

Perpetual and responsible investment

2010 Report on progress



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Contents

Introduction	2
Perpetual Investments and responsible investing	2
Our approach to responsible investment	3
Implementation workstreams	4
Perpetual's RI framework elements	4
Our starting point – 2009 performance score card	5
2010 summary of progress	7
The year ahead – goals for 2011	8
2010 detailed review	9
Define	9
Influence	9
Support	11
Test and demonstrate	11
Assess and improve	12
Feedback and questions	13

Introduction

Perpetual Investments and responsible investing

With our roots as a trustee dating back to 1885, Perpetual has a long and proud history of helping people protect, manage and grow their wealth. Today Perpetual manages over \$27.5 billion dollars (as at 31 December 2010) in our investment management business (Perpetual Investments) on behalf of retail, wholesale and institutional investors. We do this across the following asset classes:

- Australian equities
- Global equities
- Listed and unlisted property securities
- Credit and fixed income (including mortgages)
- Fund-of-funds (multi manager) and
- Diversified funds.

In October 2009, Perpetual Investments became a signatory to the United Nations Principles for Responsible Investment (PRI) (also known as the UNPRI). The PRI provide a basic framework for integrating environmental, social and corporate governance (ESG) considerations into investment decision-making and ownership practices.

To us 'responsible investment' has always meant understanding and actively managing factors that can affect the value of our clients' investments. Our proven investment style and process focuses on quality and value. The PRI's framework is consistent with this investment philosophy, because ESG factors can affect both quality and value measures. In this way we have been managing ESG related investment risks for as long as we have been managing our clients' investments.

Being a signatory to the PRI also recognises the growing social and political expectation that the companies we invest in conduct themselves responsibly and sustainably. If companies do not meet these expectations our clients' investment returns may be compromised through increased reputational, legal and regulatory risks or missed business opportunities. As the prevalence and complexity of these issues grow, so must our ability to understand and quantify their effects.

This report describes our progress since becoming a signatory and our plans for the coming year.

Information on the PRI can be found on the website www.unpri.org. The six principles are:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

Our approach to responsible investment

Perpetual's long held and proven investment philosophy is the foundation on which our investment business is built. While the consideration of ESG factors was implicit in our philosophy, it was mostly done informally. We spent considerable time prior to becoming a signatory to the PRI, confirming that the principles fit with our philosophy and whether a more explicit approach to ESG would add value to our investment processes.

To do this we started by understanding what responsible investment (RI) meant to us and imagining what an effective approach to RI would require. We not only looked at our competitors and the PRI to develop this vision, we also considered what investing in a world with a changing climate, significant demographic shifts and resource constraints would demand of us. This work later became the heart of our RI framework and policy.

On becoming a signatory to the PRI, we created a new position of Manager, Responsible Investment and Sustainability whose role it is to design, implement and maintain an RI framework that embeds our approach and philosophy to responsible investment within our existing investment practices.

The RI framework was approved in May 2010 and is described on the following page with more information available on Perpetual's website. The framework describes the governance structures, objectives and organisation of Perpetual's RI implementation activities which we will implement over the next two to three years.

Diagram 1 – RI framework in action



Implementation workstreams

We have divided implementation activities into four workstreams. Each workstream is focused on a particular stakeholder group and takes up a quarter segment of the diagram on the previous page. The workstreams are:

Work stream	Stakeholder	Objective
ESG investment stream (Principle 1)	Perpetual's investment managers	<ul style="list-style-type: none"> ▪ Increase education and awareness of the impact of ESG issues on company valuations with portfolio managers and analysts. ▪ Embed ESG considerations and assessment in our investment management process so analysts routinely consider this when determining the quality and value of assets. ▪ Build reporting infrastructure to demonstrate ESG is considered as part of our investment process.
ESG engagement stream (Principle 2 & 3)	Investee companies and managers	<ul style="list-style-type: none"> ▪ Engage investee companies and managers to better understand their methods for assessing, managing and disclosing ESG risks and opportunities. ▪ Raise concerns on current approaches to managing ESG risk and opportunities so as to encourage improved performance and disclosure.
Industry collaboration stream (Principle 4 & 5)	Investment management and other related industries	<ul style="list-style-type: none"> ▪ Increase acceptance of RI practices across the industry. ▪ Contribute to the development of industry standards for good practice. ▪ Collaborate to increase our collective understanding of the investment implications of critical ESG issues like climate change.
Reporting stream (Principle 6)	Perpetual internal management, clients and the public	<ul style="list-style-type: none"> ▪ Ensure that our internal and external stakeholders can easily track our progress. ▪ Drive performance improvement through transparent public reporting.

