Perpetual Limited
ABN 86 000 431 827
and its controlled entities

TAX REPORT FOR THE YEAR ENDED 30 JUNE 2020

Perpetual

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1. INTRODUCTION

Perpetual has a strong commitment to the highest standards of corporate governance and transparency. This Tax Report highlights the tax payments made by Perpetual Limited (Perpetual or the Group) to the Australian (Federal and State) tax authorities during the year ended 30 June 2020 and provides information on its tax strategy and governance policy.

Perpetual's profits are predominantly generated from its Australian operations. Globally, Perpetual has operations in Singapore and the United States of America (USA) that are currently not material to the Group and have no other international related party dealings. The profits generated by Perpetual are taxed at the corporate income tax rate.

The net current income tax payable by Perpetual to the Australian Taxation Office (ATO) results in the generation of imputation credits, which are passed to shareholders through franked dividend payments. Where a shareholder is an Australian taxpayer, they are eligible to obtain a credit for the tax paid by Perpetual in the same financial year.

Perpetual is also subject to other direct and indirect tax obligations including goods and services tax ("GST"), fringe benefits tax ("FBT"), payroll tax, stamp duty and pays 'pay as you go' (PAYG) withholding taxes on behalf of its employees.

This Tax Report builds upon the disclosures provided in the Income Taxes Note published in Perpetual's 2020 Annual Report, which was prepared in accordance with Australian Accounting Standards and complies with International Financial Reporting Standards.

2. PERPETUAL GROUP

Perpetual is an independent Australian diversified financial services firm operating in Australia, Singapore and the United States and provides asset management, financial advice and trustee services. In each of these businesses, Perpetual earns the majority of its revenue from fees charged on assets under either management, advice or administration.

Revenue is influenced by movement in the underlying asset values, margin on assets and net client flows. The business model provides Perpetual with recurring revenue streams and leverage to movement in asset values. As a provider of high-quality financial services, employment costs comprise the largest component of the Group's expenses.

Factors that influence the performance of the business include the performance of the global and Australian economies and financial markets, consumer and investor confidence and government policy.

Perpetual is comprised of the following three core businesses:

Perpetual Investments

Perpetual Investments is a highly regarded investment manager, with a strong heritage of managing retail and institutional client assets, offering a broad range of investment, superannuation and retirement savings products. The business manages investments across a range of asset classes, including Australian and global equities, ESG strategies including Trillium Asset Management (acquisition completed on 30 June 2020), cash and fixed income and multi asset strategies. It services a diverse range of client types, from large institutional investors through to smaller retail investors.

Perpetual Private

Perpetual Private is an advisory services business focused on the comprehensive needs of High Net Worth individuals, families and non-profit organisations. It had $14.3 billion of Funds Under Advice (FUA) at the end of FY20.

Perpetual Private aims to lead the market in advisory and professional services in its chosen segments. A key part of Perpetual Private is its philanthropic business and Perpetual is one of Australia's largest managers of philanthropic funds, with $2.9 billion in FUA for charitable trusts and endowment funds as at the end of FY20.

Other advisory services include strategic advice on superannuation, retirement planning, general investment, asset protection, insurance, tax management, estate planning, aged care, social security, succession planning, and philanthropy.

Perpetual Corporate Trust

Perpetual Corporate Trust is a leading provider of corporate trustee services. The business comprises the following:

- **Debt Markets Services** – provides trustee, agency, trust management, accounting, document custody and standby servicing to the debt capital and securitisation markets, acts as the Australian data warehouse for investor and regulatory reporting and provides digital solutions for the Banking and Financial Services industry, and

- **Managed Funds Services** – provides independent responsible entity, custody, trustee and investment management services to the domestic and global managed funds industry. Perpetual has a global client base serviced from our Singapore and Australia presence, administrating a board range of asset classes including property and infrastructure, debt, fixed income, equity, private equity, emerging markets and hedge funds.

Perpetual and its wholly owned Australian entities elected to form an income tax consolidated group as of 1 July 2002. As a consequence, all members of the tax consolidated group are taxed as a single entity and governed by a tax funding agreement.

