

PRINCIPLES OF INTERNAL GOVERNANCE AND ASSET STEWARDSHIP



INTRODUCTION

Perpetual Corporate Trust is a division of the Perpetual Group and the leading provider of corporate trustee services in Australia's financial services industry. This includes acting as investment manager for a variety of wholesale real asset funds ("**Investment Manager**"). Our approach to governance is crucial in ensuring we remain responsible stewards of our clients' capital.

This document provides information on our:

1. Organisational and investment approach;
2. Internal governance; and
3. Asset stewardship.

1. ORGANISATIONAL AND INVESTMENT APPROACH

ABOUT THE INVESTMENT MANAGER

Perpetual Corporate Trust offers investment management services predominantly to offshore clients investing directly and indirectly in Australian real estate and infrastructure through a Managed Investment Trust structure.

PURPOSE AND VALUES

Our primary purpose as Investment Manager is to ensure that we provide an exceptional client experience in delivering investment management services in accordance with each management agreement, coupled with our client's intention to utilise our services in their

investments and structure for the purposes of delivering optimal returns.

The Perpetual culture is underpinned by our three core values ("**Perpetual's Values**"):

- **Excellence** - delivering excellent outcomes;
- **Integrity** - doing what's right; and
- **Partnership** - succeeding together.

Our investment philosophy centres around direct and indirect Australian real asset investments with specific investment objectives differing from fund to fund. Fund investment objectives are established in the context of a client's broader strategy and mandate.

The fund's investments are periodically assessed against the fund's investment objectives. Similarly, all proposed new investments and asset dealings are assessed against the investment objectives to ensure investment activity remains compliant and in alignment.

OWNERSHIP MANAGEMENT AND GOVERNANCE STRUCTURE

The Investment Manager (The Trust Company (RE Services) Limited and Perpetual Corporate Trust Limited) is part of the Perpetual Group and is wholly owned by Perpetual Limited. Perpetual Limited is a publicly listed company on the Australian Stock Exchange (ASX:PPT).

The Investment Manager has established an Investment Review Committee to oversee and assist the Investment Manager monitor the investment activities of the funds it manages. The objective of the Investment Review Committee is to assist the Investment Manager in its corporate governance responsibilities by providing a layer of oversight on the investment activities.

CONFLICTS OF INTEREST

At Perpetual, acting with honesty and integrity is critical to maintaining the trust and confidence of our clients. All staff are required to adhere to internal policies and procedures to ensure all conflicts are identified, reported, assessed and managed in a timely and appropriate

