The Directors present their report together with the consolidated financial report of Perpetual Limited ('Perpetual' or the 'Company') and its controlled entities (the 'consolidated entity'), for the year ended 30 June 2018 and the auditor's report thereon.

DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

TONY D'ALOISIO AM

CHAIRMAN AND INDEPENDENT DIRECTOR

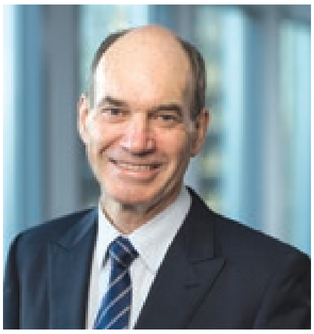
BA LLB (Hons) (Age 69)

Appointed Director and Chairman-elect in December 2016 and Chairman from 31 May 2017. Mr D'Aloisio was formerly Commissioner for the Australian Securities and Investments Commission (ASIC) in 2006 and Chairman in 2007 for a four-year term. He was Chairman of the (International) Joint Forum of the Basel Committee on banking supervision from 2009 to 2011. Prior to joining ASIC, he was Chief Executive Officer and Managing Director at the Australian Securities Exchange from 2004 to 2006. He is currently Chairman of IRESS Limited, a Board member of Aikenhead Centre for Medical Discovery Ltd and President of the European Capital Markets Cooperative Research Centre. He is Chairman of Perpetual's Nominations Committee.

Mr D'Aloisio has close to 40 years' experience in both executive and non-executive roles in commercial and Government enterprises. He has held numerous senior positions in both local and international bodies and has extensive knowledge of the financial markets sector.

Listed company directorships held during the past three financial years:

- IRESS Limited (from June 2012 to present)



PHILIP BULLOCK AO

INDEPENDENT DIRECTOR

BA MBA GAICD Dip Ed (Age 65)

Appointed Director in June 2010. Mr Bullock was formerly Vice President, Systems and Technology Group, IBM Asia Pacific, Shanghai, China. Prior to that, he was Chief Executive Officer and Managing Director of IBM Australia and New Zealand. His career with IBM spanned almost 30 years in the Asia Pacific region. Mr Bullock is a Non-executive Director of Hills Limited and formerly of Healthscope Limited and CSG Limited. He also provided advice to the Federal Government, through a number of organisations, most notably as Chair of Skills Australia. He is a member of Perpetual's Audit, Risk and Compliance Committee and People and Remuneration Committee.

Mr Bullock brings to the Board extensive management experience in Australia and Asia in technology, client relationships, marketing, talent development and government.

Listed company directorships held during the past three financial years:

- CSG Limited (from August 2009 to November 2015)
- Hills Limited (from June 2014 to the present)

SYLVIA FALZON

INDEPENDENT DIRECTOR

MIR (Hons) BBus FAICD SF Fin (Age 53)

Appointed Director in November 2012. Ms Falzon has worked in the financial services industry for over 27 years and during that time has held senior executive positions responsible for institutional and retail funds management businesses, both domestically and internationally. Her roles have included Head of Business Development at Aviva Investors Australia, an equity partner at Alpha Investment Management and Chief Manager International Sales & Service at National Mutual Funds Management/AXA. Ms Falzon is currently a Non-executive Director of Regis Healthcare Limited, Premier Investments Limited and Cabrini Health Ltd, and serves as Chairman of the Cabrini Foundation. She is Chairman of Perpetual's People and Remuneration Committee and a member of Perpetual's Investment Committee and Nominations Committee.

Ms Falzon brings to the Board her extensive knowledge and insight in the development of asset management businesses with a particular focus on marketing, sales/distribution, client service and operations including risk management and compliance.

Listed company directorships held during the past three financial years:

- SAI Global Limited (from October 2013 to December 2016 (delisted due to company's acquisition by private equity))
- Regis Healthcare Limited (from September 2014 to present)
- Premier Investments Limited (from March 2018 to present)
- Suncorp Group Limited (from September 2018)

NANCY FOX

INDEPENDENT DIRECTOR

BA JD (Law) FAICD (Age 61)

Appointed Director in September 2015. Ms Fox has more than 30 years' experience in financial services, securitisation and risk management gained in Australia, the US and across Asia. A lawyer by training, she was Managing Director for Ambac Assurance Corporation from 2001 to 2011 and previously Managing Director of ABN Amro Australia from 1997 to 2001. She is currently Chairman of Perpetual Equity Investment Company Limited, a Non-executive Director of ING Bank Australia and HCF Life and Lawcover Pty Ltd, and Deputy Chairman of the Boards of the Taronga Conservation Society Australia and the Australian Theatre for Young People. She is a member of Perpetual's Audit, Risk and Compliance Committee and People and Remuneration Committee.

Ms Fox brings to the Board a deep knowledge of developing and leading successful financial services businesses and extensive experience with securitisation, regulatory frameworks, risk management and governance.

Listed company directorships held during the past three financial years:

- Perpetual Equity Investment Company Limited (from July 2017 to present)

IAN HAMMOND

INDEPENDENT DIRECTOR

BA (Hons) FCA FCPA GAICD (Age 60)

Appointed Director in March 2015. Mr Hammond was a partner at PricewaterhouseCoopers for 26 years and during that time held a range of senior management positions including lead partner for several major financial institutions. He has previously been a member of the Australian Accounting Standards Board and represented Australia on the International Accounting Standards Board. Mr Hammond is a Non-executive Director of Citibank Australia and Venues NSW and a Board member of not-for-profit organisations including Mission Australia and Chris O'Brien Lifehouse. He is Chairman of Perpetual's Audit, Risk and Compliance Committees and a member of Perpetual's Investment Committee and Nominations Committee.

Mr Hammond has a deep knowledge of the financial services industry and brings to the Board expertise in financial reporting and risk management.

P CRAIG UELAND

INDEPENDENT DIRECTOR

BA (Hons and Distinction) MBA (Hons) CFA (Age 60)

Appointed Director in September 2012. Mr Ueland was formerly President and Chief Executive Officer of Russell Investments, a global leader in multi-manager investing. He previously served as Russell's Chief Operating Officer, Chief Financial Officer, and Managing Director of International Operations, which he led from both London and the firm's headquarters in the US. Earlier in his career, he opened and headed Russell's first office in Australia. Mr Ueland chairs the Endowment Investment Committee for The Benevolent Society, is a Board member of the Stanford Australia Foundation and the Supervisory Board of OneVentures Innovation and Growth Fund II. He is Chairman of Perpetual's Investment Committee and a member of Perpetual's Audit, Risk and Compliance Committee and Nominations Committee.

Mr Ueland brings to the Board detailed knowledge of global financial markets and the investment management industry, gleaned from more than 20 years as a senior executive of a major investment firm, along with a strong commitment to leadership development and corporate strategy development and execution.

GEOFF LLOYD

CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR

Barrister at Law LLM (Distinction) (UTS) Adv Mgt Program (Harvard) (Age 50)

Mr Lloyd joined Perpetual in August 2010 and was appointed CEO and Managing Director in February 2012. In 2012, Mr Lloyd and his senior leadership team rolled out Perpetual's Transformation 2015 strategy designed to simplify, refocus and grow Perpetual. Growth initiatives put in place as part of this strategy include the successful acquisition of The Trust Company in December 2013 and the launch of a new global equity capability in September 2014. Before being appointed CEO and Managing Director, Mr Lloyd was Group Executive of Private Wealth at Perpetual, where he led the development and implementation of the growth strategy for this business.

Before commencing at Perpetual, Mr Lloyd held a number of senior roles at BT Financial Group and St.George's Wealth Management business including General Manager, Advice and Private Banking and Group Executive Wealth Management.

Mr Lloyd was appointed Chair of the Financial Services Council (FSC) in July 2016 and is an advisory Board member of The Big Issue, and the Patron of the Financial Industry Community Aid Program. He is a patron of the Emerge Foundation and is also Chairman of the University of Technology Sydney Law School Advisory Board.

On 20 November 2017, Mr Lloyd announced that he would be stepping down from the CEO role on 30 June 2018. He resigned as a Director of Perpetual Limited on 30 June 2018. Mr Lloyd remained employed by Perpetual until 31 August 2018.

COMPANY SECRETARIES

ELEANOR PADMAN
BA (Hons) OXON, FGIA, FCIS, GAICD

Appointed Company Secretary on 31 July 2017. Mrs Padman is the General Counsel and Company Secretary and head of Perpetual's Legal, Compliance and Company Secretariat teams.

Prior to joining Perpetual, Mrs Padman was General Counsel and Company Secretary of Pinnacle Investment Management Limited. Mrs Padman is a lawyer with over 23 years' commercial experience gained in-house and in private practice, both in the UK and in Australia. Mrs Padman has also served on a number of boards in the public, private and not-for-profit arenas.

COMPANY SECRETARY WHO RESIGNED DURING THE YEAR

GLENDA CHARLES
Grad Dip Corp Gov ASX Listed Entities GIA (Cert)

Appointed Company Secretary on 20 July 1999, Ms Charles resigned as Company Secretary of Perpetual Limited on 21 December 2017.

DIRECTORS' MEETINGS

The number of Directors' meetings which Directors were eligible to attend (including meetings of Board Committees) and the number of meetings attended by each Director during the financial year to 30 June 2018 were:

	BOARD		AUDIT, RISK AND COMPLIANCE COMMITTEE (ARCC)		PEOPLE AND REMUNERATION COMMITTEE (PARC)		INVESTMENT COMMITTEE		NOMINATIONS COMMITTEE*	
DIRECTOR	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED
T D'Aloisio	23	23	–	–	–	–	–	–	–	–
P Bullock	23	23	6	6	7	7	–	–	–	–
S Falzon	23	23	–	–	7	7	4	4	–	–
N Fox	23	23	6	6	7	7	–	–	–	–
I Hammond	23	23	6	6	–	–	4	4	–	–
P C Ueland	23	23	6	6	–	–	4	4	–	–
G Lloyd	11	10	–	–	–	–	–	–	–	–

* Note that the Nominations Committee did not meet in FY18, as the Board determined that it would reserve the task of the selection and appointment of the new CEO to the whole Board.

CORPORATE RESPONSIBILITY STATEMENT

Perpetual's Corporate Responsibility Statement, which meets the requirements of ASX Listing Rule 4.10.3, is located on the Corporate Governance page of Perpetual's website at www.perpetual.com.au/Corporate-Governance

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the financial year were portfolio management, financial planning, trustee, responsible entity and compliance services, executor services, investment administration and custody services.

There were no significant changes in the nature of activities of the consolidated entity during the year.

REVIEW OF OPERATIONS

A review of operations is included in the Operating and Financial Review section of the Annual Report.

For the financial year to 30 June 2018, the consolidated entity reported a net profit after tax of $140.2 million compared to the net profit after tax for the financial year to 30 June 2017 of $137.3 million.

The reconciliation of net profit after tax to underlying profit after tax for the 2018 financial year is as follows:

	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Net profit after tax attributable to equity holders of Perpetual Limited	140,227	137,293
Significant items after tax		
Legal expenses[1]	3,479	–
Write back of prior year's tax provision	(4,731)	–
Gain on sale of business	–	(371)
Underlying profit after tax attributable to equity holders of Perpetual Limited	**138,975**	**136,922**

1. Relates to $3.5 million after tax of non-recurring legal costs in connection with Perpetual Investment Management Limited (PIML) cross shareholding claim against Brickworks and Washington H Soul Pattinson (WHSP). As decided by the Perpetual Board, these costs were absorbed by the Company in order to align the client and the Company's interests.

Underlying profit after tax (UPAT) attributable to equity holders of Perpetual Limited reflects an assessment of the result for the ongoing business of the consolidated entity as determined by the Board and management. UPAT has been calculated in accordance with ASIC's Regulatory Guide 230 – Disclosing non-IFRS financial information. UPAT attributable to equity holders of Perpetual Limited has not been audited by our external auditors; however, the adjustments to net profit after tax attributable to equity holders of Perpetual Limited have been extracted from the books and records that have been audited. Underlying profit after tax attributable to equity holders of Perpetual Limited is disclosed as it is useful for investors to gain a better understanding of Perpetual's financial results from normal operating activities.

DIVIDENDS

Dividends paid or provided by the Company to members since the end of the previous financial year were:

	CENTS PER SHARE	TOTAL AMOUNT $'000	FRANKED[1]/ UNFRANKED	DATE OF PAYMENT
Declared and paid during the financial year 2018				
Final 2017 ordinary	135	62,875	Franked	29 Sep 2017
Interim 2018 ordinary	135	62,875	Franked	26 Mar 2018
Total		125,750		
Declared after the end of the financial year 2018				
After balance date, the Directors declared the following dividend:				
Final 2018 ordinary	140	65,204	Franked	8 Oct 2018
Total		65,204		

1. All franked dividends declared or paid during the year were franked at a tax rate of 30 per cent and paid out of retained earnings.

The financial effect of dividends declared after year end are not reflected in the 30 June 2018 financial statements and will be recognised in subsequent financial reports.

STATE OF AFFAIRS

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

EVENTS SUBSEQUENT TO REPORTING DATE

A final dividend of 140 cents per share fully franked was declared on 30 August 2018 and is to be paid on 8 October 2018.