While we have internal goals and measures for each workstream, the ultimate test is when we are benchmarked against our peers through the annual United Nations (UN) self-assessment process. Our scores and goals for our first assessment process are detailed in the following section.

Perpetual's RI framework elements

The RI framework also includes five key elements that give each workstream and the entire programme a unifying structure – they are the DNA of our approach to responsible investment. By having each workstream share the same five elements, we are able to work more flexibly on a range of initiatives while being confident that all activities are contributory and aligned to the broader programme. If a proposed initiative does not have one of these elements, we don't do it.

The framework elements are represented by the rings in the framework diagram on the previous page and are set out below.

- **Define** Perpetual's approach to ESG integration, governance and accountability through documented policies.
- **Influence** target stakeholders over time by creating or sourcing high quality information and developing key relationships.
- **Support** ESG integration (and monitoring) by designing and implementing efficient processes and tools.
- **Test and demonstrate** the success of ESG integration by designing and implementing monitoring processes and internal and external reporting requirements.
- **Assess and improve** Perpetual's approach to ESG integration implementation by establishing robust and transparent governance, reporting and feedback systems.

Throughout this report we focus on the five framework elements because they most clearly show how the different streams of work come together into a cohesive approach. However, we have also tagged each activity to show which workstream it relates to. The tags are:

- ALL – All workstreams ALL
- INV – Workstream 1 ESG Investment INV
- ENG – Workstream 2 ESG Engagement ENG
- COL – Workstream 3 Industry collaboration COL
- REP – Workstream 4 Reporting REP

Our starting point – 2009 performance score card

Each year in May, PRI signatories complete an unaudited self-assessment survey which is used to draft the annual PRI Report on progress and to provide personalised benchmark reports to each signatory.

The PRI Benchmark report compares signatories' performance on an overall assessment of governance, policy and strategy, as well as on implementing each of the six PRI. The most recent report was completed in May 2010 and covered the period from 1 January 2009 to 31 December 2009. We received our benchmark report results in November 2010.

Below we provide our score, median and quartile performance against Australian investment managers (IMs) (cohort of 48 IMs), and our quartile goal for the next two reports which are to be completed in May 2011 (covering the 2010 calendar year) and May 2012 (covering the 2011 calendar year). We also include our quartile performance against all IMs (cohort of 260) and mainstream¹ IMs (cohort of 192).

As Perpetual became a signatory on 21 October 2009 (ie two months before the end of the reporting period), these scores represent our starting point.

Governance, policy and strategy (data current to 31 May 2010)

This was a very pleasing result in our first year and demonstrates that our focus on the define, influence and reporting elements has provided us with a strong foundation.

ALL

2009 performance score		2009 quartile performance		
Perpetual	Median	Aust IMs	All IMs	Mainstream IMs
75	78	3rd quartile	3rd quartile	2nd quartile
Perpetual's quartile goal v Aust IMs performance				
2010		2011		
2nd quartile		1st quartile		

Principle 1 – we will incorporate ESG issues into investment analysis and decision making processes

Investment managers² have rated Principle 1 to be the most difficult of the principles to implement. Our appointment of ESG research providers in 2010 was an important step towards this goal and will support further enhancements in 2011.

- 1 Mainstream IMs are investment managers who are not focused solely on ESG themed or values based products.
- 2 2009 – Knoepfel, Hagart – Future Proof? Embedding environmental, social and governance issues in investment markets.

INV

2009 performance score		2009 quartile performance		
Perpetual	Median	Aust IMs	All IMs	Mainstream IMs
33	57	4th quartile	3rd quartile	3rd quartile

Perpetual's quartile goal v Aust IMs performance	
2010	2011
3rd quartile	2nd quartile

Principle 2 – we will be active owners and incorporate ESG issues into our ownership policies and practices

While we had reasonable policy settings in place, we are not collecting engagement statistics for reporting purposes. This is true of ESG and non-ESG issues alike. Future monitoring of ESG engagement will rely on the monitoring of ESG investment activities and should result in improved scores.

