Perpetual Private

Responsible Investment Policy

December 2023

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As a trustee company, supporting our clients for 135 years, our commitment has always been to earn trust through every action, every day and we continue to seek to build a sustainable future for our clients, our people and the communities we support. Increasingly, our clients want to invest with purpose, seek alignment with their values, and in a way that, at a minimum, does no harm. At Perpetual Private, we believe that Environmental, Social and Governance (ESG) issues should be considered as part all investment analysis and decision making as we believe it is a key component to building long-term sustainable value.

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Purpose

The purpose of the Responsible Investment (RI) Policy ("the policy") is to set out Perpetual Private's approach for how we consider Environmental, Social and Governance (ESG) factors as part of our investment decision-making and ownership practices. The policy applies to members of the Perpetual Private Investment Research team, who are collectively responsible for investments recommended to our clients through the provision and execution of financial advice. It incorporates the product structures, entities, and investment portfolios applicable to the Perpetual Private business.

Our Responsible Investment Beliefs

We have developed a core set of responsible investment beliefs that are integral to how we invest and shape the way our investment research team makes decisions.

1. **Sustainable**

   We believe that promoting more **sustainable economic growth** should translate to more attractive risk adjusted returns over the long term.

2. **Integrated**

   We believe the most effective way of incorporating ESG factors into a portfolio is by embedding it into the **investment decision making process**.

3. **Varied**

   We believe ESG factors can be **applied across most asset classes**, but the extent that they can be implemented will vary.

4. **Material**

   We believe **ESG risks** can have a **material impact** on long-term portfolio outcomes and therefore must be managed appropriately.

5. **Proactive**

   We believe **corporate engagement** and **shareholder action** can have a positive impact on companies' behaviours and so it is important to engage with companies on ESG issues and exercise share voting rights.

6. **Selective**

   We believe that **negative screens** should be reserved for the worst offenders as restricting the investment universe by too much could have adverse impacts on total portfolio risk & return and will reduce the ability for engagement.

Our Responsible Investment Framework

At Perpetual Private, our Responsible Investment Framework is a holistic strategy and practice that incorporates ESG factors in investment decisions. We believe 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.

Our Responsible Investment Framework

1. ESG Integration

As a signatory to the United Nations Principles for Responsible Investment (UNPRI), Perpetual Private integrates ESG issues into all our investment analysis and decision-making processes with the aim of achieving better and more sustainable investment outcomes, over the long term, for our clients. Where we hold direct assets, such as Australian Equities, ESG factors are considered where we believe those factors are material to the current or future financial performance of the asset.

The table below outlines some examples of the ESG factors that we consider as part of our integration process.

Environmental

- Climate change
- Pollution and waste
- Green energy transition
- Natural resource scarcity

Social

- Modern slavery
- Gender diversity
- Human rights

Governance

- Board composition
- Executive compensation

Manager Selection Process

The Perpetual Private manager selection process integrates ESG considerations as part of the due diligence of all investment managers. Part of our approach is to understand how these managers identify and manage ESG opportunities and risks. This may include:

- Monitoring appointed investment managers' ESG policies and how they incorporate ESG risk factors into their process.
  - Where mandates have been implemented, this will involve a look through to the underlying holdings. If there are any holdings that do not appear to align with a manager's ESG policy, we will seek explanation.
  - For funds, we seek and review reporting from the managers.
- Evaluating the ESG profile of our investments, where possible or applicable. For example;
  - it is not possible to assess closed end structures that are yet to make an investment; and,
  - it is not applicable to assess hedge funds that predominantly invest in futures and derivatives.
- Reporting annually on our approach and implementation of responsible investing
- Reviewing ESG policies as markets, legislation, regulation and clients' needs change.

2. Screening

Exclusion vs Divestment

At Perpetual Private we believe the most effective ESG approach includes a combination of divestment and active engagement. This should include a quantitative and qualitative assessment only removing securities where engagement is deemed unviable. This is because exclusionary screens alone can have negative as well as positive implications as divesting from companies or excluding whole sectors can:

- Reduce the ability for investors to have influence over a company's behaviour
- Reduce the ability to engage and create meaningful change
- Limit and restrict the investable universe to a level which could increase volatility and impact returns
- Exclude industries that are required for long term sustainable growth

We believe ESG factors can be successfully incorporated into the investment process for all asset classes to help manage these risks and promote more sustainable economic growth.

Tobacco

In January 2019, Perpetual Private removed companies in the Global Industry Classification Standards (GICS[1]) Industry classification Tobacco (302030) – from our direct equity and externally managed investment mandates (where applicable in multi-manager implemented portfolios). As a result of this change, manufacturers of cigarettes and other tobacco products are not eligible for inclusion.

[1] GICS is a method developed by MSCI and Standard & Poor for assigning companies to a specific economic sector and industry group that best defines its business operations.

Australian Direct Equities

All our approved investments undergo a rigorous selection process and must satisfy our quality filters, which includes an assessment of ESG risks we believe are material to the current or future financial performance of an investment, before being recommended to client portfolios. Our screening process then allows us to exclude securities from the portfolio.

This approach can be tailored to incorporate clients' own views and beliefs on screening.

3. Active Ownership and Engagement

We believe that Perpetual Private has a duty, as an investor and owner/manager of assets on behalf of our clients, to act as a responsible steward of capital using dialogue and our shareholder rights to act in the best financial interests of our clients.

