

16 September 2021

ASX Limited  
ASX Market Announcements Office  
Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

## Perpetual Limited - Annual General Meeting 2021

The following announcements to the market are provided:

AGM Notice of Meeting

Proxy Form

Shareholder Question Form

Online Guide from Link Market Services

Letter to Shareholders

Perpetual Annual Report 2021

✓ Perpetual Sustainability Report 2021

Yours faithfully,



Sylvie Dimarco  
Company Secretary  
(Authorising Officer)

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# Sustainability Report 2021



Trust is earned.

Perpetual 

# Introduction

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### Our reporting suite

Welcome to our FY21 Sustainability Report. This forms part of our reporting suite, which also includes our Annual Report, Corporate Governance Statement, Operating and Financial Review and Full Year Financial Statements. These documents provide information about Perpetual Limited's financial year from 1 July 2020 to 30 June 2021 (FY21) but also refers to activities before and after that period where relevant.



Annual Report



Corporate Governance Statement



Sustainability Report



More information about our FY21 performance can be found online: [www.perpetual.com.au/reporting-suite](http://www.perpetual.com.au/reporting-suite)

# Perpetual at a glance

Perpetual is a global ASX-listed financial services company, which has been serving clients since 1886.

Our global client base includes institutions, not-for-profit organisations, small businesses, financial advisers, individuals and families.

Across our four divisions – Perpetual Asset Management International (PAMI), Perpetual Asset Management Australia (PAMA), Perpetual Private (PP) and Perpetual Corporate Trust (PCT) – we protect and grow our clients’ wealth, knowing that by doing so we can make a difference in their lives.

## Our vision

To be the most trusted in financial services

## Our purpose

Enduring prosperity

### Our business divisions

**Perpetual Asset Management International** is a growing international division with a presence in Hong Kong, the UK, Europe and the US. The division includes the operations of Trillium Asset Management (Trillium), a pioneering US ESG investment specialist, as well as Barrow Hanley Global Investors (Barrow Hanley), a diversified investment management firm that offers value-focused investment strategies spanning global equities, US equities and US fixed income.

**Perpetual Asset Management Australia** is a highly regarded investment manager, with a strong heritage in managing retail and institutional client assets, offering a broad range of investment, superannuation and retirement savings products. We manage investments across a range of asset classes, including Australian and global equities, cash and fixed income and multi asset strategies. We offer an increasing range of environmental, social and governance (ESG) strategies and service a diverse range of client types, from large institutional investors through to individual retail investors.

**Perpetual Private** is an advisory services business focused on the comprehensive needs of high net worth individuals, families and non-profit organisations. PP aims to lead the market in advisory and professional services in its chosen segments. A key part of PP is its philanthropic business and Perpetual is one of Australia’s largest managers of philanthropic funds. PP is also a leading manager of Native Title trusts, providing long-term support for First Nations communities.

**Perpetual Corporate Trust** provides a broad range of fiduciary and agency products to the debt capital markets and managed funds industries in Australia and Singapore. PCT’s Data and Analytics business comprises three business lines – data services, industry roundtables and our Perpetual Intelligence digital platform, which supports the banking and financial services industry.

### Our strategic imperatives

- Client First – delivering exceptional products and outstanding service
- Future Fit – a scalable business platform that empowers our people to deliver high performance
- New Horizons – adding new capabilities and building a global footprint

### Our sustainability focus

At Perpetual, sustainability is about creating enduring prosperity for our clients, people, communities and the environment. This means delivering excellent service, providing a safe and inclusive workplace, helping increase investment in communities and reducing our impact on the environment. Our approach is built on strong foundations of good corporate governance, prudent risk management and a longstanding commitment to ESG principles.

For more information about our business, see our Operating and Financial Review at: [www.perpetual.com.au/ofr](http://www.perpetual.com.au/ofr)

## A message from our CEO

For 135 years, we have supported our clients and our communities through periods of great change and development.