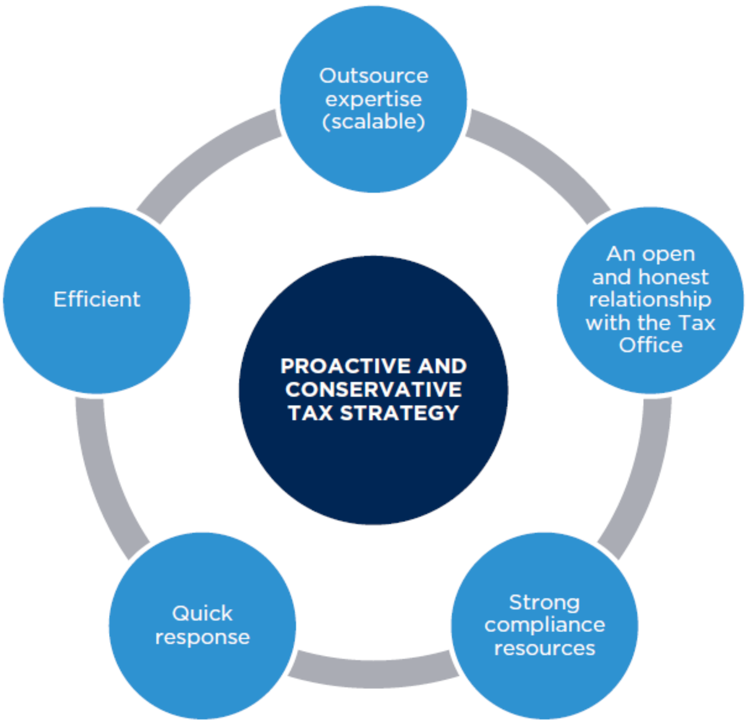
Under the agreement, all wholly owned Australian entities fully compensate Perpetual for any current income tax payable assumed and are compensated by Perpetual for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Perpetual under the income tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the members' financial statements.

3. TAX STRATEGY AND GOVERNANCE

3.1 TAX STRATEGY

Perpetual's tax strategy is controlled and governed by the Perpetual Board of Directors through the Group's Tax Risk Management Framework (TRMF) with a focus on maintaining strong tax compliance disciplines across the Group while maximising shareholder's returns. The TRMF is reviewed annually.

Perpetual's tax strategy within the TRMF is summarised in the diagram below.



Perpetual's TRMF is implemented based on a proactive and conservative approach to identifying key tax risks and applying appropriate courses of action to ensure that all tax risks are managed efficiently and effectively. The Group has a low risk tolerance and does not have an appetite for aggressive tax structures requiring significant investment in tax teams.

The tax teams are appropriately resourced by experienced tax personnel to ensure that day to day operational tax matters, minor tax planning and general tax queries can be addressed quickly. Significant one-off transactions are managed via external tax advisers when the tax risk has been identified as material and above the resource capacity of the tax teams.

Perpetual adopts a proactive and risk averse approach to taxation built upon transparency and pro-active engagement with the Australian Taxation Office (ATO). Over past years, the ATO has undertaken various tax reviews which have been completed in a cooperative and transparent manner. Throughout the review processes, Perpetual has provided all information requested and the ATO has not made any adjustments to submitted tax returns based on these reviews.

3.2 TAX GOVERNANCE

Perpetual manages its tax risk by monitoring the Board and senior managements' attitude, overall strategy and tolerance for tax risk. This process is governed by the Board's Tax Corporate Governance Policy and Risk Appetite Statement (RAS).

The Group's awareness and response to tax risk facing the organisation includes detailed processes and procedures for identifying and evaluating the risks. These preventative measures, incorporated in the Group risk register and Tax Risk Management Framework (TRMF), are designed to mitigate and manage the tax risks identified.

Perpetual has a Risk Management Framework (RMF) with coordinated risk management activities and three lines of defence. The TRMF is a supporting program of the RMF and uses its risk assessment tools, likelihood assessment and consequence assessment to identify and prioritise the tax risks, risk treatment and action plans.

4. TAXES PAID BY THE PERPETUAL GROUP

The table below illustrates the types of taxes paid by Perpetual to the Australian (Federal and State) tax authorities for the financial year ended 30 June 2020.

Tax Authorities	Corporate income tax 1 $m	Employer/ payroll taxes 2 $m	Indirect taxes 3 $m	Total taxes paid 4 $m	Employee taxes remitted 5 $m
Australian Federal taxes	26.1	0.6	37.3	64.0	52.2
Australian State taxes	-	9.7	-	9.7	-
Total	**26.1**	**10.3**	**37.3**	**73.7**	**52.2**

Footnotes:

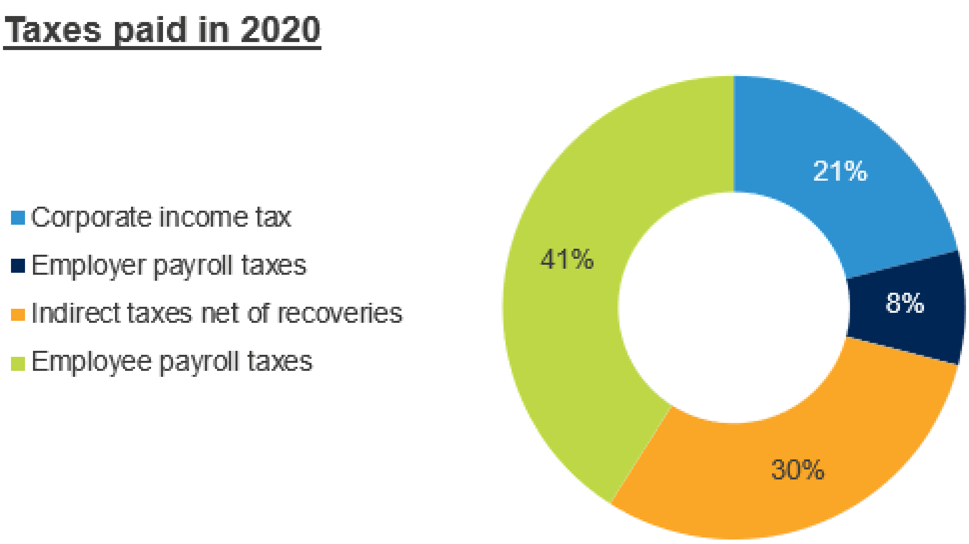
1) Income tax liabilities paid to the ATO by the Perpetual tax consolidated group in Australia.

