, after their carbon reduction pledges are accounted for, and evaluates the likelihood of reaching the target that they have set. These projections also incorporate other factors such as government regulations, industry initiatives and consumer and investor pressure. This is available to all fund managers to provide them with visibility over the carbon trajectory of their portfolios and individual stocks. This innovative model will be made available to other asset management firms in Perpetual Group over the course of the coming year.

J O Hambro also has a multi-year partnership with the University of Exeter's Global Systems Institute and Business School, providing the latest research on global systems risks related to climate change and sustainability.

1 A conversion rate of AUD:USD – 0.663 at 30 June 2023 has been used.

Perpetual

The Perpetual Australian Equities team has developed a proprietary net zero scoring framework to assess climate-related risks and opportunities for listed companies. At a portfolio level, portfolio carbon reporting is provided to portfolio managers, and portfolio stress testing is conducted to estimate the earnings impact of different carbon price scenarios. In FY23, the team expanded the framework to cover all stocks in their investment universe as well as ASX 300 stocks. The framework now includes smaller, micro and offshore stocks within their investment universe. There is now the option to compare companies more easily and to access additional independent data sources and external ratings.

The average exposure to high carbon emissions intensive sectors of 5.1% across Perpetual's Australian diversified equity strategies is less than the exposure for the S&P/ASX 300 index of 6.8%. This number has increased from 3.9% in FY22.

PENDAL

ESG risk management, including assessment of climate-related risks, is undertaken within each investment team at Pendal. Investment teams actively consider climate-related risks and acknowledge that the escalating nature of climate change is shortening the time horizons over which many of these risks are becoming financially material. Where climate-related factors may have an impact on the financial or non-financial performance of the company, it is factored into the investment decision making.

Pendal has a proprietary climate tool, developed in partnership with Regnan. This tool aids Pendal investment teams to compare and evaluate the emissions, carbon budgets and physical risks of investment holdings. It also highlights indicators of how companies are managing climate issues, such as if a company has an emissions reduction target or if there is management oversight of climate risks. A set of scores across key climate-related areas can then be used to identify companies with higher exposure, which warrant further investigation.

Regnan

Company-level consideration of climate risks within the Regnan Sustainable Value Assessment framework (see page 15) focuses on a company's exposure to transition and physical impacts of climate change, and their response to that exposure. Factors taken into consideration include emissions profile, exposure to carbon regulatory schemes, strategic recognition of transition risks and opportunities, actions taken to mitigate transition risk and pursue transition opportunities, and monitoring of the evolution of transition exposures over time.

Regnan can now also incorporate the output from the Horizon climate model in the Sustainable Value Assessment (SVA). For more information on the Horizon model see the J O Hambro section on page 25.

Wealth Management

T | S | W

At TSW, climate risks, like other environmental and governance risks, are considered in the context of materiality and whether such risks are appropriately captured in valuation.

Similarly, as a bottom-up fundamental manager with a value discipline, the investment team often look for catalysts to help re-rate the stock where the market has not appropriately priced in such positive potential changes. If a company is engaging in business practices that are improving the climate, this could be a catalyst to unlock value and would be a consideration in the research mosaic. This would also incorporate a variety of other factors in-line with TSW's consistently applied process and investment philosophy. Materiality of such risks and catalysts are therefore analysed where appropriate and relevant, and framed from the perspective of risk and reward.

TRILLIUM ASSET MANAGEMENT®

Trillium seeks to manage client's assets in a way that mitigates climate change and accelerates the just transition, a key principle to ensure that the transition towards a climate-neutral economy happens in a fair way. The firm was also an early signatory of the Net Zero Asset Managers Initiative.

Trillium's interim target is for 75% of the holdings of Trillium-advised larger cap-equity strategies to commit to set science-based targets for reducing their GHG emissions, as approved by the Science Based Targets Initiative, by the end of 2030. As at 30 June 2023, 70% of Trillium's investments in larger cap equity strategies had committed to setting a science-based target. This is up from 15% on 31 December 2019, which is the baseline for the target.

Trillium's investment process considers climate issues to be material across all economic sectors and incorporates analysis of these issues in the firm's broadly diversified investment products. Climate risk assessment is integrated into the firm's investment process at three different levels: security-specific analysis, portfolio construction considerations, and shareholder advocacy.

70%
of Trillium's investments in larger cap equity strategies had committed to setting a science-based target as at 30 June 2023

Where the Wealth Management investment team hold direct assets, such as Australian Equities, ESG considerations, including factors such as climate change, green energy transition and natural resource scarcity, are considered as both an opportunity and risk when securities are selected.

As a multi-manager, a significant portion of the Wealth Management division's investments are managed on behalf of clients by external investment managers. The division's manager selection process incorporates ESG considerations as part of the due diligence of all investment managers. This analysis considers factors including processes, alignment, engagement and voting, net zero, thematic and impact objectives, and screening, for example.

The Wealth Management investment team has also been working to enhance reporting for its clients and has appointed a new platform provider to help provide this reporting across the multi-manager and direct equity portfolios. This reporting will be made available in FY24.

Engaging on climate

We believe being active stewards of our clients' capital can support better investment outcomes, including on climate-related issues.

If we can influence the companies we invest in to improve how they manage their impact on the environment, as part of their approach to deliver sustainable financial returns to shareholders, this can support a broader benefit for society and the planet. On pages 28 to 30, there are some examples of engagements conducted by our teams during the year.

Case study

Barrow Hanley partnering with investees on climate to enhance shareholder value

Barrow Hanley's research, where appropriate, considers environmental issues such as climate change risk, GHG emissions, and biodiversity to inform discussion with holding companies where those issues are considered to have potential impact on valuation.

As an example of this engagement, in FY23, Barrow Hanley initiated a discussion with Bridgestone Corporation (Bridgestone) to assess the company's targets and annual KPIs. In addition to their long-term 2030 and 2050 sustainability goals, the company is now setting yearly targets on the way to their 2030 goals. Bridgestone admits weaknesses in their diversity and inclusion (D&I) initiatives but notes new talent investment targets will be coming soon. The company is also currently making significant factory investments to become greener and improve productivity. Barrow Hanley will maintain an ongoing engagement to track the progress of their yearly targets and D&I initiatives.

Case study

Trillium advocates for science-based emissions reduction targets

As more and more companies publicly declare their net zero by 2050 targets, Trillium is aware that while these statements are important signals to the public and policymakers, companies need to have concrete, substantive plans in place to achieve the emissions reductions needed to avert climate change.

Trillium is asking several portfolio companies to set short-term and long-term emissions reduction targets that are verified by a third-party to be in line with no more than 1.5 degrees of warming. During FY23, Trillium filed shareholder proposals at United Parcel Service, Quanta Services and Electronic Arts to set these science-based emissions reduction targets. At United Parcel Service, the shareholder proposal received just over 20% of the vote at the company annual general meeting. Trillium withdrew the proposals at Quanta Services and Electronic Arts following positive dialogue with both companies on setting future emissions reduction targets.

Trillium also withdrew a climate change-focused shareholder proposal at SBA Communications given its commitment to submit GHG emissions reduction targets to the Science Based Targets Initiative (SBTi). Following this, in November 2022, the company submitted a letter of commitment to SBTi and will submit targets for verification by November 2024.

In addition, Trillium has initiated a set of climate engagements with non-US companies that are held in Trillium's global investment strategies, initially sending letters to companies asking them to set short-term and long-term GHG emissions reduction targets. These companies include EssilorLuxottica, Bank Rakyat, ICON plc, MJ Gleeson, KBC Group, and DNB Bank. Following early 2023 meetings with Belgium-based KBC, the company announced its commitment to the SBTi in April 2023.

› For further information, see Trillium's latest shareholder advocacy report at: trilliuminvest.com/esg/advocacy-policy

Case study

Regnan collaborating on climate disclosure and food waste

As a member of Responsible Investment Association Australasia's (RIAA) policy and advocacy technical advisory group, Regnan participated in a Treasury consultation on climate disclosures, emphasising that climate risk exposure should be considered in conjunction with company size. The Regnan team argued that such requirements should not increase burdens on listed companies relative to unlisted peers. The need for capacity building and the potential role for government was also emphasised in RIAA's formal submission, available here.

During FY23, Regnan held its fourth Sustainable Food System Roundtable bringing together senior leaders from across the food and agricultural value chain. The session focused on food waste and featured presentations from Dr Liz Goodwin from the World Resources Institute and Dr Steven Lapidge of Fight Food Waste Limited. The session, with ASX-listed companies in attendance, explored the scale and origin of food waste across the value chain; the negative contribution of food waste to climate change and biodiversity loss; and the tools and resources to help companies improve their performance.

With 24% of the world's calories going to waste and 8% of annual global GHG emissions relating to food loss and waste, it is a critical agenda for the corporate and policy communities.

Case study

Pendal engaging credit issuers on the climate transition

As an active investment manager, Pendal plays an important role engaging with bond issuers. Many of our Income and Fixed Interest (I&FI) team's engagements are with unlisted entities. This expands the reach of the team's stewardship activities, and this asset class is particularly important for the climate transition since many infrastructure and utility companies are privately owned.

Early in 2023, Pendal's I&FI team engaged with a gas distribution network, asking for a firmer commitment within the business for a public climate transition plan. Because the I&FI team does not anticipate this will be prioritised, it was concluded that the business is at risk of being a stranded asset in a net zero economy so would require greater recognition and disclosure of their transition risks before investing in this issuer.

In the growing market for impact and sustainability securities, such as social bonds, green bonds and sustainability bonds, Pendal advocates for enhanced quality of issuance supported by timely, outcome-focused reporting. This provides investors with greater assurance of environmental and social outcomes. In the first quarter of 2023, Pendal's I&FI team engaged with a transmission network to clarify whether a new green bond was funding new projects, following which the I&FI team decided it would not be considered a high impact investment. Discussions also took place with a bank to include embodied carbon in their reporting on carbon emissions for new buildings.

Case study

J O Hambro encouraging a more robust approach to sustainability and climate

Awareness of the need for climate action linked to the transformation of business models is in sharp focus for a number of investment teams at J O Hambro, including for their engagement with companies. Between January 2023 and June 2023, approximately 30% of engagements conducted by J O Hambro's investment teams were related to climate change.

One example of an ongoing engagement is with UK-listed global specialty chemicals company, Elementis. Since 2020, J O Hambro has worked alongside Elementis to encourage the company to improve its sustainability performance. Following a reduction in Elementis' MSCI rating, J O Hambro advised Elementis to announce a set of 2030 targets to reduce waste, water use and GHGs and increase energy efficiency to improve the MSCI rating. The Elementis team also appointed a Head of Sustainability.

Despite these efforts, the company still lagged in its ambitions to reduce GHG emissions sufficiently, particularly given that its high emissions could leave the company exposed to higher transition risk.

J O Hambro suggested that Elementis undertake Scope 3 mapping exercises, complete the integration of Scope 3 into reduction targets, commit to a science-based target and improve their sustainability governance structures.

In November 2022, Elementis completed the sale of its Chromium business, which represented approximately 69% of operational GHG emissions. Not only did the sale materially reduce financial risk by de-leveraging the balance sheet, but it has reduced the company's climate transition risk moving forward. The Group has also disclosed granular Scope 3 value chain emissions in its FY22 Annual Report, as well as committing to a science-based target in 2023.

Elementis published its first Net Zero Transition plan and has set out a more robust sustainability strategy focusing on three pillars, with protecting the environment as a priority. There has been strong progress made at Elementis over a three-year period on environmental issues and J O Hambro will continue to monitor the delivery of these initiatives moving forward.

Growing our products and services that support a low carbon future

Perpetual Group has committed to grow our products and services that support a low carbon future.

We measure this by growth of new funds, in terms of net flows, rather than new product launches or change in assets under management, which is impacted by market movements.