ENG

2009 performance score		2009 quartile performance		
Perpetual	Median	Aust IMs	All IMs	Mainstream IMs
47	68	4th quartile	3rd quartile	3rd quartile

Perpetual's quartile goal v Aust IMs performance	
2010	2011
3rd quartile	2nd quartile

Principle 3 – we will seek appropriate disclosure on ESG issues by the entities in which we invest

We did not receive a score for Principle 3 as during the reporting period we did not have a policy or monitoring system in place in relation to ESG disclosure. While one-on-one engagement is important in encouraging better disclosure, we believe consistent and comparable disclosure will more likely come from industry, stock exchange and regulator involvement.

ENG

2009 performance score		2009 quartile performance		
Perpetual	Median	Aust IMs	All IMs	Mainstream IMs
-	70	4th quartile	4th quartile	4th quartile

Perpetual's quartile goal v Aust IMs performance	
2010	2011
3rd quartile	2nd quartile

Principle 4 – we will promote acceptance and implementation of the PRI within the investment industry

Guidance provided by the PRI suggests that actions that could improve our performance for this principle include using ESG criteria when selecting service providers, encouraging and incentivising brokers to provide ESG research and to include ESG criteria in contract arrangements. Throughout 2010 we were active in a number of these areas and expect our score to improve as a result.

COL

2009 performance score		2009 quartile performance		
Perpetual	Median	Aust IMs	All IMs	Mainstream IMs
17	58	4th quartile	4th quartile	4th quartile
Perpetual's quartile goal v Aust IMs performance				
2010		2011		
3rd quartile		3rd quartile		

Principle 5 – we will work together to enhance our effectiveness in implementing the PRI

This was a better than expected result given that we were only a signatory for two months during the reporting period in 2009. We have been active in this area throughout 2010 as we felt it was important to better understand and help shape industry standards and to demonstrate our commitment.

COL

2009 performance score		2009 quartile performance		
Perpetual	Median	Aust IMs	All IMs	Mainstream IMs
46	75	3rd quartile	4th quartile	4th quartile
Perpetual's quartile goal v Aust IMs performance				
2010		2011		
2nd quartile		2nd quartile		

Principle 6 – we will each report on our activities and progress towards implementing the PRI

Principle 3 looks for investment managers to ask companies to disclose data that they are not required by law to do and which may not paint them in the best light. We support this because we believe the information is relevant to investors and will encourage improved performance. The same is true for own disclosure which is required by Principle 6 because transparent disclosure of our RI performance will drive better RI performance. For this reason we have set goals to reach the top quartile for reporting ahead of the other principles.

REP

2009 performance score		2009 quartile performance		
Perpetual	Median	Aust IMs	All IMs	Mainstream IMs
44	58	3rd quartile	3rd quartile	3rd quartile
Perpetual's quartile goal v Aust IMs performance				
2010		2011		
1st quartile		1st quartile		

2010 summary of progress

We became a signatory to the PRI in October 2009. Our RI framework and policy were approved in May 2010. Through this time, we developed a first year plan which was to focus on the define, influence and reporting framework elements as we believed these would lay the most solid foundation for long-lasting and sustainable change. The following table provides a brief summary of milestones completed during the year and an estimation of progress towards our objective.

While some work was also completed on the support, and test and demonstrate elements, these were not as high a priority for 2010, but will be a key focus for 2011.

A detailed review of progress during 2010 is provided from page 9 onwards.