Other than the matters noted above, the Directors are not aware of any other event or circumstance since the end of the financial year not otherwise dealt with in this report that has affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

LIKELY DEVELOPMENTS

Information about the business strategies and prospects for future financial years of the consolidated entity are included in the Operating and Financial Review. Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity because the information is commercially sensitive.

ENVIRONMENTAL REGULATION

The consolidated entity acts as trustee or custodian for a number of property trusts which have significant developments throughout Australia. These fiduciary operations are subject to environmental regulations under both Commonwealth and State legislation in relation to property developments. Approvals for commercial property developments are required by State planning authorities and environmental protection agencies. The licence requirements relate to air, noise, water and waste disposal. The responsible entity or manager of each of these property trusts is responsible for compliance and reporting under the government legislation.

The consolidated entity is not aware of any material non-compliance in relation to these licence requirements during the financial year.

The consolidated entity has determined that it is not required to register to report under the *National Greenhouse and Energy Reporting Act 2007*, which is Commonwealth environmental legislation that imposes reporting obligations on entities that reach reporting thresholds during the financial year.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Company and its controlled entities indemnify the current Directors and officers of the companies against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors of the consolidated entity, except where the liabilities arise out of conduct involving a lack of good faith. The Company and its controlled entities will meet the full amount of any such liabilities, including costs and expenses.

INSURANCE

In accordance with the provisions of the *Corporations Act 2001*, the Company has a directors and officers' liability policy which covers all Directors and officers of the consolidated entity. The terms of the policy specifically prohibit disclosure of details of the amount of the insurance cover and the premium paid.

INTERIM CHIEF EXECUTIVE OFFICER'S AND CHIEF FINANCIAL OFFICER'S DECLARATION

The Interim CEO and the CFO declared in writing to the Board, in accordance with section 295A of the *Corporations Act 2001*, that the financial records of the Company for the financial year have been properly maintained, and that the Company's financial report for the year ended 30 June 2018 complies with accounting standards and presents a true and fair view of the Company's financial condition and operational results. This statement is required annually.

Dear Shareholder

On behalf of your Board, it is my pleasure to present our Remuneration Report for the year ended 30 June 2018 (FY18). Set in the context of our business strategy, we are committed to sharing how we remunerate our Executives and why the FY18 reward outcomes were achieved through the delivery of short and long-term value creation measures for our shareholders. Our Remuneration Report also highlights our approach to remunerating our employees, the benefits of working at Perpetual and the important role risk management and behaviours play in the way we assess the performance of, and reward, our people. Furthermore, we understand the ongoing importance of providing transparency and clarity around our Executive remuneration which has been reinforced in the context of the current operating environment.

VARIABLE INCENTIVE PLAN

Our Variable Incentive Plan has now been in place for two years, and over this time we believe the model has achieved a closer alignment between our Executives' incentive outcomes and the experience of our shareholders over both the short and long term. The granting of Share rights (if awarded) deferred over a four year period reinforces the importance of the Executive team delivering sustainable share price and dividend growth over the long term through the execution of our strategy.

For our new CEO and Managing Director we have been even more explicit in defining long-term performance expectations through the introduction of an additional hurdle on a portion of the variable incentive equity. This was detailed in the ASX announcement of Rob Adams' appointment in May 2018 and is included in Section 1.2 of this report.

LONG-TERM VALUE CREATION

FY18 performance has been delivered in an environment of considerable change. Our team has continued to demonstrate resilience and remain focused on our clients to deliver positive results across our key measures of client, growth, financial and people.

Our net profit after tax (NPAT) of $140.2 million is an increase of 2% on FY17. Perpetual saw strong growth in Perpetual Corporate Trust and in Perpetual Private via new business revenue and net flows which will help underpin growth in future years. Perpetual Corporate Trust and Perpetual Private delivered year on year Profit before Tax (PBT) growth of 16% and 14% respectively, and Perpetual Investments had a challenging year with a reduction in PBT of 3%.

Importantly, we also delivered strong results across our Client and People measures with top quartile results in both Client Advocacy and Employee Engagement, both of which we believe are key indicators of long-term value creation. Client advocacy, as measured by the Client Net Promoter Score (NPS) in each of our client segments, is a lead indicator of future growth.

In FY18, Perpetual lifted Client NPS by three points, building on a strong five point increase in FY17. The One Perpetual employee engagement score has increased to 73%. This is the highest it has been and positions us in the top quartile of Australian companies. Over time, we believe highly engaged employees deliver stronger client satisfaction and advocacy, improved operational productivity and stronger financial outcomes, which help to drive higher and sustainable total shareholder returns.

PAY FOR PERFORMANCE

Underpinning our 'pay for performance' philosophy, our remuneration policy seeks to attract and retain the desired talent to deliver on our strategy whilst balancing value creation for our shareholders, clients and employees. These principles are reflected in our Executive remuneration model which creates strong alignment between our Executives and our shareholders through increased share ownership. Two years after the transition to the new approach, we believe the model is appropriately delivering on pay for performance objectives for Executives.

Performance against short and long-term measures for FY18 has resulted in incentives being paid to our Group Executives in the range of 74%–78% of target (excluding Geoff Lloyd given he has stepped down and has forfeited his FY18 variable incentive equity component), compared to the prior year range of 76%–98%. The result of the Board's consideration of the outcomes for the year, detailed in Section 5.3, was that Group Executives achieved an average of 76% of Variable Incentive targets. The growth in financial performance was below plan and explains the difference compared with FY17 where Group Executives achieved an average of 91%. These averages exclude the outgoing CEO.

LINK BETWEEN RISK AND REWARD

At Perpetual, risk continues to be a key component of our performance framework and is incorporated into the assessment of performance in three ways. Firstly, risk is considered at an individual and divisional level through an assessment of a divisional risk dashboard and individual risk goals, comprising metrics related to identification, management and closure of key risks. Secondly, risk behaviours are assessed for each employee through the Perpetual 'The Way We Work' behavioural framework that has been in place since 2014, comprising people, client and business lenses. Thirdly, the Board can exercise discretion over any element of remuneration based on risk behaviour, reinforcing the links between risk and reward at Perpetual. All three elements of risk are reflected in both performance and reward outcomes of all employees, including our Executives. In instances where risk culture and behaviours are not clearly demonstrated, there is a consequence to incentive outcomes.

In relation to fixed remuneration, across the organisation the average increase for the FY19 year for our people is 2%. However, there will be no increase in fixed remuneration for our Executives and Non-executive Directors.

As noted last year, our objective is to present our Remuneration Report in a way that makes it easy for our shareholders to understand our key measures, performance against these measures and ultimately why we have rewarded Executives. We continue to provide increased transparency by separating the actual remuneration our Executives received from what we are required to disclose under regulatory and accounting standards. We look forward to engaging with our shareholders and stakeholders in relation to our remuneration outcomes for FY18 and welcome your feedback.

Sylvia Falzon

Chairman, People and Remuneration Committee

This Report provides Perpetual's shareholders with comprehensive information on the link between the remuneration arrangements of our Executives and Perpetual Group performance and strategy. The information in this Remuneration Report has been audited against the disclosure requirements of section 308(3C) of the *Corporations Act 2001*.

CONTENTS

1. KEY MANAGEMENT PERSONNEL

1.1. KEY MANAGEMENT PERSONNEL (KMP)

Below are Perpetual's KMP for FY18:

NAME	POSITION	TERM AS KMP IN FY18
Current Executives		
Geoff Lloyd[1]	Chief Executive Officer and Managing Director	Full year
Christopher Green[2]	Interim Chief Executive Officer and Group Executive, Perpetual Corporate Trust	Full year
David Lane	Group Executive, Perpetual Investments	Full year
Gillian Larkins	Chief Financial Officer	Full year
Rebecca Nash	Group Executive, People and Culture	Full year
Kylie Smith	Group Executive, Marketing and Communications	Full year
Mark Smith	Group Executive, Perpetual Private	Full year
Current Non-executive Directors		
Tony D'Aloisio	Chairman	Full year
Philip Bullock	Independent Director	Full year
Sylvia Falzon	Independent Director	Full year
Nancy Fox	Independent Director	Full year
Ian Hammond	Independent Director	Full year
Craig Ueland	Independent Director	Full year

1. On 20 November 2017, it was announced to the ASX our Chief Executive Officer (CEO) and Managing Director, Mr Geoff Lloyd, will be leaving Perpetual. He stepped down on 30 June 2018 after completing over six years in the role. Mr Lloyd remained available during his notice period until 31 August 2018 when he ceased employment with Perpetual. Further details about our new CEO, Mr Rob Adams, and his remuneration are provided in Section 1.2 of this Report.
2. Effective 9 June 2018 Mr Green stepped into the role as Interim CEO.

1.2 NEW CEO REMUNERATION ARRANGEMENTS FOR FY19

Effective 30 June 2018, Geoff Lloyd stepped down as CEO and Managing Director. Since taking on the role in February 2012, Geoff has led Perpetual through significant change and growth, primarily as a result of Transformation 2015, the successful acquisition and integration of The Trust Company, and the development and execution of our 'Lead & Grow' strategy. To assist with a smooth transition to his successor, Mr Lloyd continued to serve the organisation until 31 August 2018.

Effective 24 September 2018, Rob Adams will join Perpetual as the new CEO and Managing Director.

CEO REMUNERATION

Details of Mr Adams' remuneration arrangements were advised to the market in May 2018 and are summarised in this section. Mr Adams' total remuneration arrangements are largely in line with Mr Lloyd's previous arrangements; however, Perpetual has made changes to the components of Mr Adams' remuneration. In relation to the variable incentive, a lesser amount is weighted to cash and of the increased equity component, 50% will be subject to a longer-term performance hurdle of absolute total shareholder return. The maximum opportunity under the variable incentive remains at 175% of target.

The full Variable Incentive (cash and equity) will remain subject to performance against an annual balanced scorecard; however, the CEO's Variable Incentive equity component for FY19 will be delivered as a grant of Share rights (50%) and Performance rights (50%) as follows:

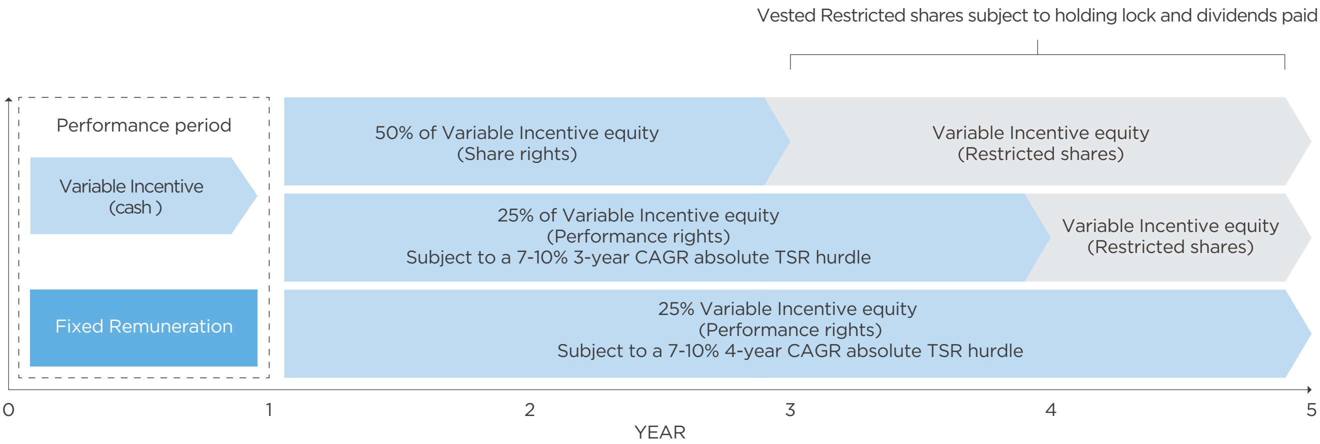
- Share rights (Variable Incentive equity – unhurdled) will vest on 1 September 2021 and convert into Restricted shares
- half of the Performance rights (Variable Incentive equity – hurdled) will vest on 1 September 2022 subject to a three year Compound Annual Growth Rate (CAGR) absolute Total Shareholder Return (TSR) hurdle and convert to Restricted shares, and
- the remaining half of the Performance rights will vest on 1 September 2023 subject to a four year CAGR absolute TSR hurdle and convert to unrestricted Shares.

Any Restricted shares received on conversion of Share rights or Performance rights will be eligible to receive dividends and will be released from restrictions on 1 September 2023.

The absolute three and four year CAGR TSR performance hurdles will be aligned to the following achievement scale:

COMPOUND ANNUAL GROWTH IN TSR	PERCENTAGE OF RELEVANT TRANCHE OF PERFORMANCE RIGHTS THAT VEST
Less than 7% per annum	0%
7% to 10% per annum	Straight-line vesting from 50% to 100%
10% or above per annum	100%

Consistent with the FY18 Variable Incentive Plan, the Board will have the discretion to claw back vested and unvested equity.



The number of Share rights and Performance rights to be granted for FY19 performance will be determined by dividing the relevant variable incentive award dollar amount by the face value of a Perpetual share on the trading day prior to the CEO's commencement date, using the five day Volume Weighted Average Price (VWAP).

CEO REMUNERATION COMPARISON

Following is a comparison of the target remuneration components of Mr Lloyd and Mr Adams' remuneration.