In FY23, funds that we define as supporting a low carbon future attracted over $1 billion in net inflows in our Asset Management business, in line with our commitment to grow this part of our business.[1]

Climate change impacts are becoming more evident, and regulation, customer preferences and other climate-related risks and opportunities are more material to investment performance. Climate are considered and managed on behalf of clients across our asset management boutiques, where appropriate and material to investment performance, and not just in the funds identified as supporting a low carbon future. Perpetual Group has other sustainability-orientated investment strategies with low carbon characteristics, including those with fossil fuel screens, which are not included in the definition of funds that support a low carbon future.

1. Our definition of funds that support a low carbon future includes Trillium's larger cap-equity strategies, which are subject to an interim target for 75% of the holdings to commit to set science-based targets for reducing their GHG emissions, as approved by the Science Based Targets Initiative, by the end of 2030. We are also exploring strategies with a climate transition focus in FY24, which would add to our funds in this category.

Reducing our operational footprint

To reduce our operational carbon footprint, we have initially focused on the energy used to power our offices. This will mean becoming more efficient and procuring renewable power for the energy we use.

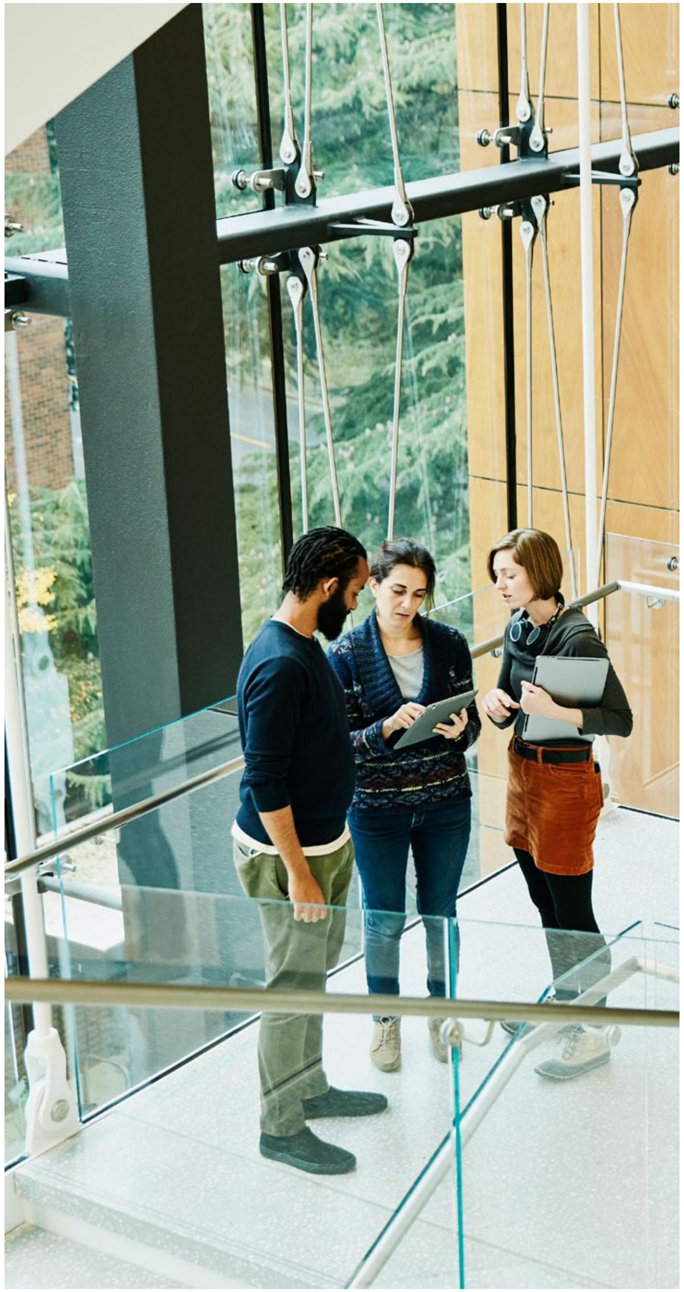
We have targets to reduce our energy use per FTE in our Australian offices by one third by FY30 and to procure 100% of power from renewable sources globally by FY25. While we find ways to reduce the remaining emissions, we will be purchasing offsets to become carbon neutral in our global operations for the FY23 reporting period. We will also be seeking Climate Active certification for our Australian operations with FY23 as our baseline year.

During FY23, our Scope 1 and Scope 2 carbon emissions were 285 tonnes CO_2e[1], which is a decrease from 1,286 tonnes CO_2e[2] during the prior year. The reduction is due to the purchase of GreenPower for our electricity usage in our Australian offices.[3]

We are also seeking to improve the energy efficiency of our offices. The energy usage per FTE of our Australian offices in FY23 was 1.297 MWh per FTE,[4] which was a slight reduction from 1.312 MWh per FTE in FY22.[5] There is only a half year of energy usage for Pendal Australian offices included in the metric, which was within our reporting boundary after the acquisition of Pendal. The energy intensity would be higher if a full year was included.

A key opportunity for increasing the energy efficiency of our buildings is to reduce the size of our office space relative to the number of people in our business. In FY23, we transitioned one of our six floors in our head office in Sydney from fixed desks to desk sharing. We have plans to further consolidate our offices and increase desk sharing to allow us to use our offices more efficiently.

Another method for reducing our environmental footprint is to increase the environmental performance of our office buildings. For this reason, we are targeting Greenstar 5 Star or NABERS[6] 5 Star ratings minimum for all future lease transactions in Australia.



1. This is based on a market-based approach to calculating our Scope 2 emissions to account for renewable energy purchased in FY23. Scope 2 market-based emissions are calculated using emission factors from contractual instruments. Scope 2 location-based emissions, which are calculated using the average emissions intensity of the grid, are reported in our KPI tables on pages 33 and 58.
2. This is based on a market-based approach to calculating our Scope 2 emissions. The FY22 figure has been restated to include additional Scope 1 emissions sources and includes reduced Scope 2 emissions from electricity usage based on actual data collected from one of our global offices rather than estimating the data.
3. We purchased GreenPower for our Australian offices in the first half of the calendar year 2023. This has been attributed and reported for the FY23 reporting year, following guidance and confirmation from Climate Active.
4. The energy usage per FTE KPI divides total energy usage in our Australian offices in FY23 by total FTE in Australia as at 30 June 2023. Based on this methodology, which is consistent with prior year reporting, it means including energy usage for six months for the new Pendal businesses in the numerator for the calculation, while all Australian Pendal FTE employees as at 30 June 2023 are included in the denominator. This means the intensity figure is lower than if there was a full year of Pendal energy usage.
5. Restated from figure reported in FY22 Sustainability Report to account for a full year of a serviced office in Canberra.
6. The National Australian Built Environment Rating System (NABERS) and Greenstar measure a building's environmental impact. Both are rated up to 6 Stars.

We renewed our lease for the tenancy at the site containing storage of hard copy documents for our Corporate Trust business. The specific requirements needed mean there are limited options for alternative sites. The building, which only has three employees, has a 4.5 star NABERS energy rating. In August 2023, we initiated a tenancy level NABERS assessment to understand the performance of the space we occupy and what actions we can take to improve its environmental performance. Our tenancy at our office in Adelaide, which hosts 13 of our people and has a 4-star NABERS energy rating, was renewed for another 12 months to allow time to select an alternative office.

Our Melbourne office in Rialto received a 5-Star rating (superior performance) against the NABERS Tenancy Energy Rating' rationale. We will seek to achieve 5-star minimum ratings in our future lease transactions.

Scope 3 GHG emissions from our operations

Our Scope 3 operational emissions were 22,120 tonnes CO_2e[1] up from 2,425 tonnes CO_2e in FY22. This increase is primarily because of an increase in the boundary of our Scope 3 operational GHG reporting methodology. To prepare for Climate Active certification and to continually improve our environmental reporting approach, in FY23, we conducted a review of our emissions boundary, aligning to guidance provided in GHG Protocol standards. As a result we have updated our GHG reporting methodology to include new Scope 3 emissions sources for the first time, such as those associated with our waste and water usage; accommodation for business travel; employees working from home; and some capital expenditure and purchased goods and services.[2] The addition of these new sources accounts for 13,544 tonnes CO_2e of the increase in our Scope 3 operational emissions.

Other factors driving the increase in Scope 3 operational emissions are our business growing with the acquisition of the Pendal in January 2023, and an increase in emissions from flights for business travel. As travel restrictions were largely removed in FY23 and with our business becoming larger and more global, the carbon emissions associated with our business-related air travel were 4,350 tonnes CO_2e in FY23, up from 1,206 tonnes CO_2e the previous year.

Business travel is a necessary part of the way we collaborate as a global business and engage with our clients and other stakeholders. We recognise that we need to strive to reduce flights, especially when the purpose of the travel could be achieved virtually. In FY24, we will review our travel policy and approvals process for work-related flights to ensure we minimise emissions relating to business travel to flights that meet a clearly defined business purpose.

1. Based on location-based methodology.
2. For Scope 3 categories 1 and 2, a relevance test was undertaken based on the Climate Active Carbon Neutral Standard for Organisations to determine relevant emissions sources within those categories. The following sources were excluded based on that relevance test: Professional Services, Construction Materials and Services; Food; Cleaning and Chemicals; Newspapers, journals and periodicals.

Table 2: GHG emissions metrics for our operations in FY23[1]

Scope	Metric	FY23	FY22
Scope 1	Direct GHG emissions from controlled sources[2]	43*	11[3]
Scope 2	Electricity (location-based)	1,514*	1,298[4]
	Electricity (market-based)	242*	1,276[4]
Scope 3 operational emissions	Total Scope 3 operational emissions	22,120*	2,425
	Purchased goods and services[5]	9,111	N/A[6]
	Capital goods[5]	5,000	N/A[6]
	Fuel and energy-related activities	1,462	988
	Upstream transportation and distribution[7]	127	126
	Waste generated in operations	314	N/A[6]
	Business travel	4,540	1,215
	Employee commuting	1,566[8]	96

* Included in limited assurance scope as referenced on page 8.

1. Based on operational control boundary setting approach. For further information on our approach to GHG emissions reporting see our FY23 basis of preparation document here: perpetual.com.au/sustainability/archive.
2. Includes direct GHG emissions from natural gas usage, fuel use and refrigerants.
3. Restated to include new Scope 1 emissions sources.
4. Restated to account for reduced Scope 2 emissions from electricity usage based on actual data collected from one of our global offices rather than estimating the data.
5. For Scope 3 categories 1 and 2, a relevance test was undertaken based on the Climate Active Carbon Neutral Standard for Organisations to determine relevant emissions sources within those categories. The following sources were excluded based on that relevance test: Professional Services, Construction Materials and Services; Food; Cleaning and Chemicals; Newspapers, journals and periodicals.
6. This is a newly reported metric in FY23.
7. Includes emissions related to couriers and postage.
8. Includes emissions from home working which was not included in the prior year and Pendal Group employee commuting. In FY23, to calculate employee commuting, we used commuting patterns including typical mode of transport and average commuting distances derived from Australian Bureau of Statistics data for Australia and linked to the number of FTE in every state within Australia. For international locations, Australia average commuting patterns were used as a proxy as a conservative approach given the size and public transport options available in Australia. In FY24, we plan to run an employee survey to capture information on the typical mode of transport and average commuting distances for our employees to calculate this metric.

Targeting reductions in our waste and paper use

After several years of reduction, paper purchased for printing in our Australian offices has increased in FY23 to 9 tonnes from 6 tonnes in FY22 (see chart 2). Following COVID-19 and the gradual return to the office, we have seen an increase in office printing during the year. The increase also reflects the inclusion of paper purchased from the acquired Pendal Australia businesses.