Element	Outcomes	Completed
Define	<p>With a variety of approaches to RI used in the industry, establishing and communicating Perpetual's approach was an early priority. Key milestones were:</p> <ol style="list-style-type: none"> 1. development of Perpetual's Responsible Investment framework 2. development of Perpetual's Responsible Investment policy 3. review and re-write of Perpetual's Governance and Proxy Voting policy 	<p>85%</p> <p>ALL</p>
Influence	<p>Identifying the sources of high-quality ESG information for asset managers and establishing relationships with internal and external stakeholders was also a high priority as it allowed us to understand emerging industry standards and secure the support of senior asset managers. This involved</p> <ol style="list-style-type: none"> 1. the creation of a new position of Manager Responsible Investment and Sustainability and the appointment of Pablo Berrutti to that role 2. a comprehensive tender process and the subsequent appointment of ESG research providers CAER and Reprisk as well as the reappointment of SIRIS 3. joining the Investor Group on Climate Change 4. a series of meetings and/or presentations to clients, research houses and asset consultants on our planned approach, framework and policy 5. the development of a sustainability themed investment mandate for a large institutional client with a particular emphasis on engagement with investee companies 6. engaging the Financial Service Council (FSC) to form an ESG working group which we now chair. 	<p>40%</p> <p>ALL</p> <p>INV</p> <p>COL</p> <p>COL</p> <p>COL</p>
Reporting	<p>Ensuring that internal governance and reporting structures are in place was also a key priority for the year as it ensures that the management and board of Perpetual are engaged and ready to support the process of ESG integration, as well as lead our overall efforts. This involved</p> <ol style="list-style-type: none"> 1. the development of Perpetual's Responsible Investment Framework which includes governance structure, roles and responsibilities and reporting requirements 2. the completion of the first PRI benchmark questionnaire 3. meetings with institutional clients, peers and the Financial Services Council (FSC) to discuss inclusion of ESG requirements in investment management agreements and regular client reporting. 	<p>40%</p> <p>REP</p> <p>REP</p> <p>COL</p>

The year ahead – goals for 2011

In addition to the ongoing work required to maintain the new processes and initiatives implemented in 2010, we aim to achieve the following in 2011.

Define

COL Industry collaboration and reporting guidelines

REP The guidelines will set out:

- the objective of Perpetual's industry collaboration activities in relation to responsible investment
- parameters for collaboration including compliance considerations
- a list of Perpetual's membership to industry groups which are active in promoting responsible investment
- reporting requirements and templates.

Influence

INV Asset Manager job description and goals

Asset Managers to have requirements related to the consideration of ESG factors included in job descriptions and goals.

INV Asset manager training

REP Training (including conferences, seminars, and presentations) to be offered to all asset managers on ESG issues including:

- the issue's background (including scientific basis) and current situation
- drivers for change
- sectoral and company specific impacts
- projections/forecasts including regulatory, environmental, social and financial.

Support

INV Aggregated ESG reporting for asset managers

Following our appointment of ESG research providers we are in the process of developing regular aggregated reporting for asset managers (starting with equity managers) which will provide a snapshot of company ESG risk assessment, issues of concern, and recent broker and other research or news that relates to the company.

Multi manager due diligence

INV Incorporation of external manager ESG capability assessment into the due diligence and monitoring processes for our multi-manager team.

Test and demonstrate

Capture of analyst ESG views (equities)

INV To demonstrate that asset managers are considering relevant ESG issues, and to better report our views on specific ESG issues, we will be developing a process/system where asset manager views are documented, collated and reported. **REP**

Agree reporting and mandate clauses with clients

COL A number of our institutional clients are PRI signatories who have committed to ensuring that investment managers (like Perpetual) are appropriately considering ESG issues. In order to support our clients and demonstrate our performance in this area, we will be working constructively with them to develop ESG reporting and to agree new ESG clauses in investment management agreements.

Assess and improve

Enhanced governance and proxy voting reporting

REP Perpetual has reported basic proxy voting data in line with FSC Standard No. 13 – Proxy Voting for a number of years. As the review of our Governance and Proxy Voting Policy refocused the policy on corporate governance practices, we intend to develop a proxy voting report which also has this focus and discloses additional metrics on how we have voted throughout the year.

2010 detailed review

The following section provides a more detailed look at our activities over 2010.

Define

During 2010 we developed our RI framework and a number of policies. Together these documents clearly articulate how we intend to approach responsible investment.

ALL RI framework

Our RI framework is described earlier in this document, please refer to page 3 for information on the framework. As well as describing the various workstreams, the framework also details the governance structure and reporting requirements which are described later in the report (page 12).

INV RI policy

Our policy, which was approved by all asset management heads, Perpetual's Investment Review Committee and endorsed by the board of Perpetual Limited covers both ESG investment and ESG engagement. For ESG investment, the policy states that:

'It is our policy that, to the extent that information is available, investment managers must understand for each investment they manage:

- what ESG issues the investment is exposed to (risks and opportunities)
- how material the ESG issues are, taking into account industry and individual company exposure
- what impact material ESG issues are likely to have on the value, earnings and future prospects of the investment
- how well ESG issues are being managed, and therefore how likely the possible impacts are to occur.'