	FIXED REMUNER-ATION	VARIABLE INCENTIVE CASH	VARIABLE INCENTIVE EQUITY (UNHURDLED)[1]	VARIABLE INCENTIVE EQUITY (HURDLED)[2]	TOTAL VARIABLE INCENTIVE
Geoff Lloyd FY18 target remuneration package	$1,302,630	$765,000	$1,512,885	$0	$2,277,885
Geoff Lloyd FY18 actual outcome	$1,302,630	$765,000	$0	$0	$765,000
Rob Adams FY19 target remuneration package	$1,302,630	$500,000	$888,943	$888,943	$2,277,885

1. Awarded as Share rights vesting after two years into Perpetual shares which are subject to a holding lock of two further years.
2. Awarded as Performance rights which vest into Perpetual shares subject to meeting absolute TSR performance hurdles after three and four years.

Actual amounts payable to Mr Adams will be pro-rated for the period of employment during FY19 and determined by performance against a balanced scorecard that contains goals and measures that reflect short-term priorities as well as sustainable long-term performance goals that the Board believes will drive long-term Perpetual Group performance. Target amounts are represented as face value.

The introduction of the additional performance hurdle on a portion of the equity award is designed to further strengthen alignment with longer term shareholder experience. There is also a higher proportion of the overall award payable in equity.

Stretch is built into scorecards to ensure that payments awarded under the plan are commensurate with the overall performance of the Perpetual Group and value delivered to shareholders.

CEO SIGN-ON LONG-TERM INCENTIVE

In addition, a sign-on equity incentive will be granted to Mr Adams on commencement of employment, as Restricted shares with a face value of $900,000. Provided Mr Adams does not give notice of resignation and is not terminated for cause before the relevant vesting date, half of the sign-on incentive ($450,000) will vest on the second anniversary of his commencement date (24 September 2020) and the balance ($450,000) will vest on the fourth anniversary of his commencement date (24 September 2022).

1.3 OUTGOING CEO REMUNERATION ARRANGEMENTS FOR FY18 AND FY19

Mr Lloyd stepped down as CEO and his employment will end on 31 August 2018. It was originally planned that Mr Lloyd would remain employed by Perpetual until 31 October 2018 to assist with any handover requirements to the incoming CEO. Following Mr Lloyd's request to commence employment with MLC from September 2018, his termination date was brought forward to 31 August 2018. As a result of this change in cessation date, the treatment of some of his incentives changed, as outlined below:

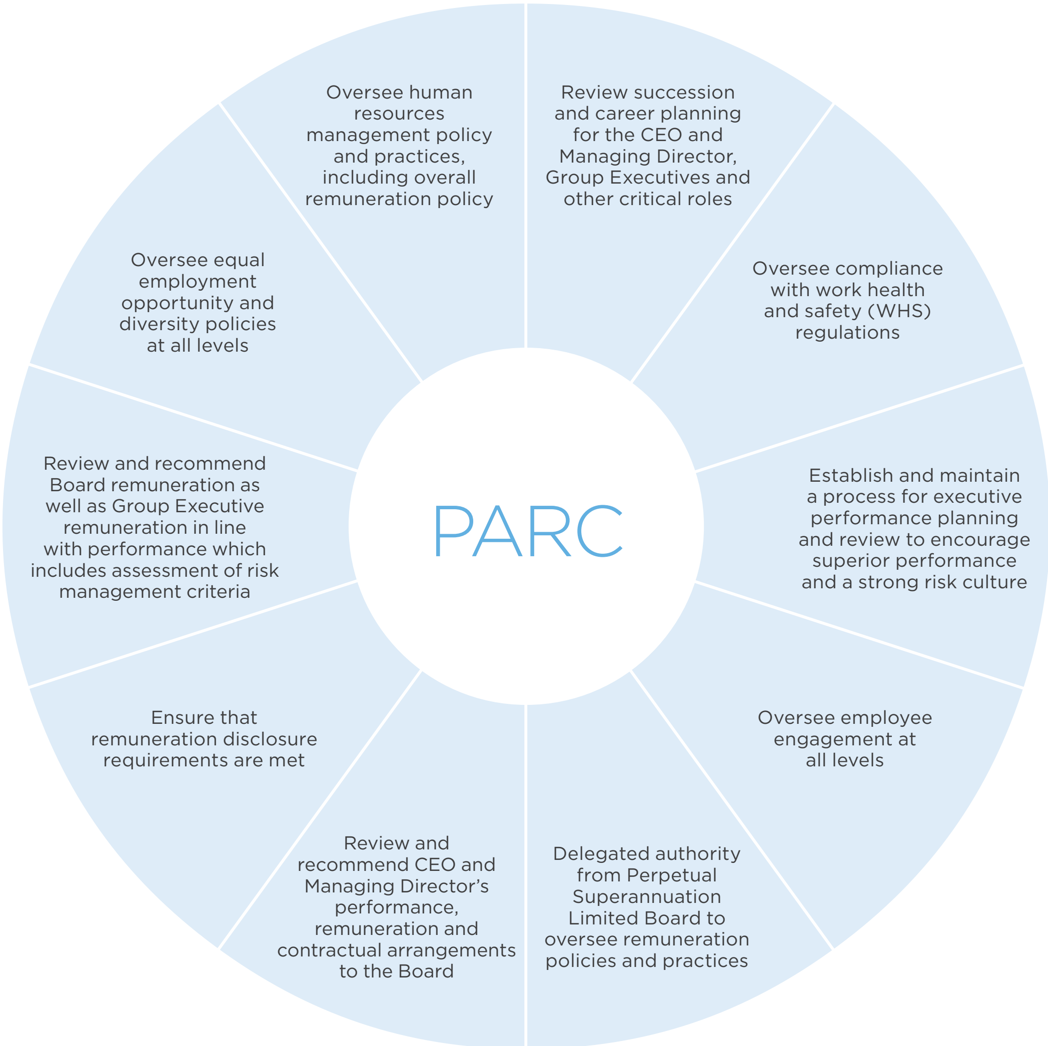
REMUNERATION COMPONENTS	ORIGINAL TREATMENT – CEO CESSATION DATE 31 OCTOBER 2018	REVISED TREATMENT – CEO CESSATION DATE 31 AUGUST 2018
Salary	Mr Lloyd was to be paid his normal salary, packaging, and superannuation entitlements until 31 October 2018.	Mr Lloyd will be paid his normal salary, packaging, and superannuation entitlements until 31 August 2018.
FY18 Variable Incentive cash	In FY18, Mr Lloyd received a payment equal to his Variable Incentive cash target of $765,000 and was paid on 1 July 2018.	No change.
Deferred Short-Term Incentive Shares granted 1 September 2016	Mr Lloyd's deferred STI shares granted 1 September 2016 would have vested on 30 September 2018 in accordance with the offer.	Mr Lloyd's deferred STI shares granted 1 September 2016 will now be forfeited on 31 August 2018 following his decision to cease employment early to commence his new role.
Long-Term Incentive Performance rights granted 1 October 2015	Mr Lloyd's Performance rights granted 1 October 2015 would have been performance tested on 1 October 2018 in accordance with the offer.	Mr Lloyd's Performance rights granted 1 October 2015 will now be forfeited on 31 August 2018 following his decision to cease employment early to commence his new role.
Variable Incentive Performance rights granted 1 September 2017	Mr Lloyd's Performance rights granted 1 September 2017 under the Variable Incentive Plan ($1,171,745) have been forfeited.	No change.
FY18 Variable Incentive equity	Mr Lloyd forfeited his FY18 Variable Incentive equity component on 30 June 2018.	No change.
Long Service Leave	Mr Lloyd was to accrue long service leave until 31 October 2018, at which point he was to receive a pro-rata gross payment of $178,689.	Mr Lloyd will continue to accrue long service leave until 31 August 2018, at which point he will receive a pro-rata gross payment of $175,060.

2. GOVERNANCE

2.1 THE PEOPLE AND REMUNERATION COMMITTEE

The People and Remuneration Committee (PARC) evaluates and monitors people and remuneration practices to ensure that the performance of Perpetual is optimised with an appropriate level of governance while balancing the interests of shareholders, clients and employees.

The PARC comprises independent Non-executive Directors and operates under delegated authority from the Perpetual Board. The PARC's terms of reference are available on our website (www.perpetual.com.au) and are summarised as follows:



The terms of reference are intentionally broad, encompassing remuneration as well as the key elements of Perpetual's people strategy. This enables the PARC to focus on ensuring high quality talent management, succession planning and leadership development at all levels of Perpetual.

The PARC met seven times during the year, with attendance details set out on page 21 of this Annual Report. A standing invitation exists to all Directors to attend PARC meetings. At the PARC's invitation, the CEO and Managing Director and the Group Executive, People and Culture attended meetings, except where matters associated with their own performance evaluation, development and remuneration were considered.

The PARC considers advice and views from those invited to attend meetings and draws on services from a range of external sources, including remuneration advisers.

2.2 USE OF EXTERNAL ADVISERS

Since 2011, the PARC has used PricewaterhouseCoopers (PwC) to provide specialist advice on Executive remuneration and other Group-wide remuneration matters. During the year, PwC provided limited general information to the PARC in respect of Executive and Non-executive Director remuneration practices and trends. This information did not include any specific recommendations in relation to the remuneration or fees paid to KMP.

2.3 CORPORATE SOCIAL RESPONSIBILITY

The Perpetual Board and Management understand the importance of Corporate Social Responsibility, which is fundamental to our decision making.

At Perpetual, we look for opportunities to build our social, environmental and financial performance in ways that enhance our core values and business sustainability.

We look for activities where we can add the most value to our community while minimising our environmental impact and optimising the engagement of our people.

Perpetual is committed to making ethical decisions, combined with a sound governance structure and working within acceptable risk parameters.

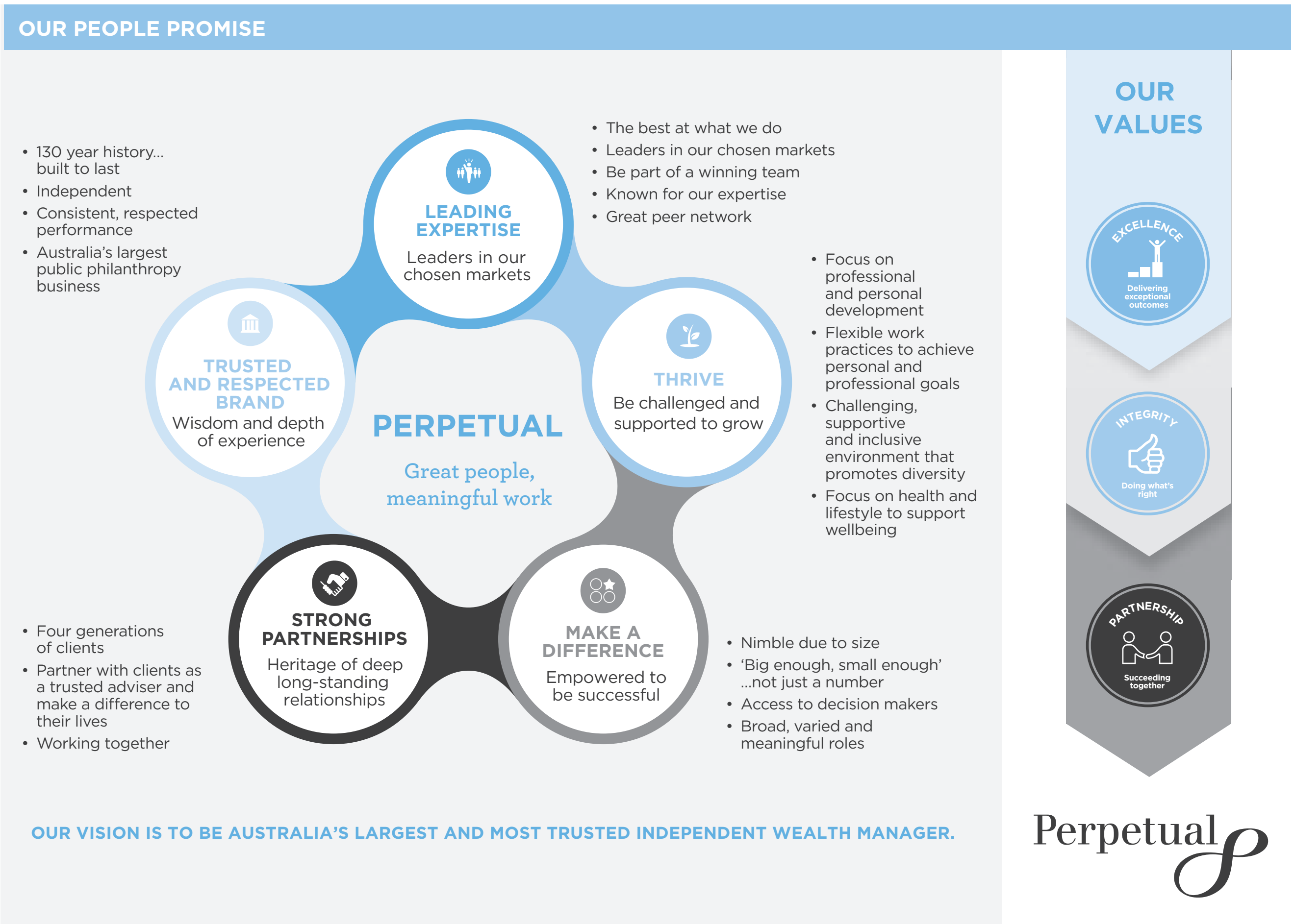
Each year the Perpetual Board approves Perpetual's Corporate Responsibility Statement. Within this statement are details of our approach to:

- Code of Conduct.
- Responsible and sustainable business practices.
- Ensuring an engaged and diverse workforce.
- Making a positive impact on our community.
- Reducing the environmental impact of our operations.
- Ensuring the highest standards of governance.
- Recognising and managing risk.