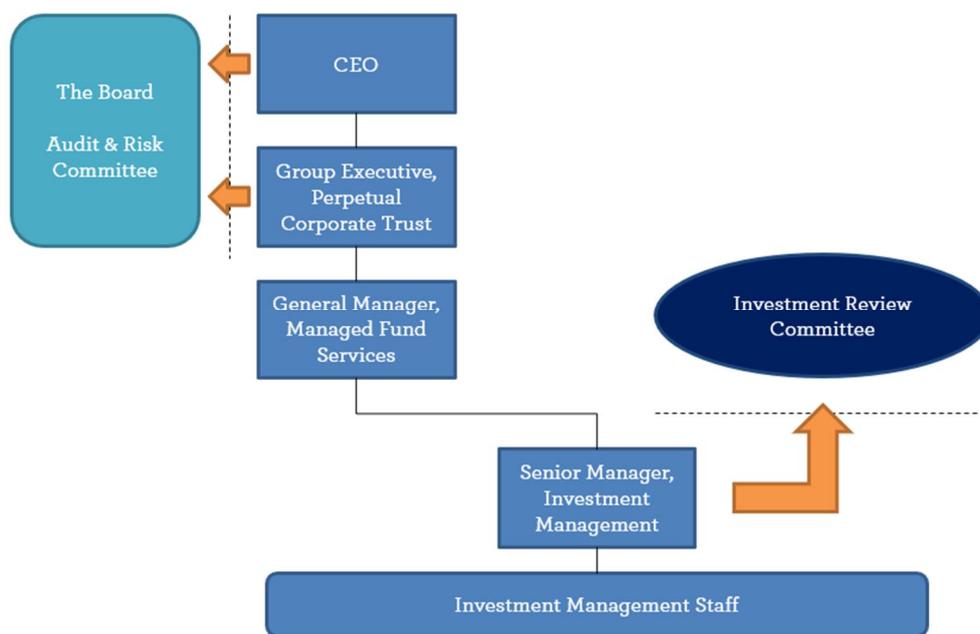


Figure 1 Governance and Management structure of the Investment Manager

MANAGEMENT OF CLIENT ASSETS

The Investment Manager ensures client assets are managed in accordance with their investment strategies through the regular monitoring and review of fund investment objectives. Fund investment objectives are considered and reviewed during the initial investment phase (due diligence process) and post-acquisition when providing recommendations on asset dealings.

Investment management agreements include the requirement that recommendations prepared and issued by the Investment Manager are presented in view of the fund investment objectives.

Furthermore, the Investment Manager reviews the investments of each fund periodically to ensure continuing compliance of the investments against the investment objectives. This confirmation of compliance is presented within periodic investment management reports which are distributed to the investor/s and separately reported to the Investment Review Committee.

manner to uphold the best interests of clients.

Perpetual Group policies are in place to manage conflicts and ensure our client's assets are managed in accordance with their investment objectives:

- Perpetual's *Code of Conduct* applies to all directors, executives and employees and is designed to assist them in making ethical business decisions. The code is supplemented by a range of written policies dealing with our obligations to clients, business partners, employees, shareholders and other stakeholders.
- Perpetual's *Conflicts of Interest (Corporate)* and *Conflicts of Interest (Personal)* policies are in place to identify, document and manage conflicts of interest faced by the organisation itself as well as individual employees.

2. INTERNAL GOVERNANCE

The following Perpetual Group policies and procedures are in place to ensure effective internal governance and

stewardship are in place to act responsibly, act in the clients' best interest and treat clients fairly.

ETHICAL CONDUCT AND PROFESSIONAL PRACTICE

Perpetual has a Code of Conduct which draws from and expands on Perpetual's Values. The Code of Conduct applies to all directors, executives and employees and is designed to assist them in making ethical business decisions.

It is based on the following principles:

- act with integrity;
- act in accordance with Perpetual's behavioural standards;
- manage conflicts of interests;
- uphold the spirit as well as the letter of the law;
- commitment to good governance and consistently delivering shareholder value;
- contribute to the community in which we operate;
- commitment to our clients and working in their interests;
- respect confidentiality and privacy;
- maintain a fair and safe work environment; and
- protect those who report wrongdoing.

A full copy of Perpetual's Code of Conduct can be found at www.perpetual.com.au/Code-of-Conduct

All new Perpetual employees are required to familiarise themselves with the Code of Conduct as part of their induction training requirements.

PERSONAL TRADING

Personal trading for Perpetual employees is governed by both Perpetual's *Personal Trading in non-Perpetual Securities* and *Personal Trading in Perpetual Securities* policies. Together, the purpose of these policies is to ensure that personal trading in securities is conducted lawfully and appropriately and that legal, regulatory and reputational risk is minimised. Compliance with both policies is mandatory for all employees (including temporary staff and contractors).

All staff across Perpetual are prohibited from:

- personally trading or encouraging the trading of securities based on inside information;
- front running;
- procuring or arranging for a third party to trade securities on their behalf; and

- short selling or trading Perpetual securities outside of permitted periods.

Staff are also required to avoid personal trading if it will conflict with their duty to clients, shareholders or Perpetual.

Generally, trading can occur during the following periods, after the relevant person has obtained prior written clearance to trade and waited at least two hours after the relevant release of results or information:

- within one month after the release of annual or half yearly results;
- within the period of one month after the issue of a prospectus; and
- any other period as the Board may decide.

Dealings are generally not permitted outside the above periods and short term dealings in Perpetual Limited securities is prohibited.

Under Perpetual's *Personal Trading in Non-Perpetual Securities Policy*, employees must ensure that their personal investment decisions are made based on generally known information (information which is readily available to other investors) and ensure that they do not use their position as an employee to gain an advantage for themselves or another person.

Perpetual Group Risk monitors compliance with trading policies and trading activity of all Perpetual staff.

The Investment Manager deals only in wholesale unlisted funds of which personal trading should not be applicable.