ENG Engaging with the management of investee companies, mortgagees and external investment managers on ESG issues is a logical extension of considering these factors when investing. Our RI Policy addresses this by stating that:

'... investment managers have a duty to use their influence as a shareholder/asset manager in order to achieve better investment outcomes over the long term. From an ESG perspective this means encouraging the boards and management of investee companies:

- to have the processes and systems in place to identify and manage relevant ESG risks and opportunities effectively

- to be transparent, honest and accountable, which includes providing the level of disclosure necessary for informed investment decision making
- to implement corporate structures and management incentives which ensure the company is managed in the long-term interests of shareholders (which includes sustainable business practices).'

ENG Corporate governance and proxy voting policy

During the year we also updated our Australian equities Proxy Voting policy and renamed it Perpetual's Corporate Governance and Proxy Voting policy. The updated policy focuses on investee companies' corporate governance practices with proxy voting being one of a suite of engagement tools, rather than an end in itself. These tools are to be used by our fund managers to promote good corporate governance practices and protect our investors' interests.

The Corporate Governance and Proxy Voting policy also details our view on what we consider to be good corporate governance in areas such as shareholder rights, board function, auditor independence and remuneration. The policy states that while we will be mindful of companies' individual circumstances when judging corporate governance practices, our investment managers will use the variety of engagement tools available to them to encourage better practices. The policy is available on Perpetual's website.

ENG Issues management with investee companies policy

Perpetual's asset managers seek to maintain an open dialogue with the companies in which they invest. Where our asset managers have issues with a company's performance (which may include ESG issues) they will attempt to engage with the company in a constructive and positive manner.

However, occasionally issues arise where management does not adequately address the concerns raised. Where the concerns are sufficiently serious, further action may be warranted. This policy sets out examples of these circumstances and how issues are to be escalated. Due to the nature of the policy it is an internal Perpetual policy only.

Influence

INV ESG research

For 2010 the focus has been on research and data, predominately for our equity teams. ESG factors encompass a wide range of complex issues. Some factors, like corporate governance, have existing disclosure requirements for companies and so have considerable data and research available for our asset management professionals. Other factors, like social

issues, have no standardised reporting requirements and so information is often incomplete and not comparable.

In February 2010 we sent out a request for proposal (RFP) to independent ESG research providers and, following an extensive assessment process, we appointed two new providers and reappointed an existing provider. The providers we selected were:

1. Canberra based CAER's ESG research service which includes the following features and benefits:
 - a flexible and customisable platform that allows ESG data to be made relevant for each analyst
 - robust methodology and process which has received CSRR-QS 2.1 (Voluntary Quality Standard for Corporate Sustainability and Responsible Investment research)
 - can be used for both Perpetual's award winning Ethical SRI Fund and for mainstream research/reporting.
2. RepRisk's web crawling controversy monitoring service which includes the following features and benefits:
 - excellent coverage (14,700 companies, 3,100 projects) and reach including mainstream media, NGO websites, blogs and foreign language press (translated)
 - daily updates.
3. SIRIS, existing Ethical fund quantitative research provider:
 - has provided good service to the Perpetual Ethical SRI Fund since its inception in 2002
 - has expanded to also service a sustainability themed investment mandate which we manage on behalf of an institutional client.

INV Inclusion of ESG questions in 2010 external manager review

Perpetual Investments multi manager team conducts an annual review of external investment managers. In 2010 we included a number of ESG questions and will look to expand this into manager due diligence and engagement in the coming year.

ENG ESG engagement

As workstream 2 is related to engagement, the targets for 'influence' are the companies we invest in, mortgagees and the external investment managers who we invest through.

From an Australian equities perspective, Perpetual has a long history of engaging with companies on a variety of issues, including ESG. The asset management team makes over 1,000 company contacts each year and also meets with company competitors and stakeholders.

While this is a long running practice and we are confident that engagement activities are occurring in accordance with our RI policy, we have not previously collected data on individual engagements for ESG (or other) issues. This is to be addressed in the coming year.