More details are contained in our Corporate Responsibility Statement which can be found on the Perpetual website (https://www.perpetual.com.au/about/corporate-governance).

3. OUR PEOPLE

Our people strategy, a key enabler of our Lead & Grow strategy, is focused on attracting the best talent with a promise of providing the opportunity to work with great people on meaningful work. This strategy is underpinned by excellent leadership capability, diversity and inclusion, and leading employee benefits.



3.1 DIVERSITY AND INCLUSION

At Perpetual, we have a robust Diversity and Inclusion strategy that is developed and governed by our Diversity Council. We believe that building diverse and inclusive teams is the right thing to do and will deliver better outcomes for our people, clients and shareholders.

Our Diversity and Inclusion framework is outlined below.

DIVERSITY AND INCLUSION KEY ACHIEVEMENTS FY18

FLEXIBILITY

Employees empowered with control over where, when, and how they deliver optimal business outcomes

- ✔ 79% of our people tell us they feel comfortable utilising flexibility
- ✔ 85% of our people say that Perpetual promotes a culture where flexibility is embraced and promoted
- ✔ New laptops and Skype video conferencing rolled out to all employees to support remote working and flexibility

GENDER EQUALITY

Building gender balanced leadership for Perpetual to deliver better business results

- ✔ Agreement of business goal of 40% male, 40% female, 20% any gender by 2020 (40/40/20 concept)
- ✔ Increased leadership commitment through cascaded targets
- ✔ Named WGEA Employer of Choice for Gender Equality
- ✔ Launched Perpetual's Domestic and Family Abuse policy
- ✔ CEO confirmed as WGEA Pay Equity Ambassador
- ✔ Continued targeted female talent development – Structured Mentoring, Inspiring Women's Forum and WiBF Leadership Lunches

CULTURAL DIVERSITY

Building relationships, respect and opportunity for Aboriginal and Torres Strait Islander peoples

- ✔ Continued commitment to Jawun: 5 secondees in 2018
- ✔ Progress towards delivery of Stretch RAP (2016–2019)
- ✔ Celebrated NAIDOC week to increase our teams' understanding of Reconciliation
- ✔ Participation in 2017 AIEF Mentoring Program
- ✔ Celebrated Harmony Day across the business
- ✔ Launched Cultural Diversity survey

INCLUSION

Enabling our people to contribute in their distinctive way and recognising diversity of thought

- ✔ Celebration of Perpetual's 'Pride Day'
- ✔ Continued focus on Inclusive Leadership Development for Perpetual's Senior Leadership cohort

3.2 EMPLOYEE BENEFITS

At Perpetual, we are passionate about providing our employees with a range of benefits that are relevant to what we stand for as an organisation and that are meaningful to them. We continuously strive to improve the wellbeing of our employees through our Wealth, Health, and Lifestyle benefits outlined below.

WEALTH

- Employee share grant plan
- Targeted superannuation increase to 12% by 2020
- Superannuation on parental leave
- Free financial health check
- Discounted financial advice
- Employee banking offer
- Salary continuance insurance
- Death and TPD insurance
- Salary packaging
- Talent Referral Incentive Plan
- Investment employee offers

HEALTH

- Employee health checks
- Flu vaccinations
- HCF Corporate health plans
- Meditation and yoga sessions
- Mental health program
- Employee assistance programs
- Healthy workplace snacks

LIFESTYLE

- Contribution leave
- Purchased leave
- Flexible working
- Shopping and lifestyle discounts
- Education assistance
- Paid parental leave
- Parental return to work bonus
- Sabbatical leave

4. OUR REMUNERATION PHILOSOPHY AND STRUCTURE

Perpetual's remuneration philosophy is designed to enable the achievement of our business strategy, whilst ensuring that remuneration outcomes are aligned with our shareholder interests and are market competitive. To that end, we have created a set of guiding principles that direct our remuneration approach.

4.1 REMUNERATION PRINCIPLES

Our remuneration policy is designed around six guiding principles, which aim to:

1. Attract, motivate and retain the desired talent within Perpetual
2. Balance value creation for shareholders, clients and employees
3. Facilitate the meaningful accumulation of Perpetual shares that drives an ownership mentality
4. Embed sound risk management
5. Be simple, transparent and easily understood and administered
6. Be supported by a governance framework that avoids conflict of interest and ensures that proper controls are in place

4.2 REMUNERATION POLICY AND PRACTICE

ALIGNMENT WITH SOUND RISK MANAGEMENT

Risk management continues to be core to our business. When determining 'at risk' variable remuneration, Perpetual ensures that risk management is a key performance metric. Sound risk management practices include:

- employees being ineligible for a variable remuneration payment if they exhibit poor risk behaviours
- incorporating risk management performance measures in individual employee scorecards
- performing scenario testing on potential outcomes under new incentive plans
- reviewing the alignment between remuneration outcomes and performance achievement for incentive plans on an annual basis
- deferring a significant portion of variable remuneration Perpetual Share rights and Restricted shares to align remuneration outcomes with longer-term Perpetual Group performance
- an ability for the Board to adjust incentive payments downwards or upwards, if required
- malus and claw-back provisions feature in all Perpetual incentive plans, thus provisioning for the Board to 'claw back' variable remuneration (Share rights and Restricted shares) in certain circumstances, and
- continuous monitoring of remuneration outcomes by the Board, the PARC and management to ensure that results are promoting behaviours that support Perpetual's long-term financial position and the desired culture. Executive risk performance is assessed by PARC and Audit Risk and Compliance Committee (ARCC) annually and included in their performance assessment.

Risk management performance measures are included in employee scorecards.

EXECUTIVE REMUNERATION STRUCTURES SUPPORT DELIVERY OF THE LEAD & GROW STRATEGY

The remuneration structure for Perpetual Executives is designed to drive our strategy, with outcomes being aligned to Perpetual's shareholders. In FY18, the structure was as follows:

<table>
<tr><td rowspan="1">Fixed</td><td>Fixed remuneration</td><td>Set in consideration of the total target remuneration package and the desired remuneration mix for the role, taking into account the remuneration of market peers, internal relativities and the skill and expertise brought to the role.
Calculated on a 'total cost to company' basis, consisting of cash salary, superannuation, packaged employee benefits and associated fringe benefits tax (FBT).</td><td rowspan="2">Paid as cash</td></tr>
<tr><td rowspan="2">Variable Incentive (if payable)</td><td>Cash</td><td rowspan="2">Each participant has a Variable Incentive target, expressed as a defined $ target amount.
Annual Variable Incentive outcomes are linked to performance against key business metrics directly linked to our strategy.
The Variable Incentive is paid in both cash and equity.
Equity must be retained for at least four years (first as Share rights, then as Restricted shares). This ensures that Variable Incentive outcomes are linked to the shareholder's experience through reinforcing long-term ownership of Perpetual shares.</td></tr>
<tr><td>Equity</td><td>Awarded as equity</td></tr>
</table>

MINIMUM SHAREHOLDING GUIDELINE

A minimum shareholding guideline applies to Executives. The purpose of this guideline is to strengthen the alignment between Executives' and shareholders' interests related to the long-term performance of Perpetual. Under this guideline, Executives are expected to establish and hold a minimum shareholding to the value of:

- CEO and Managing Director: 1.5 times fixed remuneration
- Group Executives: 0.5 times fixed remuneration

The value of each vested Performance right, Share right or Restricted share still held in trust for the Executive is treated as being equal to 50% of that Share right or Performance right, as this represents the value of the share in the hands of the Executive after allowing for tax. Unvested shares or rights do not count towards the target holding.

A five year transition period, from the date of appointment to a KMP role, gives Executives reasonable time to meet their shareholding guideline. Where the guideline is not met after the required time period, Executives may be restricted from trading vested shares.

Following the introduction of the Variable Incentive Plan from 1 July 2016 and the recognition of vested Restricted shares towards the minimum shareholding requirement, Perpetual will monitor its policy to ensure alignment with shareholder interests.

As at 30 June 2018, progress towards the minimum shareholding target for each Executive was as follows:

	VALUE OF ELIGIBLE SHAREHOLDINGS AS AT 30 JUNE 2018[1] $	VALUE OF MINIMUM SHAREHOLDING GUIDELINE $	TARGET DATE TO MEET MINIMUM SHAREHOLDING GUIDELINE	GUIDELINE MET[2]
Executives				
G Lloyd[3]	N/A	N/A	N/A	N/A
C Green[2]	206,045	253,221	1 October 2013	
D Lane	–	275,528	10 April 2022	
G Larkins	700,502	365,629	3 October 2017	✔
R Nash[2]	281,050	311,505	15 August 2017	
K Smith	78,874	194,328	1 September 2021	
M Smith	955,677	315,200	19 November 2017	✔

1. Value is calculated through reference to the closing Perpetual share price at 30 June 2018 of $41.60.
2. Executives have a five year transition period to meet their shareholding requirement. Mr Green and Ms Nash are behind the minimum shareholding requirement.
3. The minimum shareholding guideline is no longer relevant for Mr Lloyd given he has stepped down as CEO and Managing Director.

HEDGING AND SHARE TRADING POLICY

Consistent with Corporations Act obligations, Perpetual's Share Trading Policy prohibits employees and Directors from entering into hedging arrangements in relation to Perpetual securities. Perpetual employees and Directors cannot trade in financial products issued over Perpetual securities by third parties or trade in any associated products which limit the economic risk of holding Perpetual securities. Share dealing can only take place during agreed trading windows throughout the year and is subject to certain approvals (as set out below).

SHARE DEALING APPROVAL

Effective 1 July 2018, Perpetual issued a new policy for trading in Perpetual Securities which stipulates certain trading black-out periods and requires all employees to seek pre-trade approval via an automated platform. A copy of the policy was lodged with the ASX and appears on Perpetual's website at https://www.perpetual.com.au/about/corporate-governance/informed-market-and-share-dealings

FIXED REMUNERATION INCREASES FOR FY19

Following a review of market fixed remuneration increase trends, Perpetual's average fixed remuneration increase across the organisation for FY19 was 2% for all employees, excluding the CEO and Group Executives. CEO and Group Executive fixed remuneration did not increase.

ASSET MANAGER REMUNERATION

Asset Manager (portfolio manager and investment analyst) remuneration policy aligns to Perpetual's performance-based remuneration philosophy and principles. Perpetual seeks to align remuneration outcomes to long-term value creation for shareholders and clients. All Asset Managers have a portion of their variable remuneration determined by outcomes delivered against investment performance targets, which is generally assessed over one, two and three years. Portfolio managers managing mature funds and those who are growing businesses may have a portion of their remuneration aligned to other business measures. For example, Perpetual's Australian and Global Equities Portfolio Managers have their long-term incentives determined through a revenue share arrangement which aligns a portion of their remuneration directly to shareholder outcomes.

All Asset Managers have a portion of their variable remuneration awarded as deferred or long-term incentives every year. These awards vest over a range of timeframes; principally after three years. This cycle of rolling awards ensures continuous retention arrangements are in place and avoids 'cliff vesting' events. For most Asset Managers, deferred incentives can be invested into either Perpetual equity or units in their own funds, further aligning Asset Managers to client outcomes and shareholder interests.

GENERAL EMPLOYEE REMUNERATION

Employees receive fixed pay, superannuation and are eligible to receive a short-term incentive.

Performance against a company scorecard determines the size of the bonus pool for the financial year. Relative divisional performance against divisional scorecards are one of a number of factors that determine the distribution of the bonus pool to each division. An individual's STI outcome is then determined based on individual, team, divisional and company performance, taking into account appropriate risk management.

Senior employees are eligible to participate in a long-term incentive plan. All other employees are eligible to participate in the One Perpetual Share Plan whereby eligible employees can be awarded annual grants of up to $1,000 of Perpetual shares subject to Perpetual meeting its profit target. In addition, Perpetual offers a comprehensive suite of employee benefits across health, wealth and lifestyle.

5. ALIGNING PERPETUAL GROUP PERFORMANCE AND REWARD

5.1 SETTING PERFORMANCE EXPECTATIONS

For the last three years, Perpetual's Lead & Grow strategy has been based on delivering long-term sustainable value. In our view, this is best achieved by having highly engaged people creating superior client outcomes, which in turn delivers underlying earnings growth for shareholders. To this end, our strategy is led by clear measures under people, client, financial and growth drivers. This links our annual scorecard goals with the stated long-term goals of our strategy; balancing short-term shareholder outcomes with the necessary investments for future sustainable growth.