We delegate shareholder voting to the managers we invest with. Therefore, as part of our manager selection process we assess voting policies to ensure their approach considers the best financial interests of investors and aligns to our policies.

In the case of Australian direct equities, we believe that the most effective engagement with a company on specific issues is through direct discussions with senior management and/or the board of directors. We also exercise our shareholder votes where practicably possible.

4. Thematic Investing

Thematic investing involves identifying the elements of ESG that are most meaningful to individual clients and selecting investments based on their ability to drive the development of those themes. These themes can differ between individuals or organisations and as such, tailoring is often required.

This type of investing is not without its risks. For example, it can result in a higher concentration in individual sectors which will lead to more cyclical performance. This can result in periods where the portfolio can substantially differ from the broader market. We therefore do not believe it is appropriate to apply this approach to all portfolios.

Where a client is looking for specific values aligned investment options, we have a range of approved sustainable funds that can be blended as appropriate.

Climate Change

At Perpetual Private, we believe that climate change creates both investment risks and opportunities and as such, reflects the need for an orderly transition to a climate resilient economy. We acknowledge, in line with the best available science on the impacts of climate change, there is an urgent need to transition towards global net zero emissions and that asset managers and owners can play a significant role.

To support this transition, we aim to guide clients and stakeholders through the risks and opportunities of a net zero future[2] and reduce our own organisational carbon footprint. For example, the Perpetual Group is committed to having 100% renewable powered operations by FY25[3].

Our current approach to navigating the risks and opportunities of a net zero future across portfolios includes:

- Assessing managers' approach to climate change, where relevant.
- Engaging with managers on how best to achieve net zero portfolio alignment.
- Measuring and disclosing the climate risk and carbon footprints of our portfolios.

Mining Responsibly

There is a growing understanding of what needs to be done to minimise climate change and a recognition of the industrial and technological change required to achieve it. We acknowledge that a need for 'green' minerals – the minerals that will be required to operate the technology to support a transition to net zero – as being critical for a successful transition to a low carbon economy.

Perpetual Private has never held the view that extracting natural resources is an unpalatable investment, in and of itself. The issue has been that it has needed to be done more responsibly. In other words, mining that considers all stakeholders and takes account of its environmental impact.

The mining industry over the last decade has evolved to incorporate ESG factors into standard operating models and strategies. Some companies have made more advances than others, and this is enabling us to take a closer look at the sector through a responsible investment lens. We believe that if we direct capital to where it is needed then society can benefit from ensuring positive change.

Modern Slavery

We recognise we have a responsibility to reduce the potential for harm caused by modern slavery as it relates to our business and our investments on behalf of our clients. As part of our reporting under the 2018 Commonwealth Modern Slavery Act, Perpetual's Modern Slavery Statement outlines our approach to identify and assess the risks of modern slavery and the actions we are taking internally to manage those risks. This approach has been formalised in our Modern Slavery Framework and is facilitated by a dedicated working group which oversees our activities on this important issue.

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[2] By net zero, we mean a future where we have achieved a balance between the greenhouse gases put into the atmosphere and those taken out.

[3] Perpetual's Prosperity Plan

UN Sustainable Development Goals

The United Nations Sustainable Development Goals (SDG) recognise that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests. Whilst we do not specifically use these goals as a framework for our investing, we will consider them when assessing and reporting on our approach.

Industry Collaboration

Perpetual Private is a signatory to the United Nations Principles for Responsible Investing (UN PRI), joining in 2017 and Perpetual as a firm has been a member of the Responsible Investment Association of Australasia (RIAA) in 2012.

Signatory of: PRI Principles for Responsible Investment

riaa Responsible Investment Association Australasia

Governance, Reporting and Review

Scope

Perpetual Private makes active investment decisions for single and multi-asset class multi-manager funds and portfolios, as well as recommendations of managed and listed securities via model portfolios and the Approved Product List. Perpetual Private invests globally through a range of different asset classes and therefore requires a responsible investment approach that applies to all investment activities. The way responsible investment is applied will differ depending on the investment characteristics of each strategy.

The policy applies to all Perpetual Private investment management services, regardless of the client or jurisdiction. The policy has been endorsed by the PTCo Investment Committee which is a delegated board committee of various Perpetual entities, including Perpetual Investment Management Limited (PIML).

Roles and Responsibilities

Key responsibilities for the maintenance and implementation of this policy are outlined below:

Perpetual Investment Management Limited (PIML)	Retains ultimate responsibility for governing advice, investment management and trustee duties.
Perpetual Private Investment Committee (PP IC)	The delegated authority for PIML which will approve and monitor against this policy.
Perpetual Private Investment Research Team (PPIRT)	The Investment Research team will manage investments and ensure on-going compliance with the policy.

The Perpetual Private Investment research team is responsible for the Responsible Investment related reporting and review of all Perpetual Private portfolios. This includes:

- Ensuring ESG factors are appropriately considered throughout the entire investment process.
- Ensuring this policy is implemented.
- Ensuring we report annually on our progress and approach to Responsible Investment.
- Monitoring of each appointed external investment manager’s ESG policy and incorporation of ESG risk factors into their decision-making processes.
- Reviewing this policy if relevant legislation or regulation requires change.

Find out more

Contact your financial adviser or call Perpetual Private: 1800 631 381
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Perpetual