We are proud of our past and our enduring commitment to building a sustainable future for our clients, our people and the communities we support.

Throughout our history, built from strong foundations as a trustee company supporting our clients through generations, our commitment has always been to earn trust through every action, every day. This philosophy has never been more important than this past year as COVID-19 has continued to cast a shadow over our lives.

At Perpetual, we have strived to play our part to meet these challenges, supporting our people, clients, and communities through this period.

The pandemic has raised issues of health and wellbeing, exacerbating pre-existing social inequalities. It has also heightened awareness of the environmental challenges that we all face globally.<sup>1</sup> These are issues that the business and investment community can, and should, play a strong role in driving change.

This has also accelerated the focus on sustainability and ESG investing in global markets. This is a long-term trend, and one that Perpetual has been focused on for some time.

Perpetual was an early proponent of ESG investing, setting up our first Ethical SRI Fund in 2002. We joined the UN-supported Principles for Responsible Investment (PRI) in 2009, not long after it was formed in 2006. Since then, we have continued our evolution, integrating ESG factors more deeply into our investment process and adding more products and capabilities so we can support our clients to better manage risk while contributing to a more sustainable economy.

Consistent with our overall business transformation program, the last 18 months has seen continued evolution and targeted uplift in our sustainability and ESG capabilities. A new ESG Workbook was developed and launched during the year for our equity investment managers and analysts in PAMA.

This builds on the strong expertise in those teams and helps integrate ESG factors further into investment decision-making. We also recently launched a new investment product, the Multi Asset ESG Real Return Fund, which has sustainable, ethical as well as financial criteria.

Throughout our history,  
built from strong foundations as  
a trustee company supporting  
our clients through generations,  
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been to earn trust through  
every action, every day.



1 BCG. The Pandemic Is Heightening Environmental Awareness, July 2020.

We welcomed Trillium to Perpetual in 2020. As one of the longest standing impact-driven, ESG-focused firms, it has been terrific to draw on Trillium’s deep history and launch two Trillium funds in Australia – the Trillium ESG Global Equity Fund and the Trillium Global Sustainable Opportunities Fund. Trillium has a long track record of engaging with companies to press for positive social and environmental outcomes. We are very pleased to have Trillium help to advance our own thinking on sustainability across Perpetual based on their deep, specialist experience over many years.

During 2020, we also acquired Barrow Hanley, who consider ESG factors as part of their investment process. Barrow Hanley’s Composite ESG Score is a proprietary tool that is integral to their valuation and investment process.

## Extra day of vaccination leave

for all staff in Australia and Singapore.

## Launched two Trillium funds in Australia

the Trillium ESG Global Equity Fund and the Trillium Global Sustainable Opportunities Fund.

Across all our businesses, our employees’ wellbeing and professional growth has never been more important than this year. Building on our established flexible working culture, we committed to a hybrid working model to enable our employees to work where they work best and to achieve a better balance between home and work life.

Periods of lockdown have been taxing for many people’s mental health. We made the Headspace Wellbeing app available for our people and their families and provided access to employee coaching and support services through private independent employee assistant programs. Employees in Melbourne who were affected by a long lockdown could access five additional days of carers leave if they needed it and we have provided an extra day of vaccination leave to all staff in Australia and Singapore to support those people who need time off to be vaccinated. We also continue to strive to create a more inclusive workplace across our business and launched our new Diversity and Inclusion Strategy to support this goal.

I am particularly proud of Perpetual’s role as one of Australia’s largest managers of philanthropic funds and Native Title trusts. In FY21, our clients distributed \$103 million of their philanthropic funds to community organisations. It is a great honour that we were also working with four new Aboriginal and Native Title clients, including as Trustee for the Noongar Boodja Trust in the South-West Region of Western Australia. We look forward to working with the current and future generations of Noongar people to help them achieve their aspirations.