As in prior years, in FY18 we adopted a balanced scorecard to measure and drive our performance. The scorecard was weighted 80% to financial measures and 20% to non-financial measures that will deliver value in the current and future years, within appropriate risk tolerance levels. We set our balanced scorecard in the context of the Lead & Grow strategy, commencing with a bottom-up build of goals, measures and stretch targets. We test this plan with reference to a number of external market factors and in consideration of year on year progress against our key strategic goals to ensure that appropriate stretch is reflected in the targets for each measure.

LEAD& GROW

LEAD in core businesses

EXTEND into adjacent markets

EXPLORE new opportunities

GOALS FOR 2018

PEOPLE	CLIENTS	SHAREHOLDERS
Employee Engagement	Client Advocacy	EPS growth NPAT margin

ENABLERS

Leadership | Client Experience | Trusted Brand | Innovation | Continuous Improvement

Vision

Australia's largest and **most trusted** independent wealth manager

Values

Excellence Delivering exceptional outcomes

Integrity Doing what's right

Partnership Succeeding together

5.2 FIVE YEAR GROUP PERFORMANCE

One of Perpetual's remuneration guiding principles is that the remuneration structure should balance value creation for our shareholders, clients and employees.

This section demonstrates the strong alignment between Perpetual Group performance and remuneration outcomes for Executives over the last five years.

The table below shows Perpetual's five year performance across a range of metrics and corresponding incentive outcomes. The movement in the variable pay of the CEO and Group Executives, in our view, has been fair and reasonable compared to the actual growth in Perpetual Group performance and resulting benefits to shareholders, over a five year period.

		30 JUNE 2014	30 JUNE 2015	30 JUNE 2016	30 JUNE 2017	30 JUNE 2018
Net profit after tax reported	$m	81.6	122.5	132.0	137.3	140.2
Basic earnings per share – NPAT	cps	196	274	291	300	305
Total dividends paid/payable per ordinary share[1]	cps	175	240	255	265	275
Closing share price	$	47.4	48.4	41.1	55.9	41.6
Five year CAGR TSR	%	14	15	15	23	8
Three year CAGR TSR	%	27	32	10	10	-1
One year TSR	%	38	7	-10	42	-21
CEO – Variable Incentive as % of target[2]	%	119	103	107	79	34
Group Executives – Average Variable Incentive as % of target	%	108	108	105	91	76

1. Dividends paid are for the respective financial year.
2. CEO outcome represents variable incentive cash only for FY18 given the forfeiture of variable incentive equity for FY18.

Note: Percentage increases represented are CAGR.

1. Actual NPS outcome for FY16 is +31 re-based to +33, and actual NPS outcome for FY17 is +38 re-based to +36 for new target markets.

PERFORMANCE COMMENTARY

- Shareholder returns have experienced a mixed result over the last two years with strong absolute TSR in FY17 of 42% and a subsequent fall in FY18 of -21% TSR. The five year absolute TSR CAGR is tracking at 8.4% which has declined given the FY18 share price drop.
- FY18 NPAT was 2% higher than FY17. This was driven by growth in average funds under management and advice supported by higher equity markets and larger performance fees earned offset by prior period distributions and net outflows in Perpetual Investments, new business growth within Perpetual Corporate Trust and Perpetual Private, ongoing cost management whilst continuing to invest in strategic initiatives across the Perpetual Group, lower gains on disposal of seed fund investments and significant items. This 2% growth in FY18 compares to 4% growth in FY17.
- Perpetual's dividend per share has continued to increase broadly in line with NPAT growth.
- The positive trends in our employee and client experience and the significant investments in the business, position Perpetual well for future sustainability and growth.
- Our strategy recognises that our people are key to our success, and Perpetual believes that the improvements we have seen in the engagement levels of our team are the foundation for client centricity and ultimately building long-term shareholder value. AON Hewitt Global Insights recognise that a five-point increase in engagement is linked to a three-point increase in revenue growth in the following year.[1]
- Net Promoter Score (NPS) was adopted as an organisational-wide client measure in FY13, and continues to be a critical client measure, given our client-driven business and our long-term strategy.

PAY FOR PERFORMANCE

- The result of the Board's consideration of the outcomes for the year, detailed in 5.3 below, was that Group Executives achieved an average of 76% of Variable Incentive targets. The growth in financial performance was below plan and explains the difference compared with FY17 where Group Executives achieved 91%. As explained above these averages exclude the outgoing CEO.
- The range of Executive variable pay outcomes in FY18 are between 74% and 78% of target (excluding CEO), compared to the prior year range of 76% to 98%. The closer alignment of outcomes in FY18 is largely a result of each Executive being more heavily aligned to Company performance as we sought to drive 'One Perpetual' behaviours and outcomes.
- The variable pay for our Executives is intentionally linked to performance against short and long-term drivers of our business. In FY18 some of the identified growth drivers fell short of our agreed targets and therefore outcomes are lower than prior years.

5.3 MEASURING PERFORMANCE IN FY18

Under our Variable Incentive Plan, it is critical that our balanced scorecard evaluates current and future value creation with an integral risk management overlay. This section seeks to explain the performance outcomes for FY18.

KEY AREAS OF INVESTMENT

Perpetual has continued to invest in programs that will provide longer term value creation opportunities in the future from a productivity and revenue perspective. These programs can be categorised by division as follows:

Perpetual Corporate Trust

- Continued investment in data and analytics solutions which are now generating meaningful revenue with the additional capability assisting with rapid market penetration.
- A technology modernisation program that will deliver strong foundations for the business and lead to increased productivity and efficiency while improving the client and employee experience.
- Ongoing investment in the Singapore business which continues to grow its direct contribution to the division while feeding the Australian business with new revenue from its Asian clients.
- Investment in extension businesses in both Debt Markets Services and Managed Funds Services which are resulting in additional share of wallet from our existing client base.

Perpetual Private

- Broad investment in modernisation projects to deliver a sustainable operating model to realise scale benefits, productivity improvements, and transform the client experience.
- Continued build out of the Fordham business advisory group.

Perpetual Investments

- The business continued to build the product pipeline over the year, incubating and launching a range of new strategies to drive longer term growth including: Global Innovation, Ethical Credit and Diversified Real Return Fund (Performance Fee option).
- An uplift in client experience, aided by an investment in a new CRM system, has contributed more than $100 million in FUM due to client retention and referrals from the Call Centre.
- Perpetual Investments has hired four new senior investment professionals resulting in expansion of the skill base and depth of the investment teams.

1. Source: HTTP://www.aon.com/engagement17/

Support Services

- In FY18, Perpetual embarked on a strategic investment in an advanced client relationship management platform. This enterprise infrastructure is designed to improve the experience for prospective and existing clients.
- Investment in a cloud-based Human Capital Management System allows our people to operate more efficiently with improved access to real time information.
- Investments in our core technology hardware have better equipped our staff to deliver improved business outcomes.

Performance against our key balanced scorecard measures in FY18 is summarised below:

STRATEGIC MEASURE	WEIGHTING	FULL YEAR PERFORMANCE	
Financial		**Outcome**	**Comments**
Delivery of net profit after tax (NPAT) target	40%	Target: $143m Actual: $140.2m Result: Below Plan	• In FY18, NPAT grew by 2% yet fell $2.8 million short of Perpetual's targeted NPAT goal.
Growth		**Outcome**	**Comments**
Perpetual Corporate Trust (PCT) – New business revenue Perpetual Private (PP) – Non-market related revenue PP – Net flows Perpetual Investments (PI) – Annualised net revenue (ANR)	40%	PCT result: Above Plan PP result: Below Plan PI result: Below Plan	**PCT** • PCT exceeded its new business growth targets in FY18 with an increasingly diverse revenue portfolio. • New business growth saw Perpetual become the professional trustee of choice for managers establishing Listed Investment Trusts and exchange traded funds; we also continue to grow our Singapore business as the leading independent Singapore real estate investment trust trustee. • Managed Funds Services as a whole maintained strong growth bolstered by demand for Australian property and the establishment of equity funds. • New business growth came from a record year of issuance in the securitisation market, especially from non-banks with issuers upsizing deals supported by strong demand from both domestic and global investors. • PCT has become the trustee of choice for new Fintech lenders, leveraging our expertise, brand and broad product offering to support their business strategy and provide confidence to their investors. **PP** • PP continued to report positive net flows in FY18, however fell short of our agreed stretch targets. • Despite falling short of the 'at plan' target, PP has delivered 10 consecutive halves of positive net flows driven by our key strategic segments. • PP drove higher non-market related activity, primarily driven by Fordham (tax and accounting). • PP achieved higher market related revenue driven by positive growth in equity markets. • Continued inflows from high net worth clients into PP's implemented portfolios continues to be a positive contributor to market related revenue growth. • PP investment portfolios outperformed respective benchmarks and delivered positive real returns in client portfolios. **PI** • Net outflows of $2 billion in PI in FY18 represents future pressure on revenue and contributed to the 'below plan' outcome for the year. • This is a challenging time in the cycle for value investors as attractively valued investment opportunities are hard to find, which impacts fund performance and net flows. We remain committed to our investment process and we know from experience that the cycle will turn again in our favour. • Revenue relating to Global Equities, Pure Credit Alpha and Diversified Real Return investment strategies has grown from $6 million to $11 million in FY18 (driven by total net inflows of $497 million). The continued growth of these extension strategies, underpinned by; increasing client demand, additional inclusion on a number of model portfolios, approved product lists and platforms, further ratings house endorsement and investment performance, is expected to drive long-term value for the business.

STRATEGIC MEASURE	WEIGHTING	FULL YEAR PERFORMANCE	
Clients		Outcome	Comments
Improve client advocacy – external net promoter score (NPS) performance	10%	Target: +37 Actual: +39 Result: Above Plan	• Client advocacy, as measured by the NPS in each of our client segments, is a lead indicator of future growth. • In FY18, Perpetual lifted Client NPS by three points, building on a strong five point increase the year prior. • Superior client segment outcomes were invariably achieved through the strength and stability of our relationships with clients and the manner in which we proactively manage these relationships. • In contrast, where NPS results declined in segments, our understanding of and sensitivity to shifting client needs requires more focus and attention. • Underpinning the results is a Client NPS Program which has strong momentum across all client segments within our three Divisions. In FY18, insights from client research led to the development of 22 action plans for sustainable improvement in the client experience and NPS.
People		Outcome	Comments
Employee engagement	10%	Target: 71% Actual: 73% Result: Above Plan	• The One Perpetual employee engagement score has increased in FY18 to 73% against our target of 71% and a baseline of 69% in FY17. AON Hewitt classifies a four point uplift as significant improvement. Over the past five years, Perpetual has increased by 20 points which is an exceptional outcome. • This is the highest outcome in more than a decade and reflects targeted action planning across the business. • This result positions Perpetual in the top quartile of Australian companies, which external research demonstrates is a lead indicator of improved business outcomes over time including reduced turnover, attraction of key talent required to deliver on the business strategy and improved productivity.

LINK BETWEEN RISK AND REWARD

At Perpetual, risk continues to be a key component of our performance framework and is incorporated into the assessment of performance in three ways. Firstly, risk is considered at an individual and divisional level through an assessment of a divisional risk dashboard and individual risk goals, comprising metrics related to identification, management and closure of key risks. Secondly, risk behaviours are assessed for each employee through the Perpetual 'The Way We Work' behavioural framework that has been in place since 2014, comprising people, client and business lenses. Thirdly, the Board can exercise discretion over any element of remuneration based on risk behaviour, reinforcing the links between risk and reward at Perpetual. All three elements of risk are reflected in both performance and reward outcomes of all employees, including our Executives. In instances where risk culture and behaviours are not clearly demonstrated, there is a consequence to incentive outcomes.

In FY18, there were no material adverse risk related issues that impacted performance and reward outcomes for our Executive team.

6. VARIABLE REMUNERATION

6.1 THE VARIABLE INCENTIVE PLAN FOR EXECUTIVES

FEATURES OF THE VARIABLE INCENTIVE PLAN

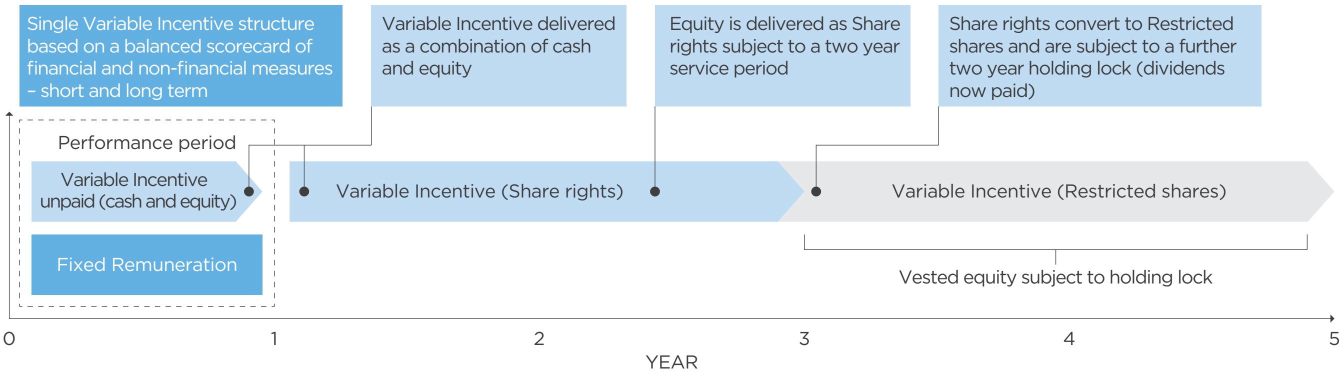
In FY17, we introduced a new Variable Incentive Plan, with a portion of the Variable Incentive paid in cash shortly after the release of Perpetual's full year results. The balance is delivered as Share rights, which will convert to Restricted shares after two years, subject to ongoing employment conditions. The Restricted shares are subject to a further holding lock for two years, with no risk of forfeiture other than for summary dismissal.