MANAGEMENT OF CONFLICTS OF INTEREST

At Perpetual Corporate Trust, acting with honesty and integrity is critical to maintaining the trust and confidence of our clients. All Perpetual staff are required to adhere to internal policies and procedures, to ensure appropriate standards of conduct and that all conflicts of interest are identified, reported, assessed and managed in a timely and appropriate manner, in order to uphold the best interests of clients.

Several group policies are in place to manage conflicts:

- Perpetual's *Code of Conduct* (see above) applies to all of Perpetual's directors, executives and employees and is designed to assist them in making ethical business decisions. The code is supplemented by a range of written policies dealing with our obligations to clients, business partners, employees, shareholders and other stakeholders.

- Perpetual's *Conflicts of Interest (Corporate)* and *Conflicts of Interest (Personal)* policies are in place to identify and manage conflicts of interest faced by the organisation itself as well as individual employees.

In addition to the above, all Perpetual staff must comply with the Perpetual *Gifts, Bribery and Corrupt Practices Policy*. The purpose of this policy is to ensure gifts are only given or accepted by employees in circumstances that do not compromise, and are not perceived to compromise, the integrity of Perpetual or its employee's decision-making processes and do not create a conflict of interest.

RISK MANAGEMENT AND COMPLIANCE

As a publicly listed company and provider of financial products and services, Perpetual operates in a highly regulated environment. The Perpetual Board has ultimate responsibility for and commitment to ensure that the organisation has a framework in place to manage risk. The Board's commitment is reflected through the establishment of, and investment in, the Perpetual Group Risk, Group Compliance and Internal Audit functions, led by the Chief Financial Officer.

The Chief Financial Officer has the mandate to design and implement Perpetual's Risk Management Framework ("**RMF**"). This commitment is further demonstrated by the formation of the Audit, Risk and Compliance Committee ("**ARCC**"), a Board Committee, which has responsibility for overseeing the design and effectiveness of the RMF.

The RMF is underpinned by the Three Lines of Defence model:

- **Line 1:** business unit management is responsible for identifying, analysing, managing and controlling, monitoring and reporting risks within the business;
- **Line 2:** Group Risk is responsible for the design & maintenance of the risk management framework and providing the tools and assistance to help the business manage risk.; and
- **Line 3:** Internal Audit is responsible for providing objective assurance to the Board, ARCC and management regarding the effectiveness of the internal control environment.

A full copy of Perpetual's Risk Management Framework can be found at:

www.perpetual.com.au/-/media/perpetual/pdf/shareholders/current-sp-perpetual-sp-limited-sp-risk-sp-management-sp-framework.ashx?la=en

Perpetual Limited subsidiaries may elect to implement risk framework elements in addition to the RMF, particularly where these subsidiaries are subject to specific regulatory requirements (such as Perpetual Superannuation Limited or Perpetual (Asia) Limited), however these additional elements must not reduce the level of risk oversight required by the RMF.

Where Perpetual acts in the capacity of Investment Manager, responsible entity or as trustee for investment entities (such as Managed Investment Schemes and Managed Investment Trusts), this RMF applies to all the activities that Perpetual undertakes in connection with these roles. While this includes oversight of external parties that support these investment entities (such as external investment managers or administrators), the risk oversight measures set out in this RMF do not fully extend to these external parties. Service provider governance processes are implemented to oversee these parties.

The Board's expectations regarding the consideration of risk in decision making processes and expected behaviours are outlined in Perpetual Limited's Risk Appetite Statement ("**RAS**"). The RAS sets out the Board's position in relation to each of Perpetual's eight risk categories and articulates the desired behaviours, measures and tolerances that management are to consider when setting and implementing strategy and running of their day to day areas of responsibility.

Whilst risk limits and measures are incorporated into business plans and budgets, the RAS identifies boundaries beyond which management should not venture, unless specifically approved by the Board.

ERROR CORRECTION POLICY

Perpetual's RMF is in place to ensure risks and issues are correctly identified, assessed and managed. All issues must be reported and consequently rectified through the implementation of a Management Action Plan.

BROKERAGE AND COMMISSIONS

Not applicable.