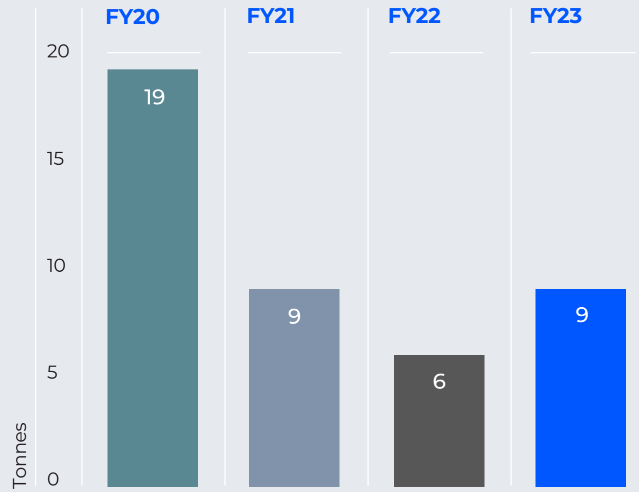
As a trustee, some of our documents are required to be printed in hard copy, so we are working with areas of the business which tend to print more to plan how we can reduce paper usage in their teams where possible. We will also be running campaigns through the year to encourage our people to reduce their printing and we are planning to reduce the number of printers installed across all our offices nationally.

We have put in place measurement of waste to landfill and recycling at our main offices in Australia. This year we sent 16 tonnes of waste to landfill.[1]

We have set a target to reduce our waste to landfill by 10% by FY26 based on a FY23 baseline.[2]

As we consolidate our offices in Australia over the next two years, we expect to see an increase in waste from office decommissioning and refurbishment. We will also remove some paper storage areas in future office refurbishments to minimise waste. The consolidation of our office should improve the environmental performance of our property portfolio, which will help to achieve our target by FY26. We will seek to ensure that the waste is reused and recycled, where appropriate.

Chart 2 – Paper purchased for printing in Australian offices



1. Excludes e-waste and waste from office refurbishments. Where we have received partial year data for one site, we have estimated based on the average monthly usage for that site. For two of our small sites where we do not currently have waste data, we have estimated their waste to landfill based on FTE using a comparably sized site. Where we share a floor with another tenant and only have waste data for the whole floor, we have estimated our portion based on our share of net lettable area. A full year of waste to landfill data for the Pendal Australian offices has been included to give a more representative baseline for our waste to landfill reduction target.
2. A full year of waste to landfill data for the Pendal Australian offices has been included in the FY23 year to give a more representative baseline for our waste to landfill reduction target. E-waste and waste from office refurbishments have been excluded from target due to current data unavailability and due to those waste streams being linked to project-based activities.

Aligning our reporting to the Task Force on Climate-related Financial Disclosures

Climate change is one of the greatest challenges facing society, and the financial services sector has a key role in tackling it.

We support the recommendations of the TCFD for better disclosure on climate and the ISSB's aim to encourage more comprehensive, globally consistent sustainability disclosures.

We are committed to transparent reporting and continuously improving our external disclosures, including further alignment with the recommendations of the TCFD.

Governance

Our Board has oversight for our sustainability strategy and climate-related issues. Six-monthly updates are provided to the Board and Executive Committee on our sustainability strategy, including a status update on our climate-related commitments. Our CRSO, Sam Mosse, had sustainability added to her responsibilities in January 2023, ensuring that addressing climate change and sustainability are championed on our Executive Committee.

To build awareness and capability on climate-related risks and opportunities in our business, in FY23 we held a training session for the Perpetual Superannuation Limited Board to provide a briefing on macro trends, recent legislative and regulatory changes relating to climate change. More recently, in September 2023, the Perpetual Board undertook a training session on similar topics. Further training sessions are planned in FY24 for other key teams within the business.

Strategy

The transition to a 1.5 degree climate scenario requires US$35tn of investment in energy transition technologies by 2030.[1] This will require capital from public and private markets, and active managers have a role to play helping clients to navigate the shifting risks and opportunities of this transition.

In September 2022, we launched our sustainability strategy, which included a commitment to grow our products and services that support a low carbon future. Funds that we define as supporting a low carbon future had over $1 billion in net inflows during FY23.[2]

The acquisition of Pendal has added a broader range of sustainability-focused capabilities including thematic and impact focused funds. Our greater scale and depth of responsible investment expertise will enable more opportunities to share best practice, systems and expertise across the Group, including those relating to climate change. The Horizon climate model, developed by the J O Hambro Sustainable Investment Team (see page 25), is one example of a tool that will be offered to other asset management firms in the Perpetual Group over the course of the coming year.

Risk management

As a multi-boutique, each of our asset managers have their own approaches to managing climate risk and opportunities for our clients and our investment teams exercise independence in determining their investment strategies. The approaches they take to considering climate risks within their investment processes are set out on pages 25 to 27.

Our approach to effectively managing risk is reflected in our Risk Management Framework and our Risk Appetite Statement (RAS), which defines the amount of risk the Board permits management to take in delivering our strategic vision and objectives. In July 2023, we included new and refreshed key risk indicators in our RAS to align with the KPIs in the Planet pillar of our sustainability strategy.

We have previously undertaken a climate risk assessment to identify our climate risks and assess their potential impact. This identified our universe of climate risks and opportunities that are the most material for our business. In FY24, we plan to undertake deeper dives with our divisions to further assess the key climate risks relating to our business and to identify the current processes and controls in place to manage those risks.

1. IRENA, World Energy Transitions Outlook 2023 1.5C Pathway, P4
2. Our definition of funds that support a low carbon future includes Trillium's larger cap-equity strategies, which are subject to an interim target for 75% of the holdings to commit to set science-based targets for reducing their GHG emissions, as approved by the Science Based Targets Initiative, by the end of 2030.

Table 3: GHG emissions metrics for our equity investments in FY23[1]

Metric	Description	Scope[2]	Unit	FY23
Total carbon emissions – equities[3]	Absolute GHG emissions associated with a portfolio, expressed in tonnes CO_2e.	Scope 1 and 2	Million tCO_2e	15
Weighted average carbon intensity – equities[4]	A portfolio's exposure to carbon-intensive companies, expressed in tonnes CO_2e/\$M revenue.	Scope 1 and 2	tCO_2e/\$M revenue	154

Metrics and targets

We have further developed our approach to GHG emissions reporting for our operations and the financed emissions from our equity investment portfolios at a Group level.

Operational GHG emissions

In FY23, we sought limited assurance for our operational GHG emissions metrics as set out on page 33 to ensure the accuracy of our data and to continually improve our reporting processes and procedures. KPMG's limited assurance statement can be found here:

› perpetual.com.au/sustainability/archive

We are committed to reducing the environmental impact of our own operations and have set targets including to be 100% renewably powered operations by FY25, reduce energy intensity per FTE employee by one third in Australian operated offices by FY30 and have carbon neutral operations by FY23. See page 24 for progress against those commitments and our other targets.

Financed emissions from equity investments

In FY23, we have published GHG metrics associated with the Scope 1 and 2 emissions related to our equity investments held on behalf of our clients (see table above). We are currently reporting these metrics for our equity holdings only, with the assessed equity funds covering 73% of our total AUM as at 30 June 2023.[5] These are not emissions from our operations, which are described on page 33. They relate to the emissions associated with our investment holdings, held on behalf of our clients.

Total carbon emissions and weighted average carbon intensity (WACI) are two of the metrics recommended by TCFD to report on financed emissions. The metrics focus on the Scope 1 and 2 emissions of our equity investments and not their Scope 3 emissions. We will explore expanding our disclosure to include other asset classes and Scopes as data availability improves and in line with disclosure frameworks such as ISSB.

The GHG emissions metrics for our equity investments are based on data provided by our ESG data provider, which includes information based on company reporting as well as some modelled data. The underlying data reported by companies can include estimates, errors and may have a time lag. Our financed emissions from equity investments were not subject to limited assurance by KPMG, with their limited assurance applying only to our operational GHG emissions this year. We plan to seek limited assurance for our financed emissions from equity investments in FY24.

While we do not have a specific target to reduce our financed emissions, we recognise that climate change poses material risks and opportunities that may impact the long-term performance of our clients' investments. Climate is considered and managed on behalf of clients across our asset management boutiques, where appropriate and material to investment performance (see pages 25 to 27).

1. Source: ISG ESG Data as at 30 June 2023. Includes equity holdings in our Asset Management and Wealth Management divisions where we have investment discretion and where our ESG data provider has coverage for the investment holding. This equates to 73% of our total combined Asset Management and Wealth Management AUM where we have investment discretion as at 30 June 2023. It does not include funds under administration from our Corporate Trust division.
2. Scope in this table refers to the emissions Scopes of our equity investment holdings.
3. For total carbon emissions, Scope 1 and Scope 2 GHG emissions are allocated to investors based on an equity ownership approach. It is calculated by dividing the current value of an investment in an issuer by the issuer's market capitalisation then multiplying it by the issuer's Scope 1 and Scope 2 GHG emissions.
4. For WACI, Scope 1 and Scope 2 GHG emissions are allocated based on portfolio weights, that being the current value of investment relative to the current portfolio value. It is calculated using this formula: (current value of investment/current portfolio value) x (issuer's Scope 1 and Scope 2 GHG emissions/Issuer's \$M revenue).
5. Covers 73% of total combined Asset Management and Wealth Management AUM where we have investment discretion.

People

Championing inclusion and high performance

Our focus is cultivating an inclusive environment where diversity is valued and different perspectives can help to create better outcomes for our people, clients and communities.

Our people are empowered to learn and grow as professionals and to thrive both at work and at home. Flexibility and hybrid working are key to supporting the work-life balance of our people.

Performance against our commitments

Commitment	Status (Not on track / On track / Achieved)	FY23 progress	More info
40%+ women in leadership by FY24	Not on track	34% flat from FY22. Diversity and inclusion (D&I) programs have been impacted by focus on integration but remains an important priority.	page 39
Increase female representation in Perpetual Group's investment professionals in Australia to 25% by FY24	Not on track	19% down from 20% in FY22. D&I programs have been impacted by focus on integration but remains an important priority.	pages 40–41
Develop a stretch cultural diversity target by the end of FY24	On track	Created cultural diversity definition, to be reviewed with new businesses.	page 43
80%+ of our people feel that Perpetual welcomes diverse people and views by FY24	On track	79% flat from FY22.	page 43
75%+ of our people feel that Perpetual supports their wellbeing by FY24	Not on track	70% flat from FY22. Impacted by uncertainty that is typically created during integration.	page 44
75%+ of our people would recommend Perpetual as a great place to work by FY24	Not on track	69% down from 71% in FY22. Impacted by uncertainty that is typically created during integration.	page 44
70%+ of our people tell us they have grown professionally in the past 12 months by FY24	Not on track	58% down from 60% in FY22. Impacted by uncertainty that is typically created during integration.	page 59
Maintain zero gender pay gap for all like for like roles	On track	Zero gender pay gap for all like for like roles.	

Championing diversity, equity, identity and inclusion

Through our policies and practices, we promote an inclusive and high-performance culture where our people are empowered to grow.

We strive to provide a level playing field for all by embracing diversity and its many facets. We celebrate identity so our people feel valued and confident to bring their unique self to work. This is especially important as we continue to grow and work as one global team.

44%
female representation of the Board

Striving for gender equity

Gender equity leads to better business performance and an enhanced employee experience. Analysis from McKinsey in 2019, found that companies in the top quartile of gender diversity on executive teams were 25% more likely to experience above-average profitability than peer companies in the fourth quartile.[1] We are proud to have been recognised by WGEA as an Employer of Choice for Gender Equality, each year, since 2018.