In total, equity is held for four years. Holding equity for a total of four years from the grant date of the Share rights reinforces an ownership mentality in the Executives, aligned to our shareholders' experience. The value to the Executive therefore is not at the grant date, rather at the conclusion of the vesting and restriction periods.

As performance has been fully assessed to calculate the amount paid as a Variable Incentive, no additional performance hurdles (except for employment conditions) apply to the Share rights or Restricted shares.

Dividends will not be payable on Share rights; however, they will be payable on Restricted shares during the two year holding lock.

Awards are granted on a face value basis using a five day volume weighted average price in September each year following Perpetual's full year results.

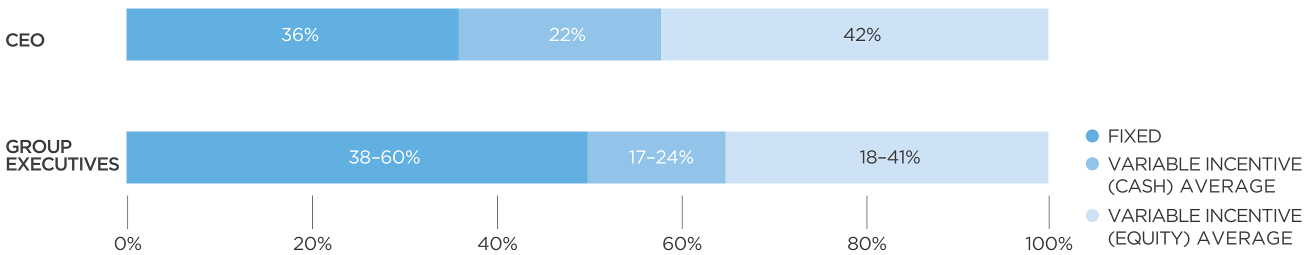


As outlined in Section 1.2, the Variable Incentive structure has been modified for the new CEO for FY19.

REMUNERATION MIX

Executives have a significant portion of their remuneration linked to performance and at risk, with the Board having the ability to risk adjust remuneration if required. There is a strong alignment to long-term incentives for Executives, as Perpetual believes in meaningful equity ownership that increases shareholder alignment for this key group.

Total remuneration continues to be determined using a range of factors including Perpetual's market peers. The table below shows the FY18 on-target remuneration mix (using full time equivalent remuneration) for the Executives under the Variable Incentive plan.



Our long-term intention is to position all Executives with a Variable Incentive mix of 1/3rd cash and 2/3rds equity.

DETERMINING THE VARIABLE INCENTIVE

Individual Variable Incentive awards are determined through an assessment of performance against the Perpetual Group scorecard, divisional performance against a divisional scorecard and individual performance, which includes an assessment of behavioural expectations for all Executives. Executives must also meet risk and compliance requirements to be eligible to receive a Variable Incentive payment. In FY18, Variable Incentive weightings for Executives under the Variable Incentive Plan were as follows:

	PERPETUAL PERFORMANCE	DIVISIONAL PERFORMANCE	INDIVIDUAL PERFORMANCE
CEO	70%	0%	30%
Group Executives	70%	30%	

In line with our focus on delivering One Perpetual Group outcomes, in FY18, we moved the weightings for the CEO and Group Executives to 70% Perpetual performance and 30% divisional/individual performance. This combined focus on Perpetual Group and divisional/individual performance ensures shared accountability for overall Perpetual performance amongst Executives, balanced with divisional priorities.

In addition, risk performance is assessed and acts as a modifier to amend an individual's overall performance and reward outcome.

Members of the Senior Leadership Team (direct reports to Group Executives) also have a portion (30%) of their Variable Remuneration outcome weighted to overall Perpetual Group scorecard performance. The remaining 70% is weighted to their individual and divisional performance measures.

APPROVAL PROCESS

In this year of CEO transition, the Interim CEO and Chairman of the PARC made recommendations to the PARC on Variable Incentive allocations for the Group Executives. Once recommendations were endorsed, the PARC made recommendations for the Interim CEO and Group Executives to the Board for final approval.

TOTAL VARIABLE INCENTIVE OUTCOME RECEIVED IN FY18 FOR EXECUTIVES

The table below provides the total Variable Incentive outcome (both cash and equity portions) received by the Executives for the FY18 performance year.

NAME	VARIABLE INCENTIVE CASH $	VARIABLE INCENTIVE EQUITY[1] $	TOTAL VARIABLE INCENTIVE $	FY18 VARIABLE INCENTIVE (AS % OF TARGET)[2]	PERCENTAGE FORFEITED	MAXIMUM OPPORTUNITY AT 175% OF TARGET[3] $
Executives						
G Lloyd[4]	765,000	–	765,000	34%	66%	3,986,299
C Green	225,792	426,240	652,032	78%	22%	1,455,428
D Lane	235,200	313,600	548,800	78%	22%	1,225,000
G Larkins	168,559	299,035	467,594	74%	26%	1,111,807
R Nash	125,096	197,546	322,642	78%	22%	720,183
K Smith	115,520	90,683	206,203	76%	24%	474,810
M Smith	217,641	433,535	651,176	74%	26%	1,548,313
Total	**1,852,808**	**1,760,639**	**3,613,447**			

1. The Variable Incentive equity value will be awarded as Share rights for two years until vesting, and will be satisfied by the conversion to Perpetual Limited shares for a further two year restricted period.
2. Represents the total Variable Incentive outcome for FY18 (including the equity component) as a percentage of target Variable Incentive.
3. Maximum opportunity Executives may earn under the Variable Incentive Plan.
4. In FY18, Mr Lloyd received a variable incentive of $765,000 paid entirely in cash. Mr Lloyd forfeited any eligibility to Share rights being granted for FY18 as a consequence of him stepping down as CEO.

A design feature of the Variable Incentive Plan is a calibration scale that converts performance outcomes to reward outcomes each year for Executives. The scale is designed to create greater differentiation of reward. In years where performance is below 'target', Executives receive reduced incentives relative to performance and, in years where performance is above 'target', their reward opportunity is increased (capped at 175% of target reward outcome). In FY18, given the below plan achievement against some balanced scorecard goals, the effect of this scale has further reduced reward outcomes for individual Executives by between 10% and 12%, relative to their overall performance outcome.

TERMINATION OF EMPLOYMENT

Treatment upon termination of employment is as follows:

EVENT	UNPAID VARIABLE INCENTIVE (CASH AND EQUITY)	VARIABLE INCENTIVE (SHARE RIGHTS)	VARIABLE INCENTIVE (RESTRICTED SHARES)
• **Resignation** • **Termination for poor performance**	No further Variable Incentive is payable	Forfeit	Retained under the plan, with restriction periods continuing to apply
• **Summary dismissal**	No further Variable Incentive is payable	Forfeit	Forfeit
• **Death**	A pro-rated Variable Incentive based on the period of the performance year completed will be paid at the normal time entirely in cash subject to full year performance	Immediate vesting (subject to Board approval)	Immediate conversion to unrestricted shares (subject to Board approval)
• **Mutual agreement** • **Retirement (requires Board approval)*** • **Redundancy** • **Total and permanent disablement (TPD)**	A pro-rated Variable Incentive based on the period of the performance year completed will be paid at the normal time entirely in cash subject to full year performance	Retained with vesting and restriction periods continuing to apply	Retained under the plan, with restriction periods continuing to apply

* In circumstances where the Board concludes at its absolute discretion that a participant is retiring.

This approach to treatment of incentives on termination of employment in conjunction with the broader plan design strengthens the alignment of interests between Executives and shareholders over the long term. The extended vesting and restriction periods encourage Executives to make decisions that are in the long-term interests of shareholders, with implications of those decisions extending beyond an Executive's tenure at Perpetual while they continue to have shares retained in the plan.

CLAW-BACK PROVISIONS

The Board retains discretion to claw back Variable Incentive equity awarded to Executives prior to the Share rights or Restricted shares being released. The Board may exercise claw-back provisions if it becomes aware of any information that, had it been available at the time Variable Incentive awards were determined, would have resulted in a different (or zero) Variable Incentive amount being awarded.

6.2 LONG-TERM INCENTIVE PLAN – CLOSED PLAN

Between October 2012 and October 2015, Executives received long-term incentive (LTI) awards. These awards were granted annually and, if conditions were met, vested over a three year period.

Whilst this LTI plan has now been replaced with the Variable Incentive Plan, Executives continue to retain unvested LTI under this plan. For this reason, the following information on LTI has been included.

PERFORMANCE TARGETS

LTI grants made to Executives up until October 2015 vest subject to two performance measures:

- 50% of each grant was subject to a relative total shareholder return (rTSR) performance target; and
- 50% was subject to an earnings per share (EPS) growth target.

PERFORMANCE TARGET TESTING AND RE-TESTING GUIDELINES

A three year performance testing period applies to relative TSR and EPS targets and performance is calculated and tested against the respective target on the third anniversary of the grant date. There is no re-testing of grants. The final test under the LTI plan will occur in October 2018.

TERMINATION OF EMPLOYMENT

In the event of an Executive ceasing employment with Perpetual, all unvested shares and Performance rights will be forfeited at the termination date, except if an Executive is made redundant, retires, resigns due to total and permanent disablement or dies. Unvested shares and Performance rights granted more than 12 months prior to termination are retained by the Executive (or the Executive's estate), with vesting subject to the same performance conditions as if they had remained employed by Perpetual.

This approach strengthens the alignment of interests between Executives and shareholders over the long term, extending beyond each Executive's tenure.

TREATMENT OF LTI ON CHANGE OF CONTROL

If Perpetual were to be taken over, or if there were a partial or full change in control, LTI awards may vest in part or in full at the discretion of the Board. Guiding principles have been developed to help the Board determine vesting outcomes that are consistent, fair and reasonable, and balance multiple stakeholder interests.

ALIGNMENT OF LTI TO PERPETUAL GROUP PERFORMANCE

The following table shows the vesting outcomes of the last five years of all LTI issued to Executives with EPS and relative TSR hurdles. During FY18, the 2014 grant partially vested.

	ANNUAL LTI GRANTS OVER THE LAST FIVE YEARS: VESTING OUTCOMES				
HURDLE	GRANT DATE: 1 OCTOBER 2011 VESTING DATE: 1 OCTOBER 2014	GRANT DATE: 1 OCTOBER 2012 VESTING DATE: 1 OCTOBER 2015	GRANT DATE: 1 OCTOBER 2013 VESTING DATE: 1 OCTOBER 2016	GRANT DATE: 1 OCTOBER 2014 VESTING DATE: 1 OCTOBER 2017	GRANT DATE: 1 OCTOBER 2015 VESTING DATE: 1 OCTOBER 2018
EPS	30%	100%	100%	44%	0%[1]
rTSR	100%	100%	56%	54%	yet to be tested

1. EPS hurdle for the 1 October 2015 grant will not vest.

6.3 EMPLOYEE SHARE PLANS

Perpetual offers all employees the opportunity to participate in share plans. These are described below.

OPEN PLANS

Perpetual Limited Long-term Incentive Plan

From February 2011, this is the primary plan used for LTI grants to eligible employees, and Executives in the Variable Incentive Plan.

299 members with LTI (Performance rights)

94 members with LTI (Shares)

5 members with Variable Incentive equity

One Perpetual Share Plan (OPSP)

This plan, introduced in FY15, awards eligible employees with annual grants of up to $1,000 worth of Perpetual shares subject to Perpetual meeting its profit target.

1,414 members

PLANS CLOSED TO NEW ISSUE

Tax Deferred Share Plan (TDSP)

This plan was used for awards made under the annual sales incentive plans for eligible employees within the Perpetual Private and Perpetual Corporate Trust teams.

The plan was previously used by employees, including Executives, to buy shares using a salary-sacrifice arrangement. The plan was closed to any new salary-sacrifice purchases during FY10.

16 members

DILUTION LIMITS FOR SHARE PLANS

Shares awarded under Perpetual's employee share plans may be purchased on market or issued subject to Board discretion and the requirements of the *Corporations Act 2001* and the ASX Listing Rules.

As at 30 June 2018, the proportion of unvested shares and Performance rights (excluding unallocated shares as a result of forfeitures) held in Perpetual's employee share plans as a percentage of issued shares was 1.8%. This has remained flat compared to last year.

The Board will ensure that the management of shares under employee incentive plans is in alignment with shareholder interests, and subject to the relevant regulatory requirements. Refer to page 34 for detail on the share dealing approval process.