2) Australian Federal based employer tax comprises Fringe Benefit Tax (FBT) levies on non-cash benefits to employees and associates for the year ended 31 March 2020; Australian State based payroll tax is imposed on employers whose 'taxable wages' exceed a certain level for the year ended 30 June 2020.

3) Comprises Goods and Services Tax (GST) for Perpetual GST consolidated group entities net of recoveries.

4) The total tax payable in Singapore is not material to the consolidated entity and has no material impact on the taxes paid report above. There are no material intercompany dealings between Singapore and Australia. Any intercompany transactions incurred between the Singapore subsidiary and Perpetual are dealt with at arm's length from a transfer pricing perspective and comply with Australian International Tax Law.

5) Employee taxes withheld from employee remuneration and remitted to tax authorities for the year ended 30 June 2020.



5. INCOME TAX REPORT

Perpetual reported an income tax expense (ITE) of $ 34.6million in the 2020 financial year and $46.2 million in the 2019 financial year. The reported statutory effective tax rate (ETR) of 29.7% in 2020 and 28.5% in 2019, constitutes the ITE as a percentage of Perpetual's net profit before tax. The primary drivers of the ITE and ETR are as follows:

	2020 $'000	2019 $'000
1-4 Income taxes		
Current year tax expense		
Current year tax expense	42,117	41,665
Prior year adjustments	(427)	(751)
Total current tax expense impacting income taxes payable	41,690	40,914
Deferred tax expense		
Prior year adjustments	118	469
Temporary differences	(7,200)	4,850
Total deferred tax expense	(7,082)	5,319
Total income tax expenses	34,608	46,233
Net profit before tax for the year	116,607	162,162
Prima facie income tax expense calculated at 30% (2019: 30%) on profit for the year	34,982	48,649
– Recognition of previously unrecognised capital and revenue losses	(521)	(1,922)
– Prior year adjustments	(309)	(282)
– Other non-taxable income/expenses and tax credits	504	(295)
– Other non-deductible expenses	(48)	83
Total	34,608	46,233
Effective tax rate (ETR)	29.7%	28.5%
Income taxes (receivable)/payable at the beginning of the year	(1,846)	5,984
Income taxes payable for the financial year	41,690	40,914
Less: Tax paid during the year	(26,138)	(48,784)
Other	(415)	40
Income taxes payable/(receivable) at the end of the year	13,291	(1,846)
Represented in the Statement of Financial Position by:		
Current tax (assets)/liabilities	13,291	(1,846)

Basis of calculation of ETR
The ETR is calculated as total income tax expenses divided by net profit before tax for the year.

The consolidated entity operates in Australia, USA and Singapore. The USA and Singapore operations are not material to the consolidated entity and have no material impact on the calculation of the ETR.

Explanation of variance to the legislated 30% tax rate
The consolidated entity's effective tax rate for the year was 29.7% (2019: 28.5%). The 0.3% reduction in the effective tax rate compared to the legislated 30% is mainly attributed to the utilisation of previously unrecognised capital losses and prior year adjustments relating to the Research and Development tax concession.

Capital tax (gains)/losses calculated at 30% tax in Australia

The total tax benefits of realised capital losses are $26,521,502 (30 June 2019: $27,872,955), comprising $3,000,000 (30 June 2019: $3,000,000) recognised in deferred tax assets and $23,521,502 (30 June 2019: $24,872,955) not recognised in deferred tax assets. These are net of realised tax capital gains and losses incurred in the current and/or prior years and are available to be utilised by the Australian income tax consolidated group in future years.

NEW SOUTH WALES
Angel Place
Level 18, 123 Pitt Street
Sydney NSW 2000

AUSTRALIAN CAPITAL TERRITORY
Level 6, 10 Rudd Street
Canberra ACT 2601

VICTORIA
Level 28 & 29, Rialto South Tower
525 Collins Street
Melbourne VIC 3000

SOUTH AUSTRALIA
Level 11, 101 Grenfell Street
Adelaide SA 5000

WESTERN AUSTRALIA
Exchange Plaza
Level 29, 2 The Esplanade
Perth WA 6000

QUEENSLAND
Level 15, 345 Queen Street
Brisbane QLD 4000

www.perpetual.com.au