Following the acquisition of Pendal, Kathryn Matthews and Christopher Jones joined the Perpetual Limited Board in June 2023. Female representation on the Board is now 44%, up from 38% in the prior year. This exceeds our target of at least 40% representation of women on our Board.[2]

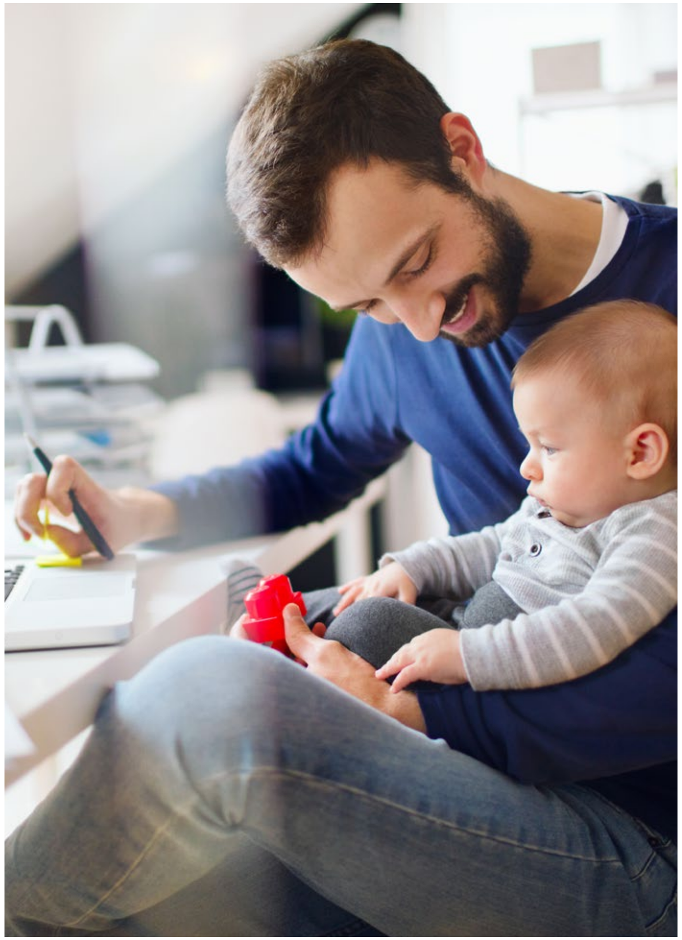
We also have a target in place to increase the representation of women in senior leadership roles to 40% by the end of FY24. As of June 2023, 34% of our senior leader cohort globally are women, which is the same as FY22. Retaining female leaders has been an active focus throughout the integration of Pendal Group and in the first 100 days since the completion of the acquisition, we were able to retain 95% of women in critical roles.

To support our women in leadership goals, we require gender balanced shortlists and gender diverse interview panels for all leadership recruitment. We have a market-leading, gender-neutral 20 weeks paid parental leave policy, which can be taken flexibly by either parent for our people in Australia.

Research suggests that making parental leave more gender-equal is good for parents and children.[3] Since introducing this new policy, men have taken more paid parental leave than previously. On average, the amount of consecutive paid parental leave taken by men has increased by just over 7 weeks compared to the equivalent paid leave type under the previous policy (primary carers leave). We shared stories from fathers who accessed the new parental leave allowance to encourage greater uptake.

"It has allowed my wife to return to work earlier than we expected without having to send (my child) to day care or rely too much on grandparents (much to their disappointment)."

Male employee on parental leave



Our memberships, certifications and partnerships

Parents At Work

women banking and finance

1. McKinsey & Company, *Diversity wins: How inclusion matters*, May 2020, page 3.
2. As per the announcement on the 12 December 2022, Kathryn Matthews does not intend to stand for re-election at Perpetual's AGM in October 2023.
3. Grattan Institute, Dad days: How more gender-equal parental leave could improve the lives of Australian families, Sept 2021.

Globally, only 12% of fund managers were women in 2022, as measured by the Citywire Alpha Female Report.[1] We have set a goal to have at least 25% of our investment professional roles in Australia occupied by women by FY24. At the end of FY23, 19% of these investment professional positions in Australia were held by women and within the Perpetual Group globally, the figure is 21%.

Our asset management boutiques are taking different actions to increase representation of women in their teams. At Trillium, over 50% of employees are women and 55% of people leaders are women. Trillium have expanded employee benefits, including additional leave for caregivers, resources to support employees in accessing reproductive healthcare, and formalising the hybrid work model established during the pandemic. Barrow Hanley has set hiring goals for roles where women are underrepresented and has an associate analyst program to increase diversity in investment-focused roles.

J O Hambro is a founding member of Diversity Project Pathway, which seeks to drive change by unlocking female talent to address the absence of women in investment management roles.

The Diversity Project Pathway initiative gives talented women, who are selected by their firm, access to interactive sessions on technical skills and networking opportunities with senior female fund managers to help them succeed in becoming portfolio managers. Two fund managers from J O Hambro and Regnan have participated in the program to date. As part of International Women's Day, the J O Hambro team launched a new employee resource group, JOLean, dedicated to fostering leadership, personal, and professional advancement and inclusion for women in the workplace.

1. Citywire, Alpha Female Report, 2022.

To build greater gender diversity in our industry, it is important to encourage women to join asset and wealth management early in their careers. At a graduate level, we aim to achieve at least 40% female representation in our graduate recruitment to support a gender-balanced talent pipeline.

In FY23, 39% of our graduate cohort in Australia were women. Perpetual Group has an ongoing collaboration with Future IM/Pact, aimed at attracting more diverse talent into asset management, and we are into our second year of partnering with F3 (Future Females in Finance).

In FY23, five university students completed their six-week F3 work experience program and we hosted two events with Future IM/Pact: a breakfast for those early in their careers and a student information session aimed at university students to learn about a career in finance. Pendal has also supported our women in asset management strategy through offering a rotation for a female graduate in their investment team.

Our memberships, certifications and partnerships

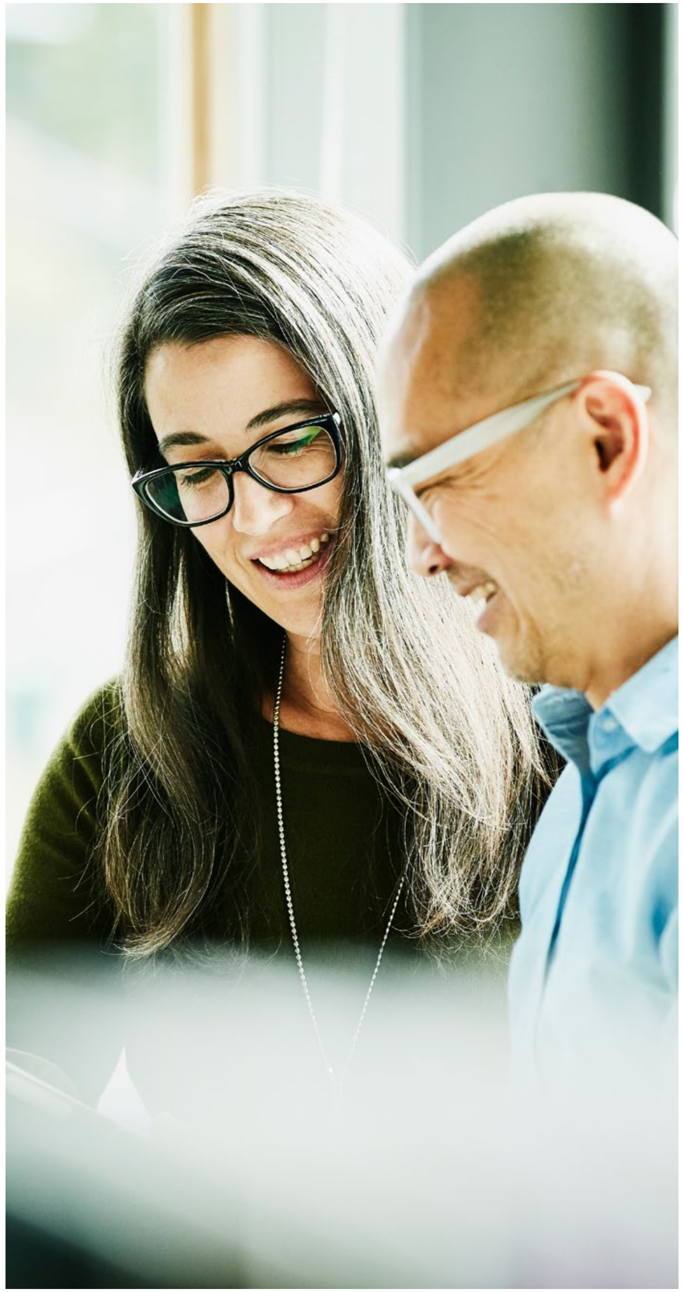
Future IM/Pact

F3

WGEA Employer of Choice for Gender Equality

"I am fully committed to continuing to build a more diverse and inclusive environment and achieving gender equality. I believe that diverse and genuinely inclusive teams make our people feel more positive and engaged about their work at Perpetual Group, which encourages them to stay with us for longer. This can be achieved through creating a culture where people feel safe and confident, which is why at Perpetual Group we have zero tolerance of workplace discrimination, sexual harassment and bullying. Diversity of thought and opinion is a big part of what makes an organisation successful – it leads to better decisions and better results, which is good for our clients, our people and our shareholders. Though we still have work to do, I am confident that we can exceed our aims in the short to medium term."

Rob Adams, CEO and Managing Director



Supporting LGBTQ+ inclusion

This year we had even more reason to celebrate Pride, with World Pride bringing events and excitement to Sydney in February. We hosted in-person events at our Sydney and Melbourne offices, which was a great opportunity for our people to recognise the rainbow community and to learn about the Pride Network and the progress made over the past year. In addition, we were proud to support a number of LGBTQ+ leaders who are on the front line of lifting human rights across Asia Pacific, to attend the Human Rights Conference, held as part of Sydney World Pride.

In addition to marking World Pride, each year we celebrate Pride Month in May to support our LGBTQ+ colleagues and send a clear message that we are a workplace that is open and accepting, where everyone feels like they can be their true self. The J O Hambro Diversity, Equity and Inclusion Committee hosted two webinar events on LGBTQ+ Allyship in the Workplace and the History of the LGBTQ+ Movement, which were recorded and shared with our global network.

Through the year, 22 of our existing policies were reviewed with a rainbow lens and we continued our partnership with Out Leadership, which provides our employees across the globe with development opportunities and access to the latest research on LGBTQ+ issues.

We identify priority areas of funding across the philanthropy sector, which are traditionally underfunded and can recommend these to our clients, where appropriate. Despite 11% of Australians identifying as being of diverse sexuality, only the tiniest fraction of grants (50 cents in every 100 philanthropic dollars) are explicitly given to LGBTQ+ projects. On behalf of our philanthropic clients, we helped to facilitate $683,000 in grants to organisations supporting LGBTQ+ people and communities.

$683,000

facilitated in grants to organisations supporting LGBTQ+ people and communities

22

of our existing policies were reviewed with a rainbow lens

We were proud to support a number of LGBTQ+ leaders who are on the front line of lifting human rights across Asia Pacific, to attend the Human Rights Conference, held as part of Sydney World Pride.

Embracing diversity across our global organisation

Diversity of thought, experiences, cultures and backgrounds is essential to creating an inclusive place to work at Perpetual Group. As we grow globally, understanding and being respectful of cultural differences across our businesses is critical.

We have set a target that by FY24, 80% of our people surveyed in our mood monitor (see page 44) agree that Perpetual cultivates an inclusive environment accepting of diverse views and individual differences.

In FY23, 79% of our people agree that Perpetual Group cultivates an inclusive environment, the same as in FY22.[1]

As part of setting a stretch cultural diversity target, in FY23, an initial definition of cultural diversity has been developed. This definition will be validated across our global locations and a stretch target developed to support our aspiration to enhance cultural and racial diversity at Perpetual Group.

During Black History Month, J O Hambro offered a virtual education session by an external historian on exploring black art, which gave participants the opportunity to seek more info about black history and culture. In addition, a Diversity Project webinar was hosted to develop knowledge and highlight the advantage of socioeconomic diversity in the industry.