Effective engagement is tightly linked and dependent on thorough consideration and analysis of relevant issues. While this analysis has occurred historically, the formalisation and enhancement of the analysis through the initiatives described in workstream 1 will be critical to formalising and enhancing our engagement activities.

Financial Services Council (FSC) ESG working group

The FSC (formally IFSA) is the peak industry body for the funds management industry. While the FSC had been active on ESG issues for a number of years, there was no formal group focused on ESG issues. In November 2010 we prepared a recommendation to the FSC investment committee that an ESG working group be established.

The FSC investment committee approved the working group which met for the first time in December 2010 with Richard Brandweiner, Perpetual's Group Executive Income and Multi-sector as its chair. Our manager for responsible investment is also a member of the group.

Broker meetings

Throughout 2010 our manager for responsible investment met with or contacted brokers on 29 occasions specifically in relation to ESG research, and discussed a number of issues that had been raised by our investment team for possible future research including:

- the importance of integrating ESG factors into regular company research by mainstream sell-side analysts
- environmental impacts of deep sea mine tailing disposal
- ground and surface water risks associated with the hydraulic fracturing of coal seams for gas extraction
- social and environmental supply chain risks for retailers and manufactures who use manufacturing facilities in the developing world
- links between the Montara oil spill and BP's deep water horizon spill and whether other oil companies shared operational characteristics with these producers that place them at higher risk of spills or accidents
- sensitivity analysis to rising energy prices
- whether correlations found in US studies between green buildings and higher yields and resale values were also present in Australia
- the risk of social and environmental issues causing the Woodside Petroleum gas hub planned for James Price Point to be delayed or moved.

Perpetual's investment managers also met with brokers on a number of occasions in relation to reports produced on ESG issues.

Conferences, meetings and seminars

Since becoming a signatory to the PRI, the manager for responsible investment and members of the investment team have attended three conferences and dozens of meetings,

presentations and seminars where Perpetual was able to contribute to discussions on responsible investment.

In addition, Geoff Lloyd, Perpetual's Group Executive Private Wealth and our manager for responsible investment appeared on panels at the Responsible Investment Association of Australasia's (RIAA's) Responsible Investment Conference.

COL Media

Perpetual's manager for responsible investment and the portfolio manager for Perpetual's Ethical SRI fund have been quoted in a number of publications, providing views on responsible investment practices across the industry. Publications included, The Financial Review, The Australian, Fairfax newspapers, the Financial Standard, Money Management and Ethical Investor.

Perpetual's manager for responsible investment wrote an article for Ethical Investor in November 2010 on Perpetual's ESG research tender process.

Support

INV Filtering and aggregation of ESG information

Our manager for responsible investment receives and monitors a number of ESG-focused news subscriptions which he filters for relevance and materiality prior to passing on to the relevant asset manager. Some of the news services we subscribe to include:

- Baker McKenzie Environmental Legal News
- Banksia - Environmental News
- Bloomberg New Energy Finance News
- Broker reports from Goldman Sachs JBWere, Citi, UBS, Macquarie Securities, JP Morgan, and Deutsche Bank
- Business and Human Rights resource centre
- Clayton Utz Environmental Legal News
- Department of Climate Change releases
- Google alerts – climate change
- Mining Watch Canada
- Journal of Nature
- Point Carbon News
- The World Resources Institute - CAIT Charts and Graphs
- Various political NGOs including Alvaz, Get up and the Wilderness Society

COL Joined the Investor Group on Climate Change (IGCC)

In July 2010 Perpetual Investments became a member of the IGCC. The IGCC was established in 2005 to ensure the risks and opportunities associated with climate change were incorporated into investment decisions for the ultimate benefit of individual investors. The group represents institutional investors with approximately \$600 billion of funds under management.

Since becoming a member of the IGCC, our manager for responsible investment has joined two IGCC working groups and one of our fixed income portfolio managers has also joined an IGCC working group.

COL Continued membership and support of the Responsible Investment Association of Australasia (RIAA)

Perpetual has been a RIAA member since 2002. Our support of RIAA began in connection with our award winning Ethical SRI Fund, but since becoming a signatory to the PRI, our engagement with RIAA has become more active and expansive.