7. DATA DISCLOSURES – EXECUTIVES

REMUNERATION OF EXECUTIVES – STATUTORY REPORTING

	SHORT-TERM BENEFITS			
NAME	CASH SALARY[1] $	VARIABLE INCENTIVE CASH[2] $	NON-MONETARY BENEFITS[3] $	OTHER[4] $
Current Executives				
G Lloyd[9]				
2018	**1,158,261**	**765,000**	**119,955**	**1,703**
2017	1,136,820	592,500	106,953	29,023
C Green				
2018	**481,576**	**225,792**	**–**	**1,703**
2017	467,389	282,240	–	1,509
D Lane				
2018	**501,570**	**235,200**	**25,979**	**1,548**
2017	114,448	–	3,529	9,883
G Larkins				
2018	**699,226**	**168,559**	**–**	**1,703**
2017	684,298	217,569	–	31,080
R Nash				
2018	**589,582**	**125,096**	**1,750**	**1,703**
2017	578,689	151,583	–	18,797
K Smith				
2018	**364,174**	**115,520**	**–**	**1,703**
2017	286,779	135,280	11,820	18,449
M Smith				
2018	**605,128**	**217,641**	**–**	**1,703**
2017	592,328	220,332	–	18,801
Former Executives				
D Kiddie[10]				
2018	**–**	**–**	**–**	**–**
2017	325,041	(159,836)	–	(500,000)
A Shelley				
2018	**–**	**–**	**–**	**–**
2017	196,761	–	–	670
Total 2018	**4,399,517**	**1,852,808**	**147,684**	**11,766**
Total 2017	4,382,553	1,439,668	122,302	(371,788)

1. Cash salary is the ordinary cash salary received in the year including payment for annual, long service, sick or other types of paid leave taken.
2. Variable Incentive cash payments consist of cash payments to be made in September 2018 from the Variable Incentive Plan.
3. Non-monetary benefits represents those amounts salary sacrificed from fixed remuneration to pay for benefits such as leased motor vehicles, car parking, and purchased leave.
4. Other short-term benefits relate to:
   - salary continuance and death and total and permanent disability insurance provided as part of the remuneration package;
   - the value of accrued annual leave for FY18 less leave taken which is depicted as cash salary.

POST-EMPLOYMENT BENEFITS		EQUITY-BASED BENEFITS[5]				
SUPERANNUATION $	OTHER LONG-TERM BENEFITS[6] $	VARIABLE INCENTIVE EQUITY[7] $	SHARES $	PERFORMANCE RIGHTS[8] $	TERMINATION PAYMENTS $	TOTAL $
23,039	**97,129**	**(20,606)**	**43,009**	**(329,869)**	**-**	**1,857,622**
27,938	23,320	488,026	–	740,742	–	3,145,322
23,039	**6,686**	**279,624**	**19,337**	**(122,453)**	**-**	**915,305**
21,508	11,975	205,692	–	274,307	–	1,264,620
23,039	**917**	**54,380**	**338,556**	**-**	**-**	**1,181,189**
5,420	102	–	221,007	–		354,389
29,468	**11,374**	**211,871**	**17,897**	**(86,448)**	**-**	**1,053,650**
27,938	7,063	171,634	–	193,772	–	1,333,355
29,468	**9,859**	**138,337**	**9,365**	**(44,744)**	**-**	**860,416**
27,938	6,121	104,939	–	99,863	–	987,930
23,039	**3,908**	**56,103**	**4,402**	**44,272**	**-**	**613,119**
16,346	2,043	40,001	14,000	49,259		573,977
23,039	**9,666**	**252,096**	**19,384**	**(144,070)**	**-**	**984,587**
21,508	5,979	186,305	–	334,078	–	1,379,331
-	**-**	**-**	**-**	**-**	**-**	**-**
10,668	(235)	(35,519)	(57,583)	–	–	(417,465)
-	**-**	**-**	**-**	**-**	**-**	**-**
9,011	896	–	–	115,813	–	323,150
174,131	**139,540**	**971,805**	**451,951**	**(683,312)**	**-**	**7,465,889**
168,275	57,262	1,161,077	177,423	1,807,835	–	8,944,607

5. Share-based remuneration has been valued using the binomial method, which takes into account the performance hurdles relevant to each issue of equity instruments. The value of each equity instrument has been provided by PricewaterhouseCoopers. Share-based remuneration is the amount expensed in the financial statements for the year and includes adjustments to reflect the most current expectation of vesting of LTI grants with non-market condition hurdles. For grants with non-market conditions including earnings per share hurdles, the number of shares expected to vest is estimated at the end of each reporting period and the amount to be expensed in the financial statements is adjusted accordingly. For grants with market conditions such as total shareholder return hurdles, the number of shares expected to vest is not adjusted during the life of the grant and no adjustment is made to the amount expensed in the financial statements (except if service conditions are not met). The accounting treatment of non-market and market conditions are in accordance with accounting standards.
6. The value of accrued long service leave for FY18 less leave taken, which is depicted as cash salary.
7. Variable incentive equity includes costs incurred in FY18 for the deferred portion of previous STI awards and FY17 and FY18 Variable Incentive equity grants. Also included is the reversal of the Variable Incentive equity awarded in FY17 to Mr Lloyd that has been forfeited as part of his cessation of employment.
8. Performance rights reversals are due to the EPS hurdle for the 2014 LTI grant partially vesting, and the EPS hurdle for 2015 LTI not vesting.
9. Mr Lloyd will be paid his accrued long service leave when he ceases employment on 31 August 2018. In prior years, long service accrued based on the probability of it being paid. Given Mr Lloyd will be paid his accrued long service leave, this has been realised in FY18.
10. Mr Kiddie ceased employment with Perpetual on 9 December 2016. As a result of his cessation of employment, Mr Kiddie forfeited his cash STI payment and sign-on bonus. In addition, his shares and rights lapsed. These amounts were therefore reversed in FY17.

REMUNERATION OF EXECUTIVES – ACTUAL REMUNERATION RECEIVED

The table below represents the actual remuneration received by the Executives during FY18. We believe by including this table, it makes it easier for shareholders and other stakeholders to understand the actual remuneration Executives received during the year. This table differs to the statutory remuneration table on pages 44–45 that has been prepared in accordance with the Corporations Act and Australian Accounting Standards. The difference between the two tables is predominantly due to the accounting treatment of the share-based payments.

NAME	TOTAL FIXED REMUNERATION[1] $	VARIABLE INCENTIVE CASH[2] $	EQUITY VESTED DURING YEAR[3] $	DIVIDENDS PAID ON UNVESTED SHARES DURING YEAR[4] $	SIGN-ON AND RELOCATION BENEFITS $	PAYMENTS MADE ON TERMINATION[5] $	TOTAL $
Current Executives							
G Lloyd	1,301,255	592,500	1,325,141	43,872	–	–	3,262,768
C Green	504,615	282,240	539,343	17,519	–	–	1,343,717
D Lane	550,588	–	384,579	22,599	–	–	957,766
G Larkins	728,694	217,569	436,791	15,822	–	–	1,398,876
R Nash	620,800	151,583	223,862	10,013	–	–	1,006,258
K Smith	387,213	135,280	98,251	3,649	–	–	624,393
M Smith	628,167	220,332	590,074	16,256	–	–	1,454,829
Totals	**4,721,332**	**1,599,504**	**3,598,041**	**129,730**	**–**	**–**	**10,048,607**

1. Fixed remuneration consists of cash salary, superannuation packaged employee benefits and associated fringe benefits tax.
2. Represents the cash portion of Variable Incentive outcome for FY17 paid in September 2017. Mr Lane joined Perpetual on 10 April 2017, and as such he was ineligible for a Variable Incentive payment in FY17, as he was not employed for the minimum three month period in the performance period to be eligible for an incentive payment.
3. Represents the value of equity grants awarded in previous years which vested during the year. For all Executives (except for Mr Lane), this represents the partial vesting of the 2014 LTI grant made on 1 October 2014. These shares were valued at $51.82, this being the closing market value of Perpetual shares on the vesting date of 29 September 2017. In addition, for all Executives (except for Mr Lane) this represents the value at vesting of the deferred STI shares granted 1 September 2015. These shares were valued at $51.82, this being the closing market value of Perpetual shares on the vesting date of 29 September 2017. The first tranche of Mr Lane's shares granted 10 April 2017, as a sign-on bonus vested 10 October 2017. These shares were valued at $52.21, this being the closing market value of Perpetual shares on the vesting date.
4. Dividends paid during FY18 on deferred STI shares, and sign-on bonus shares granted to Mr Lane on 10 April 2017.
5. Mr Lloyd will receive a pro-rated long service leave payment of $175,060.09 in FY19.

REMUNERATION COMPONENTS AS A PROPORTION OF TOTAL REMUNERATION

The remuneration components below are determined based on the Remuneration of the Executives – Statutory Reporting table on pages 44–45. This table includes fixed remuneration and Variable Incentives – cash and equity.

NAME	FIXED REMUNERATION %	PERFORMANCE LINKED BENEFITS VARIABLE INCENTIVE CASH %	PERFORMANCE LINKED BENEFITS VARIABLE INCENTIVE EQUITY %	TOTAL %
Executives				
G Lloyd[1]	63%	37%	0%	100%
C Green	56%	25%	19%	100%
D Lane	47%	20%	33%	100%
G Larkins	70%	16%	14%	100%
R Nash	73%	15%	12%	100%
K Smith	64%	19%	17%	100%
M Smith	65%	22%	13%	100%

1. Due to the forfeiture of Mr Lloyd's FY18 Variable Incentive equity, the equity component is zero.

VALUE OF UNVESTED REMUNERATION THAT MAY VEST IN FUTURE YEARS

Estimates of the maximum future cost of equity-based remuneration granted by Perpetual[1] should all targets be met in the future.

	30 JUNE 2019 MAXIMUM $	30 JUNE 2020 MAXIMUM $	30 JUNE 2021 MAXIMUM $
Executives			
G Lloyd	89,074	–	–
C Green	331,213	194,637	19,248
D Lane	144,167	126,758	14,162
G Larkins	240,048	137,287	13,504
R Nash	152,519	89,708	8,921
K Smith	75,050	40,867	4,095
M Smith	305,283	192,438	19,578

1. The minimum value of the grants is $nil if the performance targets are not met. The values above are determined in accordance with accounting standards. The fair value of granted shares is recognised as an employee expense with a corresponding increase in equity. Fair value is measured at grant date and amortised over the performance and/or service period.

UNVESTED SHARE AND PERFORMANCE RIGHTS HOLDINGS OF THE EXECUTIVES

The table below summarises the share and Performance rights holdings and movements by number granted to the Executives by Perpetual, for the year ended 30 June 2018. For details of the fair valuation methodology, refer to section 4-1 of the notes to and forming part of the financial statements.

NAME	INSTRUMENT	GRANT DATE	ISSUE PRICE	VESTING DATE
			$	
Executives				
G Lloyd	Shares	1 September 2015	42.37	30 September 2017
	Shares[2]	1 September 2016	49.05	30 September 2018
	Performance rights	1 October 2014	38.00	1 October 2017
	Performance rights[3]	1 October 2015	33.07	1 October 2018
	Performance rights[4]	1 September 2017	55.52	1 September 2019
		Aggregate value[1]		
C Green	Shares	1 September 2015	42.37	30 September 2017
	Shares	1 September 2016	49.05	30 September 2018
	Performance rights	1 October 2014	38.00	1 October 2017
	Performance rights	1 October 2015	33.07	1 October 2018
	Performance rights	1 September 2017	55.52	1 September 2019
		Aggregate value		
D Lane	Shares	10 April 2017	52.27	10 October 2017
	Shares	10 April 2017	52.27	30 September 2018
	Shares	10 April 2017	52.27	30 September 2019
		Aggregate value		
G Larkins	Shares	1 September 2015	42.37	30 September 2017
	Shares	1 September 2016	49.05	30 September 2018
	Performance rights	1 October 2014	38.00	1 October 2017
	Performance rights	1 October 2015	33.07	1 October 2018
	Performance rights	1 September 2017	55.52	1 September 2019
		Aggregate value		
R Nash	Shares	1 September 2015	42.37	30 September 2017
	Shares	1 September 2016	49.05	30 September 2018
	Performance rights	1 October 2014	38.00	1 October 2017
	Performance rights	1 October 2015	33.07	1 October 2018
	Performance rights	1 September 2017	55.52	1 September 2019
		Aggregate value		
K Smith	Shares	1 September 2015	42.37	30 September 2017
	Shares	1 September 2016	49.05	30 September 2018
	Performance rights	1 October 2014	38.00	1 October 2017
	Performance rights	1 October 2015	33.07	1 October 2018
	Performance rights	1 September 2017	55.52	1 September 2019
		Aggregate value		
M Smith	Shares	1 September 2015	42.37	30 September 2017
	Shares	1 September 2016	49.05	30 September 2018
	Performance rights	1 October 2014	38.00	1 October 2017
	Performance rights	1 October 2015	33.07	1 October 2018
	Performance rights	1 September 2017	55.52	1 September 2019
		Aggregate value		

1. Granted aggregate value is calculated by multiplying the number of shares by the issue price. Vested and forfeited aggregate value is calculated by multiplying the number of shares by the Perpetual closing share price on the vesting date.
2. Mr Lloyd's deferred STI shares granted 1 September 2016 will forfeit 31 August 2018.
3. Mr Lloyd's Performance rights granted 1 October 2015 will forfeit 31 August 2018.
4. Mr Lloyd's Performance rights granted 1 September 2017 under the Variable Incentive Plan ($1,171,745) have been forfeited.