Now in its third year, Barrow Hanley's associate analyst program and its internship program are both designed to engage with students from underserved communities to give them exposure to and encourage them to pursue jobs in financial services and bring more diversity to the business. In FY23, two interns took part and one intern from the 2022 internship cohort was hired as an associate analyst.

TSW sees inclusivity as a vital part of the firm's culture and they are committed to helping bring awareness of the opportunities across our industry to a diverse community in Richmond, Virginia and beyond. Several employees work closely with local universities to offer mentorships and networking for minority and international students.

Among Trillium's core values is a deep commitment to Justice, Equity, Diversity, and Inclusion (JEDI). Trillium completed a racial equity audit in FY23 where employees were surveyed and given the opportunity to provide feedback. A review and update of Trillium's employee handbook was completed, with a specific focus on racial equity. Other initiatives during the year included Trillium participating in LEAD Boston – an 11-month program designed to provide leaders with the knowledge, skills, and network necessary to increase equity within their organisation – and partnering with Wall Street Diversity Accelerator on Trillium's internship program. The Accelerator internship program aims to give teenagers from under-represented communities an introduction to career possibilities in financial services.

In Australia, members of the Perpetual Group Diversity and Inclusion Council have created ten employee personas that reflect the diversity of experience, background and life stages across our organisation. These personas will be used to inform future D&I initiatives and consider the employee experience across various life stages.

Our Diversity and Inclusion working groups came together to review 22 internal policies with a D&I lens, proposing several recommendations, which includes the proposed development of additional policies such as a gender affirmation policy. Work will continue in FY24 to embed these changes and ensure that the foundation is laid for all of our people to be supported at Perpetual Group.

1. Commitments or metrics in our sustainability strategy that are measured through our mood monitor are reported as financial year annual averages to allow for comparison year on year and to reduce effects of seasonal variability. Measured by employees who either agree or strongly agree with the statement 'Perpetual cultivates an inclusive environment accepting of diverse views and individual differences.'

55%
of our people were feeling positive about working at Perpetual Group, slightly below the average of the survey results for FY22

Supporting our people through change

Bringing together the Pendal and Perpetual Group businesses has involved a substantial organisational change. We conduct regular mood monitor surveys during the year and launched additional pulse surveys to hear directly from our people to learn how best to support them through this period.

On average, in FY23, 55% of our people were feeling positive about working at Perpetual Group, slightly below the average of the survey results for FY22 (see chart 3). When asked whether our people would recommend Perpetual Group as a great place to work, in FY23, 69% said they were 'Likely' or 'Highly likely' to recommend Perpetual Group, slightly down from 71% in FY22, and 70% of our people felt that their wellbeing is supported by Perpetual, unchanged from FY22.[1]

During the second half of FY23, the majority of our people in our asset management and our enabling divisions have been impacted by organisational redesign activity and integration programs. The impact of this change is now flowing through in more recent survey results conducted after 30 June 2023 (outside the FY23 reporting period). We are committed to supporting our people through change and are responding to the feedback from our people, particularly during this period of integration.

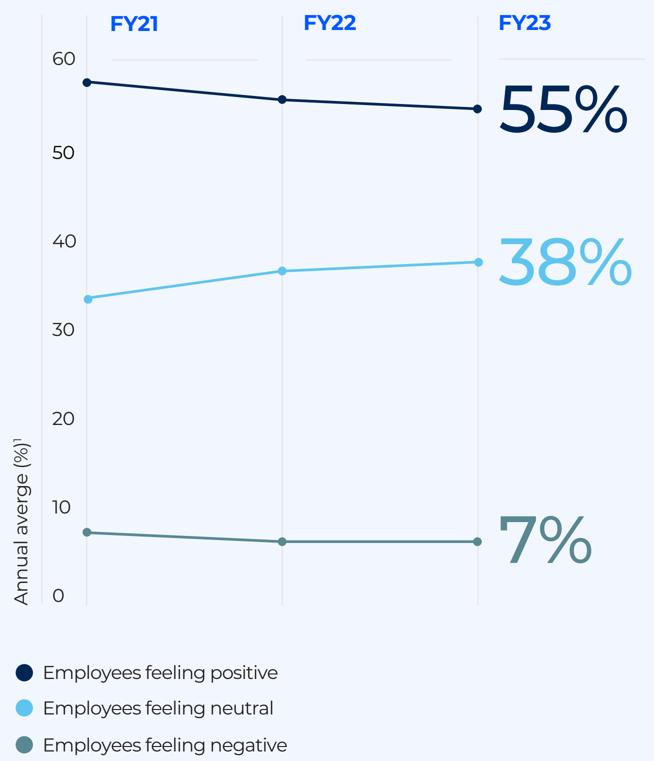
Our priority has been to equip our people leaders with the tools to support their teams through this period. We have established an organisational change management team, comprised of experts in large-scale transformation to manage the integration change program globally. To help prepare our people leaders to support their teams and their wellbeing through this time, all people leaders across the Group were invited to participate in 'Leading through Complex Change' workshops in May. The purpose of these workshops was to educate our leaders on the changing nature and neuroscience behind change and provide them with the skills to manage their teams through significant change.

All employees across the Group were also invited to participate in Resilience and Wellbeing to Thrive workshops, which ran throughout June. These were designed to provide our people with the essential skills and strategies to focus on their mental fitness, boost resilience and navigate change, both at work, and in all aspects of their lives. Around 500 of our people enrolled in these workshops across the globe.

Our global Code of Conduct and the Discrimination, Harassment and Workplace Bullying Prevention policies help us create a positive working environment. To further support our people and their wellbeing, all employees across the Group have access to Headspace for themselves and up to five family members, a wellbeing self-assessment and action planning tool and local employee assistance providers.

Perpetual Group employees in Australia and Singapore can also access an additional two weeks of Community and Wellbeing leave, free financial health checks and $275 wellbeing allowance to support their physical and mental wellbeing in a way that is meaningful to them. During the year, nearly 1,100 people took up this allowance for gym memberships and classes, home office and ergonomics, nutrition tools and counselling support.

Chart 3 – Mood monitor survey results FY21–23[2]



1. Mood monitor measures that are commitments or metrics in our sustainability strategy are reported as financial year annual averages to allow for comparison year on year and to reduce effects of seasonal variability.
2. Employees in our mood monitor survey are asked if they feel great, good, okay, fair, bad or terrible. Employees who responded great or good are displayed as positive, okay or fair as neutral and bad or terrible as negative. The mood monitor results are an annual average taken across full mood monitor surveys and pulse checks. In FY23, mood monitor surveys were conducted in July 2022 and December 2022. These were supplemented with pulse check surveys in October 2022, February 2023 and May 2023. The mood monitor has between 20–30 questions and the Pulse check has less than 10 questions. We have introduced additional pulse check surveys to listen to our people as we integrate the Perpetual and Pendal businesses. We asked the question 'how do you feel about work right now?' first in the surveys, except in the November 2022 survey, where it was not the first question. Questions on wellbeing, professional growth and diversity and inclusion were also included in the July 2022, December 2022 and May 2022 surveys. Following the Pendal acquisition, employees of all the new businesses were included in the mood monitor and pulse check surveys. Prior to this, Trillium employees were included in two out of three surveys and Barrow Hanley employees in one.

Promoting learning and development

Perpetual Group made LinkedIn Learning available to all Australian and Singapore employees in June 2022. In October 2022 this was extended to Trillium and Barrow Hanley and to all Pendal boutiques in April 2023. LinkedIn Learning is one of the world's leading professional and personal learning and development platforms. We utilise the platform's resources to support all enterprise development initiatives, leadership programs, diversity and inclusion events and in performance management to support a self-led, learning culture. In FY23, over 900 employees accessed the resource. The most popular learning topics included soft skill development (accountability, confidence, networking, and career management) and technical skills (Excel, agile project management, and data visualisation).

In FY23, 58% of our people felt Perpetual Group supported their professional growth, which is slightly down on the 60% who answered this way in our mood monitor surveys in FY22.

Employees conduct mandatory training on topics such as continuous disclosure and personal trading, anti-money laundering and sanctions, and information security and privacy. New joiners also complete a version of this training as part of their onboarding and, in FY23, we launched a new learning module on Aboriginal and Torres Strait Islander Cultures and History.

Over 900 employees accessed LinkedIn Learning in FY23 on learning topics including soft skill development and technical skills such as Excel, agile project management and data visualisation.

Staying safe at work

Our people are required to record any accidents, injuries and near misses that occur at work, which we monitor and seek to learn from to prevent workplace injuries in future. Last year, there were 12 of these safety incidents in Australia, of which 10 resulted in lost time. This increased from four safety incidents in FY22, returning to pre-COVID-19 levels. Half of the incidents were related to mental stress and three were strains linked to repetitive movements.

Communities

Support strong communities

For over 100 years, we have connected our philanthropic clients with high-impact organisations to support positive social, cultural and environmental change.

Through volunteering, corporate giving and advisory services, we strive to strengthen the not-for-profit sector to support disadvantaged communities and create positive impact.

We work closely with our First Nations clients and their communities to determine their own future.

We commit to take action to address modern slavery across our business and continually improve our approach including through consideration of human rights. We go above and beyond to make communities stronger.

Performance against our commitments

Commitment	Status: Not on track	Status: On track	Status: Achieved	FY23 progress	More info
Support the Uluru Statement from the Heart and the establishment of a First Nations Voice enshrined in the Constitution			✓	Public support for the Voice including being part of the pledge from philanthropy to fund the Yes campaign.	page 48
Deliver our 2021–23 Stretch Reconciliation Action Plan (RAP)		–		Progressing deliverables in final year of Stretch RAP.	page 49
Advocate for protection of First Nations' cultural heritage		–		Participating in collaborative projects such as Dhawura Ngilan Business and Investor Initiative to strengthen First Nations cultural heritage management practices.	page 51
Give equivalent to 1% of underlying profit before tax through community giving and volunteering[1]	⊘			0.98% in FY23, down from 1.2% in FY22, due to changes in our reporting methodology and the impact of bringing our businesses together.	page 54
Provide 10 days of Community and Wellbeing leave for all Australian employees[2]		–		Through integration, the Community and Wellbeing leave benefit will be extended to all Australian employees in FY24.	page 44
Support capacity building and thought leadership in the Australian philanthropy and not-for-profit (NFP) sectors			✓	Trustees Endowments, established with our own corporate funds, distributed $586,690 in FY23 to support capacity building in NFP sectors and hosted workshops with philanthropy clients on values-based philanthropy and investment.	page 53
Continuously improve our approach to addressing and mitigating modern slavery risks			✓	Completed new modern slavery due diligence processes and engaged with investee companies during FY23.	page 56
Launch a Global Human Rights Framework by FY25		–		Launched a video series on human rights and modern slavery to build awareness amongst our employees.	page 56

1. Based on the B4SI community giving reporting framework. This includes cash and in-kind donations, matched giving of staff fundraising, management costs associated with community giving activities, employee volunteering time and memberships and sponsorship of community organisations.
2. To be eligible for Wellbeing leave, employees in Australia and Singapore need to have worked with Perpetual Group for at least 12 months and have two weeks or less of their annual leave balance remaining. There are no maximum annual leave or minimum tenure requirements for eligible employees in Australia and Singapore to access Community leave.

Advocating for First Nations Peoples

Perpetual Group's vision for reconciliation is a more equal society, where First Nations Peoples have the same opportunities for prosperity and a self-determined future.

A future where First Nations individuals, organisations and communities have the support and resources to ensure good governance, economic independence and mutual respect for their cultures. We have been a long-term supporter of the Uluru Statement from the Heart. We support a First Nations Voice to Parliament (see case study to the right).