In both 2009 and 2010 we sponsored RIAA's Benchmark report which provides a comprehensive look at the different styles and approaches to responsible investment. The report provides important information on, and clarifies the distinctions between values based, thematic and mainstream approaches to responsible investment. It also includes information on ESG research and indices.

Test and demonstrate

COL Promoted formalisation of consistent RI requirements in investment management agreements

Meetings with institutional clients, peers and the Financial Services Council (FSC) to discuss inclusion of ESG requirements in investment management agreements and regular client reporting.

COL Asset consultant, research house and client meetings

During the course of the year we met and presented to asset consultants, research houses and a number of our ESG interested clients to explain our approach and framework for integrating ESG.

REP Website disclosure of key documents

During the year we published a dedicated responsible investment section of our website so that interested stakeholders can access information on our policies, approach and progress at www.perpetual.com.au/responsible-investing

This section of our website includes:

- Perpetual's RI policy
- Perpetual's Corporate Governance and Proxy Voting policy
- a description of Perpetual's RI framework
- Perpetual's Proxy Voting Summary
- Annual progress report (this report)
- News and updates

REP Questionnaires

During the year we completed 16 questionnaires from asset consultants, research houses and clients related to our ESG practices.

Assess and improve

ALL Governance structures and reporting

The RI framework includes confirmation of the following roles and responsibilities and reporting requirements which have been maintained throughout the year.

Role	Description
Oversee	Investment Review Committee (IRC) Management committee responsible for overseeing Perpetual's investment strategies, performance and processes (excluding multi-manager). The IRC will approve policies and have oversight of RI framework implementation and ongoing performance.
Accountable	Group Executive (GE) Equities The GE Equities will be accountable for policy compliance, resourcing, implementation and cross divisional prioritisation for all matters related to the RI framework.
Responsible	Manager Responsible Investment and Sustainability The manager for responsible investment will be responsible for framework design, policy drafting and implementation of all framework related initiatives including monitoring.
Consent/consult	Approval for enhancements to any asset management practice or process must be given (where relevant) by the General Manager, Product and Business Development (Equities, and Income and Multi Sector), the General Manager Investment Research and Institutional Business and senior asset management representatives from each investment team.
Inform	Investment Committee (IC) – Perpetual Limited board committee responsible for monitoring management's implementation of investment strategies and processes. Perpetual Investment Management Limited (PIML) – subsidiary company board and responsible entity (RE) for all Australian registered managed funds. PI Investment Management (PIIML) - subsidiary company board for Dublin-based funds management business (global equities). Perpetual Superannuation Limited (PSL) - subsidiary company board responsible for Perpetual's superannuation funds and a key internal client of Perpetual Investments.

ALL Regular reporting

Regular reporting on the ESG framework's implementation and operation is provided as follows:

- IRC – quarterly (papers seeking approval for specific items will be provided as required)
- PIML, PIIML and IC – half-yearly

Reporting is to cover:

- progress on framework implementation as per project plan
- results of framework monitoring activities
- industry news
- update on upcoming events eg UN reporting, conferences etc.

Annual review

Following receipt of the results of the mandatory reporting provided annually to the UN, a review of framework implementation is to take place. Results of the review are to be reported to all internal stakeholders within three months of the release of the results of the UN report. This annual review will also feed public disclosures (this report).

The annual review is to cover:

- review of UN report highlights
- results of the annual UN report's benchmarking analysis
- trends and emerging standards
- asset manager interview/survey results
- recommendations for changes to ESG framework, policies or processes stemming from UN results or asset manager interviews.

ALL

Feedback and questions

We welcome your feedback and questions about this report and our responsible investment practices. Please contact us on email pri@perpetual.com.au or phone our manager for responsible investment Pablo Berrutti on (02) 9229 3297.

Australian Capital Territory

Level 6
10 Rudd Street
Canberra ACT 2601

New South Wales

Angel Place
Level 12, 123 Pitt Street
Sydney NSW 2000

Queensland

Level 6
260 Queen Street
Brisbane QLD 4000

South Australia

Level 11
101 Grenfell Street
Adelaide SA 5000

Victoria

Level 35, Rialto South Tower
525 Collins Street
Melbourne VIC 3000

Western Australia

Exchange Plaza
Level 29, 2 The Esplanade
Perth WA 6000

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