HELD AT 1 JULY 2017	MOVEMENT DURING THE YEAR GRANTED	FORFEITED	VESTED	HELD AT 30 JUNE 2018	FAIR VALUE PER INSTRUMENT AT GRANT TSR HURDLE	FAIR VALUE PER INSTRUMENT AT GRANT NON-TSR HURDLE
NUMBER OF INSTRUMENTS					$	$
10,963	–	–	10,963	–	N/A	42.37
10,767	–	–	–	10,767	N/A	49.05
29,815	–	15,206	14,609	–	21.82	38.00
35,319	–	–	–	35,319	19.50	33.07
–	21,104	21,104	–	–	46.93	55.52
	$1,171,694	$1,665,901	$1,325,141			
4,929	–	–	4,929	–	N/A	42.37
4,024	–	–	–	4,024	N/A	49.05
11,184	–	5,705	5,479	–	21.82	38.00
12,851	–	–	–	12,851	19.50	33.07
–	9,308	–	–	9,308	46.93	55.52
	$516,780	$295,633	$539,343			
7,366	–	–	7,366	–	N/A	52.27
3,539	–	–	–	3,539	N/A	52.27
1,148	–	–	–	1,148	N/A	52.27
	$–	$–	$384,579			
4,562	–	–	4,562	–	N/A	42.37
3,579	–	–	–	3,579	N/A	49.05
7,894	–	4,027	3,867	–	21.82	38.00
9,071	–	–	–	9,071	19.50	33.07
–	6,738	–	–	6,738	46.93	55.52
	$374,094	$208,679	$436,791			
2,387	–	–	2,387	–	N/A	42.37
2,515	–	–	–	2,515	N/A	49.05
3,948	–	2,015	1,933	–	21.82	38.00
4,989	–	–	–	4,989	19.50	33.07
–	4,173	–	–	4,173	46.93	55.52
	$231,685	$104,417	$223,862			
1,122	–	–	1,122	–	N/A	42.37
790	–	–	–	790	N/A	49.05
774	–	–	774	–	N/A	38.00
2,872	–	–	–	2,872	N/A	33.07
–	1,827	–	–	1,827	46.93	55.52
	$101,435	$–	$98,251			
4,941	–	–	4,941	–	N/A	42.37
3,550	–	–	–	3,550	N/A	49.05
13,158	–	6,712	6,446	–	21.82	38.00
15,119	–	–	–	15,119	19.50	33.07
–	7,905	–	–	7,905	46.93	55.52
	$438,886	$347,816	$590,074			

TERMINATION TERMS FOR EXECUTIVES

The contractual arrangements of each Executive reflect Perpetual's policy at the time the contract was entered into. Mr Green's notice period is less than those of other Executives, as Mr Green was promoted to the position of Group Executive in October 2008. Perpetual's current policy is to provide six months' termination notice in Executive contracts.

TERM	WHO	CONDITIONS
Duration of contract	All Executives	Ongoing until notice is given by either party
Notice to be provided by the Executive to terminate the employment agreement	CEO and Managing Director Group Executives (excluding Chris Green) Chris Green	12 months 6 months 3 months
Notice to be provided by Perpetual to terminate the employment agreement without cause	CEO and Managing Director Group Executives (excluding Chris Green) Chris Green	12 months 6 months 3 months
Notice to be provided by Perpetual to terminate the employment agreement for poor performance	CEO and Managing Director Group Executives	6 months 3 months
Post employment restraint	CEO and Managing Director and Group Executives (excluding Chris Green) Chris Green	12 months from the date on which notice of termination was given 6 months from the date of termination of employment

The agreements also allow Perpetual to make a payment in lieu of notice, subject to Board approval.

8. NON-EXECUTIVE DIRECTOR REMUNERATION

8.1 REMUNERATION POLICY AND DATA

Perpetual's Remuneration Policy for Non-executive Directors aims to ensure that we attract and retain suitably skilled, experienced and committed individuals to serve on your Board.

Non-executive Directors do not receive performance related remuneration and are not entitled to receive performance shares or options over Perpetual shares as part of their remuneration arrangements.

FEE FRAMEWORK

Non-executive Directors receive a base fee. Except for the Chairman, they also receive fees for participating in Board Committees (other than the Nominations Committee), either as Chairman or as a member of a committee.

NON-EXECUTIVE DIRECTORS' FEES	FY17 $	FY18 $
Chairman	300,000	300,000
Directors	150,000	150,000
Audit, Risk and Compliance Committee Chairman	35,000	35,000
Audit, Risk and Compliance Committee member	17,000	17,000
People and Remuneration Committee Chairman[1]	35,000	35,000
People and Remuneration Committee member[1]	17,000	17,000
Investment Committee Chairman	17,500	17,500
Investment Committee member	10,000	10,000
Nominations Committee member	Nil	Nil

1. There was no increase in Non-executive Directors' fees in FY18.

The fees above are inclusive of superannuation contributions, capped at the maximum prescribed under Superannuation Guarantee legislation. Non-executive Directors may receive employer superannuation contributions in one of Perpetual's employee superannuation funds or in a complying fund of their choice. Non-executive Directors may also salary sacrifice superannuation contributions out of their base fee if they so wish.

Total remuneration available to Non-executive Directors of $2,250,000 was approved by shareholders at the 2006 Annual General Meeting, and has remained unchanged since this date. Total fees paid to Non-executive Directors in FY18 were $1,242,500. More details are provided in the table on page 51.

RETIREMENT POLICY

Non-executive Directors who have held office for three years since their last appointment must retire and seek re-election at the Annual General Meeting.

In order to revitalise the Board, Perpetual's Non-executive Directors agree not to seek re-election after three terms of three years. However, the Board may invite a Non-executive Director to continue in office beyond nine years if there is a compelling reason and, as determined by the Board, if in the best interests of shareholders.

No retirement benefits are paid to Non-executive Directors.

REMUNERATION OF THE NON-EXECUTIVE DIRECTORS (STATUTORY REPORTING)

Details of Non-executive Director remuneration are set out in the table below.

	SHORT-TERM BENEFITS	POST-EMPLOYMENT BENEFITS	
NAME	PERPETUAL BOARD FEES $	SUPERANNUATION $	TOTAL[1] $
Current Non-executive Directors			
T D'Aloisio[2]			
2018	**279,951**	**20,049**	**300,000**
2017	87,274	8,291	95,564
P Bullock			
2018	**168,037**	**15,963**	**184,000**
2017	168,037	15,963	184,000
S Falzon			
2018	**178,082**	**16,918**	**195,000**
2017	178,082	16,918	195,000
N Fox			
2018	**168,037**	**15,963**	**184,000**
2017	168,037	15,963	184,000
I Hammond			
2018	**178,082**	**16,918**	**195,000**
2017	178,082	16,918	195,000
C Ueland			
2018	**168,493**	**16,007**	**184,500**
2017	168,493	16,007	184,500
Former Non-executive Director			
P B Scott			
2017	255,950	19,050	275,000
Total 2018[3]	**1,140,682**	**101,818**	**1,242,500**
Total 2017	1,203,955	109,110	1,313,065

1. Non-executive Directors do not receive any non-cash benefits as part of their remuneration.
2. T D'Aloisio was appointed to the Perpetual Board on 13 December 2016, and to the position of Chairman on 31 May 2017. 2018 was T D'Aloisio's first full year as Chairman.
3. The total Non-executive Director fees were slightly higher in 2017 due to a conscious decision to overlap the service of departing Chairman P Scott with new Director T D'Aloisio and ensure continuation of knowledge within the Perpetual Board. In 2018, the total Non-executive Director fees have decreased as appropriate.

ALIGNMENT WITH SHAREHOLDER INTERESTS

The constitution requires Non-executive Directors to acquire a minimum of 500 Perpetual shares on appointment and hold a total of at least 1,000 shares when they have held office for three years. However, Non-executive Directors are encouraged to hold ordinary Perpetual shares equivalent in value to 100% of their annual base fee within a reasonable period of their appointment.

Non-executive Directors do not receive share options. Directors' holdings held directly or indirectly (for example, through a superannuation fund) are shown below.

Perpetual Directors are required to comply with Perpetual's Hedging and Share Trading policies.

NON-EXECUTIVE DIRECTOR SHAREHOLDINGS HELD DIRECTLY OR INDIRECTLY

NAME	BALANCE AT THE START OF THE YEAR	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR	1,000 SHAREHOLDING REQUIREMENT MET
		NUMBER OF SHARES		
T D'Aloisio	7,426	395	7,821	✔
P Bullock	3,425	183	3,608	✔
S Falzon	2,535	135	2,670	✔
N Fox	3,300	–	3,300	✔
I Hammond	3,750	199	3,949	✔
C Ueland	3,000	–	3,000	✔

9. KEY TERMS

Balanced scorecard	The performance measures of financial, client, growth and people as agreed by the Board to assess short and long-term Perpetual Group performance for the purposes of determining the amount of variable remuneration payable (if any). More details are on pages 38–39.
EPS	Earnings per share, this being net profit after tax divided by the average number of issued shares during the year. Previous long-term incentive grants, that Executives still hold, and are yet to vest, had two performance measures, one of which was EPS.
Equity	Equity includes both Share rights and Restricted shares. Under the Variable Incentive Plan, equity is delivered as Share rights. After a two year vesting period, Share rights are converted to Restricted shares, and are subject to a further two year holding lock.
Executives	The Chief Executive Officer (CEO) and Managing Director and the Group Executives.
Fixed Remuneration	Fixed remuneration consists of cash salary, superannuation, packaged employee benefits and associated fringe benefits tax.
Group	Perpetual Limited and its controlled entities.
Group Executives	Direct reports of the CEO and Managing Director who are disclosed in this Report.
KMP	Key Management Personnel. Those people who have the authority and responsibility for planning, directing and controlling Perpetual's activities, either directly or indirectly. Key Management Personnel disclosed in this Report are the CEO and Managing Director, Group Executives and Non-executive Directors of Perpetual.
LTI	Long-term incentive. Up to October 2015, Executives received LTI through the Perpetual Limited Long-term Incentive Plan. Executives continue to hold unvested LTI. In FY17, the LTI Plan was replaced with a new Variable Incentive Plan.
Market peers	For the purposes of benchmarking remuneration practices and levels, Perpetual's market peers refers to listed companies in the diversified financial services industry (excluding major banks and other financial services companies in the Standard & Poor's (S&P)/ASX 20).
NPAT	Net profit after tax. NPAT is the net profit after tax in accordance with the Australian Accounting Standards.
Orient Capital	Independent adviser to Perpetual which provides assessment of relative total shareholder return performance based on Perpetual's comparative peer group.
Performance rights	Performance rights were granted to Executives up to October 2015 under the previous Perpetual Long-term Incentive Plan.
Restricted shares	Once Share rights are held for a two year vesting period, and if the vesting conditions are met, Share rights are converted to Restricted shares on a one share for one Share right basis. Restricted shares are then held for a further two years.
rTSR	Total shareholder return is defined as share price growth plus dividends paid over the measurement period. Dividends are assumed to be reinvested on the ex-dividend date. Relative total shareholder return (rTSR) compares Perpetual's TSR relative to the TSR of a comparator group of companies in the S&P ASX100 (excluding listed property trusts). Previous long-term incentive grants, that Executives still hold, and are yet to vest, have two performance hurdles, one of which is rTSR.
Share rights	Share rights are issued around September each year, following the performance period. Share rights have a two year vesting period, at which point, if the vesting conditions are met, they are converted to Restricted shares on a one share for one Share right basis.
STI	Short-term incentive. An incentive paid to employees for meeting annual targets aimed at delivering our longer-term strategic plan. Under the STI Plan, employees may be paid a discretionary incentive (less applicable taxes and superannuation) based on their individual performance as well as business performance. Following the introduction of the Variable Incentive Plan in FY17, Group Executives no longer participate in the Group STI plan.
Variable Incentive	Variable Incentive includes both cash and equity components under the Variable Incentive Plan.
Variable Incentive Plan	The Variable Incentive Plan for Executives introduced from 1 July 2016.
Variable Remuneration	Refers to Variable Incentive payments awarded to Executives under the Variable Incentive Plan, and to short-term incentives awarded to employees under the Group Short-term Incentive Plan.

NON-AUDIT SERVICES PROVIDED BY THE EXTERNAL AUDITOR

Fees for non-audit services paid to KPMG in the current year were $125,915 (2017: $170,100).

The Board has a review process in relation to any non-audit services provided by the external auditor. The Board considered the non-audit services provided by the auditor and is satisfied that the provision of these non-audit services by the auditor is compatible with, and does not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services are subject to the corporate governance procedures adopted by the Company and are reviewed by the Audit, Risk and Compliance Committee to ensure that they do not impact the integrity and objectivity of the auditor, and
- non-audit services provided do not undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*, as they do not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

The Lead Auditor's independence declaration for the 30 June 2018 financial year is included at the end of this report.

ROUNDING OFF

The Company is of a kind referred to in *ASIC Corporations Instrument 2016/191* dated 1 April 2016 and, in accordance with that Instrument, amounts in the financial report and the Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of the Directors.

Tony D'Aloisio

Chairman

Sydney

30 August 2018