We are taking steps to support this vision by delivering our 2021–2023 Stretch RAP and working with Aboriginal and Torres Strait Islander clients to have a positive impact in their communities, through services provided by our Native Title team or by advocating for the protection of First Nations cultural heritage.

Case study

Advocating for a First Nations Voice to Parliament

Perpetual Group has publicly supported the Uluru Statement from the Heart and a First Nations Voice to Parliament since 2019. More recently, in April 2023, we joined a group of philanthropists who have announced a combined $17 million pledge to the Yes campaign, supporting the Voice to Parliament in the upcoming referendum.

The pledge called for an Aboriginal and Torres Strait Islander Voice to Parliament so First Nations peoples can have a say in the matters that affect them. Signatories to the pledge include The Myer Foundation, the Paul Ramsay Foundation and Perpetual.

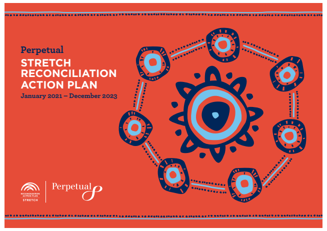
As part of the pledge, Perpetual Group has committed to provide $150,000 in funding, as a corporate, and we worked with our philanthropy clients to facilitate an additional $115,000 to support the Yes campaign. As the referendum draws closer, we will continue to connect interested philanthropists with key advocacy groups and the Yes campaign.

Voting in a referendum is an individual and personal decision. We respect the right of our people to make their own decisions in the upcoming referendum. Given the importance of this issue, we have provided opportunities for our people to hear from experts and ask questions so that they can get more information on the referendum. This included having a frequently asked question section on the Voice on our employee intranet and organising two webinars: one in May 2023 with Nolan Hunter, Head of Engagement at the Uluru Dialogue and an event in August 2023 with Dean Parkin, Director of the Yes Campaign Alliance.

Delivering on our Reconciliation Action Plan

We all have a role to play in working towards a more equal Australia and to promote reconciliation for generations to come. This year marks ten years since we launched our inaugural RAP in 2013 and is the last year of our current Stretch RAP for 2021–2023.

Table 4 summarises some of the key activities we have undertaken to make progress on the 84 deliverables in our Stretch RAP, to build positive outcomes with Aboriginal and Torres Strait Islander clients and communities, with our people and through good governance.



View our 2021–2023 Stretch RAP: perpetual.com.au/reconciliation-action-plan

Table 4: Stretch RAP key initiatives

Focus area	Initiative
Partnering with clients to build prosperity	– Publicly supported a First Nations Voice to Parliament through funding of the Yes campaign through the philanthropy pledge and as signatory of the Reconciliation RAP Partner Joint Statement for the Voice in July 2023. – Held two educational webinars on the Voice to Parliament for our people led by First Nations employees and external experts. – We introduced our financial literacy training module, The Money Story, in presentations to our clients. This provides clear, everyday language and pictures to assist our clients to understand complex financial and accounting information.
Supporting communities to build independence	– Met our annual calendar year target of $90,000 annual spend with Supply Nation certified or registered Aboriginal and Torres Strait Islander owned businesses in 2022, and our target for 10% year on year increase with over $130,000 of annual spend in 2022.[1] – Four state offices in Australia participated in the Reconciliation Western Australia National Reconciliation Week virtual breakfast broadcasted live from Boola Bardip WA Museum. – Group Procurement Strategy updated to include reference to Perpetual's RAP and encouraging use of Supply Nation registered or certified suppliers to meet our RAP-related procurement targets.
Creating an inclusive and culturally respectful workplace	– Created an annual reward called the Dadirri Awards to recognise and reward team members who make a significant contribution to achieving our RAP deliverables and internally champion reconciliation. Dadirri translates to 'Deep Listening', a word from the Ngan'gikurunggurr and Ngen'giwumirri languages of the Aboriginal people of the Daly River region. – Developed and launched a cultural awareness training module for all staff in addition to the specialist training our Native Title team and relevant staff attend. – Supported Jawun secondment program for the tenth year. Three secondees worked with Aboriginal-led organisations in Central Australia, and in the Pilbara region in WA. Jawun places skilled people from Australia's leading companies and government agencies and connects them with projects in Aboriginal and Torres Strait Islander communities.
Ensuring strong governance and reporting	– Participated in Reconciliation Australia's biennial Workplace RAP Barometer. – Reported progress quarterly on our RAP deliverables to the Audit Risk and Compliance Committee. – Participated in a quarterly RAP Leadership gathering to collaborate with Reconciliation Australia and other Stretch and Elevate RAP organisations on RAP governance and new initiatives. – A RAP champion representative sits on the Executive Committee.

Our memberships, certifications and partnerships

jawun ReconciliationWA

1. Our Stretch RAP is based on the calendar year. As such our spend with Supply Nation certified or registered businesses relates to the previous full calendar year in 2022.

Working with First Nations communities

Native Title trusts help Aboriginal and Torres Strait Islander communities to address pressing needs such as health and education, preserving their cultures, and setting up infrastructure that will allow them to thrive in future. In FY23, we managed over $1 billion for Aboriginal and Native Title clients on behalf of 50 Aboriginal and Torres Strait Islander communities across Australia.

Our Native Title team's approach is always based on listening to, and acting on, community needs to drive future financial independence through training, business or property ownership or on-country development. Dedicated staff work alongside First Nations communities acting as trustees and advisors.

The Native Title team regularly travels to remote areas of Australia to connect with the communities they represent. The team includes 16 Native Title specialists that have expertise in navigating complex issues of governance and community development and our respect and admiration for Aboriginal and Torres Strait Islander people and culture helps our work in the Native Title sector.

The team has been able to design and model how trusts fund Aboriginal corporations, supporting the corporations in their establishment whilst developing funding models and putting plans in place to ensure that funds are used correctly to maximise the benefits to community.

The Community Wealth Journey is the underlying philosophy used to devise capacity building so that the functions provided by external parties can be developed and undertaken by the community over time, should they wish to take over these responsibilities. With this development and empowerment, communities over time can become secure and self-determining.

Case study

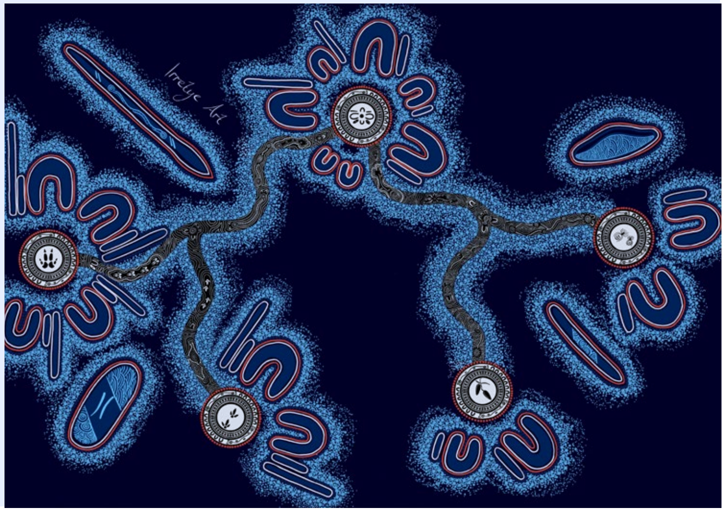
Calling on Country

Artist, Jarred Franey from Irretye Art was recently commissioned by the Native Title team to design a polo shirt that would be suitable for the team's on-country engagements. Jarred is a proud Arrernte (Mparntwe/Alice Springs) and Pitta (Boulia/western Queensland) man. He is now living in Broome with his son and wife, a Nimanburr woman with ties to Yawuru, Bardi and Nyul family groups.

The artwork is called *Country Calling* and depicts the cultural connection that custodians of the land have to our culture, country, animals and people.

> "The central symbols reflect the family unit and community coming together to share stories, knowledge and food, which leads off to the left and right journey pathways of both men and women. Our Elders, men, and women teaching and passing down our cultural practice to our youth so that our ways are not forgotten and strengthens our cultural identity and self-worth. These journeys teach the next generation about our cultural heritage, customs and protocols, the passing down of important knowledge and information such as Songlines and Dreaming."

Jarred Franey, Irretye Art

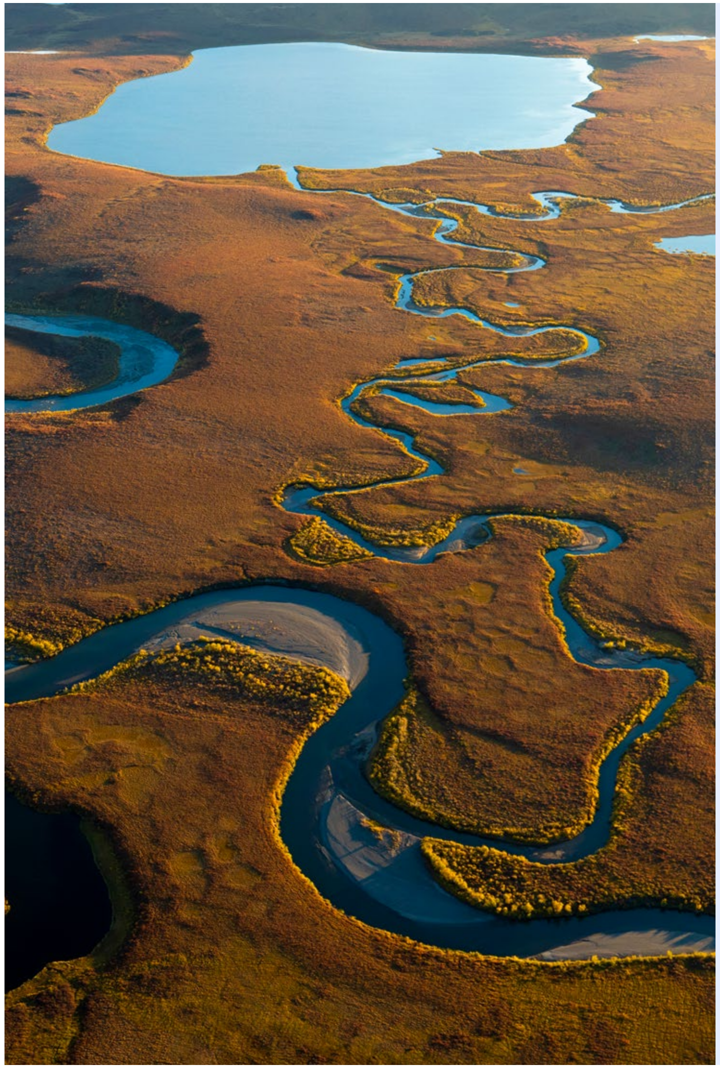


Advocating for the protection of First Nations cultural heritage

As a multi-boutique, each of our asset managers have their own investment philosophies and approaches to managing social issues for our clients including in relation to First Nations cultural heritage. As a Group, we are taking part in collaborative projects to promote stronger First Nations cultural heritage management practices and to learn about better practice, which we can share across our business.

In FY23, Perpetual Group became a foundation sponsor in the Dhawura Ngilan Business and Investor Initiative. This Initiative brings together First Nations, business and investor communities to create a shared vision for strengthening Australian Aboriginal and Torres Strait Islander heritage laws and standards for the private sector that uphold the human rights of First Peoples and protect First Nations cultural heritage. The initiative is working to adapt the Dhawura Ngilan vision and best practice standards to provide practical guidance to businesses and investors on how to ensure that their actions and policies contribute to the protection of First Nations' cultural heritage protection. We have also participated as part of an investor group providing feedback to the initiative.

Our work with Indigenous Peoples in relation to their cultural heritage extends to Trillium's advocacy around the protection of Indigenous cultural heritage in the US and Canada (see case study to the right).



Case study

Trillium working with Indigenous Peoples to protect sacred sites

Trillium has long advocated for First Nations Peoples' rights. They partner with First Peoples Worldwide, which advocates for increasing corporate accountability to Indigenous Peoples at the intersection of business, law, and finance.