As Investment Manager to wholesale real asset funds that invest in direct and unlisted-indirect property, brokerage and commissions does not apply to the calculation or derivation of our management fees nor the dealings of investments.

EQUITABLE ASSET VALUATION AND PRICING

The requirement for our funds to obtain regular valuations is generally determined at the fund establishment to align with the investors reporting and

compliance obligations and, to the extent applicable, debt covenants.

Where an annual or adhoc valuation is requested, the Investment Manager will recommend the appointment of an external valuer taking into consideration their skills, capability, experience and value proposition. All valuations carried out in respect of assets held by the fund are procured from external third-party valuers. The Investment Manager ensures that valuers are rotated every 2-3 years where appropriate.

BEST EXECUTION AND TRADE ALLOCATION

Not applicable.

Best execution and trade allocation does not apply on the basis that we act as investment manager to wholesale unlisted property vehicles.

REMUNERATION POLICY

Our remuneration philosophy at Perpetual is designed to create value for our shareholders, clients and employees, to differentiate rewards based on performance in line with our risk management framework, and to provide competitive rewards that attract, motivate and retain talented people.

The remuneration framework consists of two components: fixed remuneration and variable remuneration. The variable component can include a short-term incentive (“**STI**”), Perpetual Limited shares, and a long-term incentive (“**LTI**”). The combination of fixed and variable remuneration varies between employees and business units but considers the remuneration of market peers, internal relativities and the skill and expertise brought to the role.

WHISTLEBLOWER PROTECTION POLICY

Perpetual is committed to promoting good corporate conduct and to conducting business in accordance with the highest ethical standards. The reporting of suspected misconduct is vital to maintain Perpetual’s reputation for trustworthiness and to uphold Perpetual’s values.

Perpetual’s *Whistleblowing Policy* protects employees who make reports in good faith of wrongdoing, prejudice or disadvantage. As part of the Whistleblowing Policy, a third party has been engaged to provide an independent and confidential hotline for Perpetual employees who prefer to raise their concern with an external organisation.

Perpetual’s Whistleblowing Policy covers a range of suspected misconduct which includes:

- Conduct that breaches any law, regulation or code that applies to Perpetual;
- Discrimination, harassment or bullying of employees;
- Unsafe work practices such as behaviour which puts employees at risk;
- Fraud, corrupt practices or unethical behaviour
- Bribery;
- Behaviour which breaches Perpetual’s Code of Conduct, values or policies;
- Conduct which could breach confidentiality obligations, such as disclosing commercially sensitive information to a third party;
- Undisclosed material conflicts of interest; and
- Inappropriate accounting, control or audit activity or any other conduct which could cause loss to, or be detrimental to the interests or reputation of, Perpetual or its clients.

TRAINING AND DEVELOPMENT

A continuous improvement and development attitude is actively promoted within Perpetual Corporate Trust and is an integral part of the culture at Perpetual. Accordingly, we encourage employees to undertake further education and training relevant to their role and in line with individual development plans.

Further structured and unstructured training is carried out to the Investment Management team to ensure the continual development of technical skills and industry knowledge. Additionally, continuous membership and professional affiliations is encouraged.

COMPLAINTS AND DISPUTE RESOLUTION

Perpetual’s *Complaints Handling Policy* sets out a framework for handling complaints. It seeks to comply with the key principles of *AS/NZS 10002:2014 Guidelines for complaint management in organisations* and *ASIC Regulatory Guide 165 – Licensing: Internal and external dispute resolution*.

Under these guidelines, Perpetual is required to have in place a complaints handling and dispute resolution system that consists of:

- Internal dispute resolution (“**IDR**”) procedures that meet the standards or requirements made or approved by ASIC; and
- Membership of one or more ASIC-approved external dispute resolution (“**EDR**”) schemes.

The complaints handling process comprises of five steps; capture, acknowledge, investigate, respond and review. The policy is designed to ensure that complaints are appropriately and expeditiously addressed. We are

committed to ensuring complaints are appropriately handled to:

- Increase the level of client satisfaction and enhance Perpetual's relationship with clients;
- Improve the overall quality of services and products; and
- Comply with the requirements under regulatory licences.

3. ASSET STEWARDSHIP

Perpetual is committed to meeting the highest standards of governance, as well as ethical and professional practices. The following section outlines our approach to asset stewardship.