In FY23, Trillium refiled a racial equity audit shareholder proposal at The Travelers Companies. These audits are designed to identify potential externalities of a company's policies, practices, products and services on Black, Indigenous, and People of Colour or other marginalised communities, along with the corrective actions that can be taken.

One of Trillium's concerns was The Travelers Companies' failure to engage with the Gwich'in people, who have requested that insurance companies refrain from insuring fossil-fuel activities in the Arctic Refuge, a sacred place for the Indigenous community. The executive director of the Gwich'in steering committee presented Trillium's proposal at the annual company meeting and used the opportunity to advocate for the Gwich'in. Support for the shareholder proposal was down from 2022 but was still significant, with 35% of Travelers investors supporting the proposal.

Helping philanthropists have impact

Perpetual manages over 1100 charitable trusts, foundations and endowments, providing services such as trusteeship, investment management, strategy and grant-making and governance. We are thought leaders in the philanthropic sector and work with philanthropists to have greater impact in the communities they are passionate about. Perpetual has $3.3 billion in funds under advice (FUA) on behalf of philanthropists and in FY23, our clients granted $129 million to the charity sector, up from $120 million in FY22.

$3.3b
in FUA on behalf of philanthropists

$129m
granted to the charity sector by our clients in FY23

Encouraging best practice grant making

Each year, Perpetual Group encourages not-for-profit organisations across Australia to apply for funding through our IMPACT Philanthropy Application Program (IPAP). The process supports the grant-making decisions of many of our philanthropy clients.

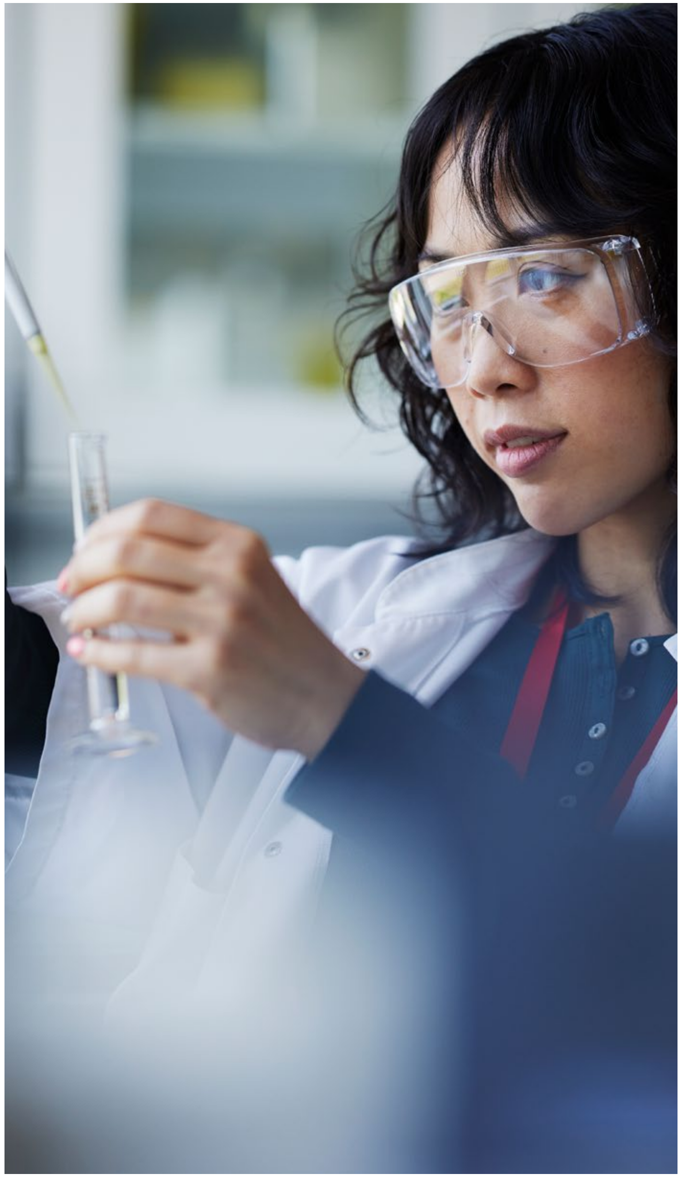
IPAP has a rigorous and best-practice assessment process used to score organisations based on their leadership, strategy, capability and outcomes. Eligible organisations with the highest score are recommended for funding to our philanthropy clients with an impact and values alignment.

In FY23, a total of $38 million was allocated to community organisations through the IPAP process, of which $29 million was distributed. This is up on the $34 million allocated in FY22, due to an increase in multi-year commitments, additional funds committed from our clients, and the funds invested in having higher distribution of income due to the higher interest rate environment. Health and medical research, and the social and community wellbeing sectors received the highest proportion of funding.

Post COVID-19, philanthropists have taken the opportunity to refine and review their strategies. They are once again focusing on global long-term strategic giving, rather than the reactive, hyper-local focus required to support vulnerable communities throughout the pandemic. There is a growing interest and focus on supporting organisations who are tackling climate change, as younger generations become more involved with their family philanthropic foundations.

Perpetual Foundation

The Perpetual Foundation has a total value of $357 million and in FY23, distributed $13.4 million to over 400 community organisations, down from $14.1m distributed in FY22. There are over 320 endowments, or sub-accounts, within the Perpetual Foundation.



Our memberships, certifications and partnerships

PHILANTHROPY AUSTRALIA

Providing long-term support for the not-for-profit sector

A strong and effective not-for-profit sector is critical to address key social and environmental challenges important to us all. We help our not-for-profit clients with investment management, quality governance and capacity building, supporting more than 150 not-for-profit clients with over $1.65 billion of FUA in the sector.

The not-for-profit sector has faced challenges throughout FY23. A rise in the cost of living has seen donations impacted as donors re-prioritise their income towards household essentials. While demand for support and services from community organisations has increased, not-for-profit organisations themselves are trying to mitigate the rising costs of goods and services on their operations. They too face higher costs that make delivering programs, securing capital, equipment and retaining skilled staff more challenging. Volunteer numbers are down but operating needs continue to rise, from cyber security investment to attracting staff who can liaise with government and understand public policy.

We invest in training and research that builds capacity across the charity sector using annual distributions from two Trustees Endowments within the Perpetual Foundation and Centenary Foundation, both established with Perpetual Group's corporate funds. Together these Trustee Endowments distributed $586,690 in FY23, funding capacity building and scholarships within the for-purpose sector. This has decreased compared to the FY22 figure of $699,000.

Case study

Values-based philanthropy and investment

In September 2022, we hosted global philanthropy experts Heather Lord-Newbury and Sawako Clarin in Australia as part of our partnership with the Stanford Centre on Philanthropy and Civil Society. Heather and Sawako ran a series of 11 philanthropy workshops with private clients, philanthropists and sector leaders around the country. They provided insights into global philanthropic trends, as well as discussing values-aligned philanthropy and the importance of ensuring that family giving strategies align with all aspects of family investment, wealth management and community support.

These activities and workshops are included in the philanthropy toolkit, which our Community and Social Investment team created in partnership with Stanford. The toolkit helps philanthropists assess not-for-profits, identify the ones that are best aligned to the causes that matter most to them and to keep track of their giving.

Case study

Advancing healthcare through family philanthropy

The Percy Baxter Charitable Trust has been managed by Perpetual since 1949. Members of the Baxter family continue to act as Trustee to this day and have worked alongside Perpetual over the years to fund Australian charities in the social welfare and medical research sectors.

In FY23, the Percy Baxter Charitable Trust made significant commitments to two initiatives totalling $3 million over three years. The first recipient is the Burnet Institute for the Australian Institute for Infectious Diseases (AIID), who are creating a world-leading research centre in infectious disease with the goal of protecting human health and preventing future pandemics. The commitment to the AIID will support much-needed International Organisation for Standardisation (ISO) certified laboratories which are essential for the rapid production of proteins to make novel vaccines.

The other grant is dedicated to The Florey Institute for Neuroscience and Mental Health, who are working on dementia research using mRNA technology. The funding from the Trust will be used by the Florey Institute to establish the program infrastructure, including dedicated research staff and equipment. This will strengthen a patient-centred collaborative partnership between researchers, clinicians, and consumers.

This continues a long tradition of The Percy Baxter Charitable Trust as early investors in key medical research institutes and technology in Victoria.

> "The mRNA technology is a new horizon in medicine with huge potential to treat diseases that we've never been able to before. We've also chosen to support dementia as the instances are increasing with an aging population. There is great hope that we can develop drugs to treat this in future."
>
> Dr John Baxter,
> Chair of The Percy Baxter Charitable Trust

Investing in communities

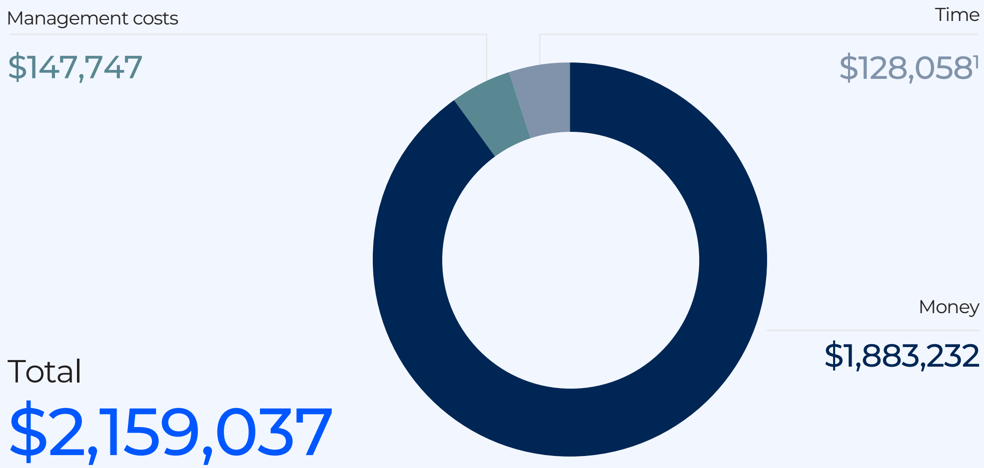
To hold ourselves accountable for our community giving and social impact, Perpetual Group has made a commitment to give equivalent to 1% of our underlying profit before tax through community giving and volunteering.

We measure community giving and volunteering using the Business for Societal Impact (B4SI) framework, which measures the financial value of our voluntary support for organisations that have a charitable purpose. This includes cash donations, memberships and sponsorships of community organisations, employee volunteering time and management costs associated with community giving activities.

Based on the B4SI framework, our total community giving and volunteering in FY23 was equivalent to $2.16 million, down from $2.4 million in FY22. This is equivalent to 0.98% of our FY23 underlying profit before tax, just below our target of 1%. Our community giving in FY23 included $1.88 million of cash donations and memberships or sponsorships of organisations with charitable purposes, and the equivalent financial value in time of 1,524 hours spent by our people volunteering with community organisations.

Following external review and verification of our community reporting, we have improved our reporting methodology, excluding some memberships, which are predominately employee or business focused, and only including part of our sponsorship funding of community causes to account for the commercial benefit of a portion of that funding. This methodology change is one factor for the reduction from FY22. Our community giving and employee volunteering hours have also been impacted, as we have brought together our businesses this year.

Chart 4 – Community giving



1. Equivalent financial value of time spent volunteering in business hours.

In Australia, Perpetual Group has a partnership with the LifeChanger Foundation, a preventative mental health and wellbeing non-profit that empowers young people to live thriving, resilient lives. The organisation uses pre-emptive, early intervention programs to build young people's self-esteem, self-awareness and positive self-identity.