MONITORING OF PERFORMANCE

As Investment Manager we are responsible for managing and providing oversight of the assets as well as keeping the assets of the fund in view of the fund's investment objectives. For direct and indirect real property investments we achieve this through the review of asset-level reporting (in the form of underlying property manager and asset manager reports), engagement with service providers and the procurement of fund level accounts.

This information is reviewed on a periodic basis and is incorporated within investment management reports. Investment Manager reports include, but are not limited to, the following for the relevant period:

- Market update;
- Alignment of the investments with the fund investment objectives;
- Fund level financial performance;
- Fund level initiatives and activities; and
- Asset level initiatives and activities.

ENGAGEMENT

Perpetual's RMF and regulatory obligations require that an appropriate and effective issues reporting process be implemented across Perpetual. Perpetual's Reporting of Issues Policy covers the following:

- Provides Perpetual with a consistent framework for the identification, assessment and management of issues;
- Ensures employees are aware of their responsibilities in relation to issues management; and
- Outlines how issues are reported.

In addition to compliance with Perpetual's internal reporting of issues policy, the Investment Management

team has established an Investment Review Committee which the Investment Manager is required to report to periodically. The objective of the Investment Review Committee is to assist the Investment Manager in its corporate governance responsibilities by providing a layer of oversight to the investment activities and to assist the Investment Manager in its obligations of monitoring and managing the investments of the funds.

The Investment Manager maintains regular and open communication channels with investors, asset managers, property managers, fund accountants and other service providers and where appropriate will escalate matters for discussion and decision with the relevant stakeholder/s.

APPROACH TO ENVIRONMENTAL, SOCIAL AND GOVERNANCE FACTORS

The Investment Manager has adopted a positive approach to environmental, social and governance ("ESG") considerations and believes that ESG factors can have a material impact on the fund returns.

The Investment Manager takes ESG factors into account as part of our analysis, due diligence on assets, and discussions with investors, asset managers and joint-venture partners as part of the investment and decision-making process.

PROXY VOTING

Given the wholesale nature of the structures for which we act as investment manager and the underlying real estate asset, proxy voting is not typically applicable in our role as investment manager. Assets are directly held via trusts which are administered by trustees. Decision making by such trustees are administered by recommendations from the Investment Manager and/or direction from unitholders.

An exception to this applies where indirect asset investments are made via a joint-venture partner or local asset management platform. In this case, decision making is typically governed by a joint-venture agreement or unitholders agreement with voting rights assigned appropriately to the various investors.

Where a client nominates the Investment Manager to vote on behalf of the client in respect of such decisions, the Investment Manager's *External Investment Committee Membership Policy* will apply with respect to voting. This policy requires that voting is made in a prudent and diligent matter and voting does occur without a formal recommendation on a voting matter to clients/investors being issued and accepted.

COLLABORATIVE ENGAGEMENT AND POLICY ADVOCACY

As one of Perpetual's Values, "Partnership – succeeding together", collaborative engagement is embedded in our culture. Perpetual maintains various memberships with industry groups and associations which allows us to engage with other industry participants and remain abreast of industry changes and challenges.

As the Investment Manager oversees the investments on behalf of various institutional investors, we maintain strict adherence to Perpetual's *Conflicts of Interest (Corporate)* and *Conflicts of Interest (Personal)* policies when collaborating or engaging with other investors in the industry.

Perpetual is a well-respected and long-standing brand in Australian investment markets. Through engagement in a range of industry and trade associations we continually seek to be advocates for industry initiatives that best suit the interests of our clients and our ability to support them. Examples of industry bodies that the Investment Manager maintains membership with includes:

- Property Council of Australia
- Asian association for investors in Non-listed Real Estate Vehicles ("**ANREV**")
- Property Funds Association
- Real Estate Institute of Australia

CLIENT ENGAGEMENT, EDUCATION AND COMMUNICATION

Perpetual Corporate Trust engages with and educates clients through various forums including:

- Management meetings with clients designed for direct disclosure of matters that impact their business, funds and investments;
- *PCT Insights*, distributed periodically incorporating general market insights and key regulatory change items; and
- Open client forums to address and discuss specific industry issues impacting clients.

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MORE INFORMATION

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