We are now in the third year of a three-year partnership, where we have committed to provide $150,000 annually to help LifeChanger provide their critical programs into schools in New South Wales (NSW), Australia. Through our funding in FY23, LifeChanger has conducted over 258 workshops in NSW alone, reaching over 4,900 young people. In September, a combined $15,500 was raised by employees and through a matched corporate donation by the Perpetual Group for LifeChanger's 21-day step challenge, KMs4Kids. This placed us as the top Financial Services fundraiser, and in the top five organisations taking part.

Community giving across our asset management boutiques

The Pendal team in Australia has an ongoing charity partnership with the Running for Premature Babies Foundation, which continued during the year. This funds equipment and research projects dedicated to advancing the care of premature babies.

In FY23, Pendal contributed $20,000 to the Foundation.

Trillium has committed to giving at least 1% of gross revenue to support not-for-profit organisations that are in alignment with the firm's mission and values. In addition to larger charitable donations made by Trillium, all employees are offered the opportunity to direct US$1,000 (AU$1,508)[1] annually towards a not-for-profit organisation of their choice. When donations were made in November 2022, all Trillium employees participated.

At TSW, many associates serve on investment committees and boards of not-for-profit organisations. Team members are encouraged to volunteer, and the firm gives donations to local and global not-for-profit organisations. Recently a team of TSW associates volunteered with Ronald McDonald House in Richmond, Virginia and prepared lunches for the families currently residing in the home. Ronald McDonald House assists families of children receiving medical treatment in the Richmond area by providing aid, like temporary housing, transportation and meals.

Barrow Hanley partners with STREAM, which engages with students from underserved communities. This provides internships and scholarships to people from diverse backgrounds, promoting awareness of careers in asset management and how to pursue them. In the UK, J O Hambro have ongoing partnerships with the 2 Minute Foundation, which tackles litter and waste two minutes at a time, and RedStart, a charity that delivers financial education for primary-school children.

Case study

Helping our local communities in Singapore

In May 2023, the Perpetual Singapore team volunteered at Willing Hearts, a not-for-profit organisation run by volunteers to provide meals to vulnerable people in Singapore. Willing Hearts supports the elderly, disabled, low-income families and migrant workers, ensuring they all have access to nutritious food. The charity distributes about 7,000 daily meals to over 70 locations across Singapore, 365 days a year.

The team spent the afternoon sorting out food items and providing a helping-hand in the kitchen, preparing and packing meals for that evening. Not only was this a great way to help the local community, but everyone also agreed that volunteering gave them the opportunity to spend quality time as a team together again.

1. A conversion rate of AUD:USD – 0.663 at 30 June 2023 has been used.

Taking action against modern slavery

Modern slavery exists in every region and country around the world. Global issues such as conflict, climate change, increased consumerism and inequality are linked to the rise in modern slavery, which exploits the most vulnerable groups in society.[1] Perpetual Group is committed to taking action through awareness, advocacy and collaboration.

Building on the improvements made previously to our modern slavery risk assessment and due diligence processes, over the last year we have focused on undertaking engagement with investment holdings that were identified as at higher risk of having modern slavery within their businesses or supply chains. During FY23, we conducted engagements with high-risk investment holdings either through direct engagement in investor meetings or through writing letters. We have also engaged with multiple suppliers on modern slavery, either based on our risk assessment or prior to executing a contract.

We recognise the responsibility we have as an investor to manage these risks on behalf of our clients and the opportunity that effective engagement can have to raise awareness and improve practices on modern slavery.

A key area of focus has also been to integrate our new businesses into our modern slavery procedures. Our FY23 Modern Slavery Statement, to be published in December 2023, will cover all businesses across the Group. We have also engaged with our new businesses to build awareness of our approach to manage modern slavery risks and to understand each of our boutique's approaches.

Laying the foundations for a human rights framework

The evolution of legislation relating to human rights, as well as transparency reporting laws, signals that companies will need to implement comprehensive due diligence systems.[2] We are committed to developing and implementing a Global Human Rights Framework by FY25.

In FY23, Perpetual Group received no complaints or grievances related to modern slavery or human rights concerns.

We continued to incorporate analysis of labour rights violations that can be leading indicators of modern slavery as part of our modern slavery due diligence process and in FY24, we plan to review our legal contract clauses and existing due diligence processes to determine the most effective way to incorporate human rights across our business.

We are focused on increasing awareness within our company about the importance of modern slavery and human rights, through avenues such as video updates from our Sustainability and Modern Slavery Manager, which are available to all of our employees on our intranet site as well as being shared with Corporate Trust clients.

1. Source: Global Slavery Index 2023.
2. Source: Business & Human Rights Resource Centre.

Key Performance Indicators (KPIs)

Table 5: KPIs for Governance pillar

Governance

Metric	Unit	FY23	FY22	FY21	Target
Client advocacy	NPS	+57[1]	+49	+44	Maintain +40 NPS
Complaints	Number of complaints	2,813[2]	1,024[3]	164	
Median length of time to close a complaint	Days	31	39	37	

1. The NPS surveys for most client segments were undertaken from the last week of April 2023 until the closing date of 22 May 2023. This was prior to the IT security incident described on page 21. This impacted clients who normally transact through myPerpetual during the extended outage of that service and therefore may have impacted the score had it been conducted after this event.
2. The increase in complaints in FY23 principally reflects the impact of the IT security incident and associated technical outage that occurred in early June 2023, with 1,051 of the complaints received during FY23 raised with us during the month of June 2023.
3. ASIC mandated changes to complaints handling standards for financial firms that took effect in October 2021. Amongst other things, these standards require that all expressions of dissatisfaction raised by our clients or prospective clients, where there is an implicit or explicit expectation of a resolution or response are logged as complaints. This changed how we capture and report on complaint volumes, as previously, complaints that were closed immediately upon receipt or shortly thereafter were not systematically recorded. Additionally, in the interests of making it easier for our clients and prospective clients to raise a complaint with us, we have sought to make our complaints handling processes more accessible to our clients. As such, data reported in FY22 was not comparable to previous years.

Table 6: KPIs for Planet pillar

Planet

Metric	Unit	FY23	FY22	FY21	Target
Scope 1 emissions	TCO_2e	43*	11[1]	N/A	Carbon neutral operations by FY23
Scope 2 emissions (location based)[2]	TCO_2e	1,514*	1,298[3]	1,484	100% renewably powered operations by FY25
Scope 2 emissions (market based)[4]	TCO_2e	242*	1,276[3]	N/A	
Scope 3 emissions from operations	TCO_2e	22,120*[5]	2,425	N/A	Carbon neutral operations by FY23
Energy intensity per FTE in Australian offices	MWh per FTE	1.297[6]	1.312[7]	1.564	Reduce by one third by FY30 (FY21 baseline)
Energy use in Australian offices	MWh	1,815	1,542[7]	1,564	
Paper purchased for printing in Australian offices	Tonnes	9	6	9	Reduce by 50% by FY25 (FY21 baseline)
Waste to landfill in Australian offices	Tonnes	16[8]	N/A	N/A	Reduce by 10% by FY26 (FY23 baseline)

* Included in limited assurance scope as referenced on page 8.

1. Restated to include new Scope 1 emissions sources.
2. Scope 2 location-based emissions calculated using the average emissions intensity of the grid.
3. Restated to account for reduced Scope 2 emissions from electricity usage based on actual data collected from one of our global offices rather than estimating the data.
4. Scope 2 market-based emissions calculated using emission factors from contractual instruments. This is a new metric in FY22 so there is no prior year data.
5. This increase is primarily because of an increase in the boundary of our Scope 3 operational GHG reporting methodology. To prepare for Climate Active certification and to continually improve our environmental reporting approach, in FY23, we conducted a review of our emissions boundary, aligning to guidance provided in GHG Protocol standards. As a result we have updated our GHG reporting methodology to include new Scope 3 emissions sources for the first time, such as those associated with our waste and water usage; accommodation for business travel; employees working from home; and some capital expenditure and purchased goods and services. For Scope 3 categories 1 and 2, a relevance test was undertaken based on the Climate Active Carbon Neutral Standard for Organisations to determine relevant emissions sources within those categories. The following sources were excluded based on that relevance test: Professional Services, Construction Materials and Services; Food; Cleaning and Chemicals; Newspapers, journals and periodicals.
6. The energy usage per FTE KPI divides total energy usage in our Australian offices in FY23 by total FTE employees in Australia as at 30 June 2023. Based on this methodology, consistent with prior year reporting, it means including energy usage for six months for the new Pendal businesses in the numerator for the calculation, while all Australian Pendal FTE employees as at 30 June 2023 are included in the denominator. This means the intensity figure is lower than if there was a full year of Pendal energy usage.
7. Restated to account for a full year of a serviced office in Canberra.
8. New metric in FY23. Excludes e-waste and waste from office refurbishments. Where we have received partial year data for one site, we have estimated based on the average monthly usage for that site. For two of our small sites where we do not currently have waste data, we have estimated their waste to landfill based on FTE using a comparably sized site. Where we share a floor with another tenant and only have waste data for the whole floor, we have estimated our portion based on our share of net lettable area. A full year of waste to landfill data for the Pendal Australian offices has been included to give a more representative baseline for our waste to landfill reduction target.

Table 7: KPIs for People pillar

People

Metric	Unit	FY23	FY22	FY21	Target
Women in senior positions globally	%	34%	34%	36%	40%+ women in leadership globally by FY24
Female representation in Perpetual Group's investment professionals in Australia	%	19%	20%	22%	Increase to 25% in Australia by FY24
Our people feel that Perpetual Group welcomes diverse people and views*[1]	% of people	79%	79%	76%	80% by FY24
Our people feel that Perpetual Group supports their wellbeing*[2]	% of people	70%	70%	66%	75% by FY24
Our people would recommend Perpetual Group as a great place to work*[3]	% of people	69%	71%	68%	75% by FY24
Our people tell us they have grown professionally in the past 12 months*[4]	% of people	58%	60%	NA	70% by FY24
Our people feel positive about working at Perpetual Group*[5]	% of people	55%	56%	58%	
Safety incidents[6]	Number of incidents	12	4	7	
Annual turnover of high performers	% of people	9%	9%	4%	
Annual voluntary employee turnover	% of people	10%	17%	12%	

* Mood monitor metrics are reported as Financial Year Annual Averages to allow for comparison year on year and to reduce effects of seasonal variability.

1. Employees who answered strongly agree and agree in our mood monitor survey when asked whether Perpetual welcomes diverse people and views.
2. Employees who answered strongly agree and agree in our mood monitor survey when asked whether Perpetual supports their wellbeing.
3. Employees who responded highly likely and likely in our mood monitor survey when asked whether they would recommend Perpetual as a great place to work.
4. Measured for first time in FY22. Employees who responded strongly agree and agree in our mood monitor survey when asked whether they have grown professionally in the past 12 months.
5. Employees who responded great or good in our mood monitor survey when asked how they are feeling about working at Perpetual.
6. Accidents, injuries and near misses that occur at work.

Table 8: KPIs for Communities pillar

Communities

Metric	Unit	FY23	FY22	FY21	Target
Community giving and volunteering (total)[1]	AUD equivalent (million)	$2.16[2]	$2.38	NA	1% of underlying profit before tax
Community giving and volunteering (% of underlying profit before tax)	% of underlying profit before tax	0.98%	1.2%	NA	
Grants from Perpetual Foundation and Centenary Foundation Trustees Endowments	AUD	$568,690	$699,100	$570,000	

1. In FY22, we aligned our reporting on community giving with the B4SI framework. This includes cash and in-kind donations, matched giving of staff fundraising, management costs associated with community giving activities, employee volunteering time and memberships and sponsorship of community organisations.
2. Following external review and verification of our community reporting, we have improved our reporting methodology, excluding some memberships, which are predominately employee or business focused, and only including part of our sponsorship funding of community causes to account for the commercial benefit of a portion of that funding. This methodology change is one factor for the reduction in community giving reported from FY22. Our community giving and employee volunteering hours have also been impacted, as we have brought together our businesses this year.

Perpetual GROUP