During the year, we launched our 2021-2023 Stretch Reconciliation Action Plan that sets out our commitments to work together with Aboriginal and Torres Strait Islander Peoples and ensure opportunities for prosperity are afforded equally. With Perpetual’s recent global expansion, our focus has expanded to include the concerns of First Nations peoples in the US and we fully support the engagement our US-based firms have with these communities, through Trillium in particular.

“Building on our established flexible working culture, we committed to a hybrid working model this year to enable our employees to work where they work best and to achieve a better balance to home and work life.”

As much as we have accomplished this year, we know we have more to do and we are now working on creating a Sustainability Strategy for Perpetual to strengthen the sustainability-focused initiatives already underway in the business. To date, we have completed comprehensive stakeholder research, which has helped us understand the issues that matter most to them in the context of our business. Our Sustainability Strategy will set out a clear vision and set of commitments to achieve our goals and play our role in advancing a sustainable and equitable world. I look forward to sharing it with you in FY22.

Yours sincerely,

**Rob Adams**

Chief Executive Officer and Managing Director

# Highlights from FY21

Creating enduring prosperity for our clients, people, communities and the environment.



**Our approach to sustainability and ESG investing**



**Clients**



**People**



**Communities**



**Environment**

## Multi Asset ESG Real Return Fund

and inaugural ESG Report both launched by PAMA.

**+44**

**Net Promoter Score<sup>2</sup>** in FY21, demonstrating **strong advocacy** from clients.

## Diversity and Inclusion Strategy

launched to continue to build an **inclusive workplace**.

**\$612,000**

raised for good causes through **employee fundraising** and company **donations** across our global businesses.

**B-**

score for **CDP** (formerly Carbon Disclosure Project) climate submission, Perpetual's **highest ever score**.

## Modern Slavery Framework

now in place and we appointed a new **Sustainability and Modern Slavery Manager** to support it.

**+38**

**NPS** for PAMA, significantly up from **+26** in FY20.

## Wellbeing support

throughout the year including:

- ▶ **Headspace Wellbeing app**,
- ▶ additional **carers leave** for employees impacted by long-term lockdowns in Melbourne, and
- ▶ **COVID-19 vaccination leave** for all staff in Australia and Singapore.

## Stretch Reconciliation Action Plan

launched for 2021-2023.

## Net Zero Asset Managers Initiative

joined by **Trillium**, pledging to align portfolios with the goal of **net zero greenhouse gas emissions** by 2050 or sooner.

<sup>2</sup> NPS is a measure of advocacy, or the extent to which our clients are willing to recommend us to their friends, family and colleagues. It is driven largely by the quality of the experience clients have in dealing with us. More than 2,000 clients completed the survey in May 2021.

# Developing our sustainability strategy

## At Perpetual, we have a long-standing commitment to sustainability.

In 2021, we commenced a program of work to develop a Sustainability Strategy for Perpetual and our international brands, which aims to formalise our commitments and to create strong foundations for our future focus.

The goal for our Sustainability Strategy is to establish a framework for how Perpetual will, in practice, help to create enduring prosperity – for our clients, our business, our shareholders, our communities and the environment. It will contain our vision, goals and commitments to areas that are important to our business and where we can have the most impact.

The development of a Sustainability Strategy will help to drive the decisions we make as we deepen the integration of sustainability-related issues into our business. It is led by a Working Group and Steering Committee of senior leaders from all divisions of our business, including Trillium and Barrow Hanley, and has oversight from our Executive Committee and Board.

### Listening to our stakeholders and identifying key sustainability issues

During the first part of 2021, we completed comprehensive research across key stakeholder groups to understand what issues are of most importance to them. Through a series of focus groups, online surveys and one-on-one interviews, we sought the views of over 250 stakeholders including employees, clients, shareholders, sell-side analysts, proxy advisers and NGOs.

Common themes emerged, particularly around the impact of climate change, how businesses support their people and create inclusive working environments and how sustainability and ESG considerations are integrated into products and services.

We also reviewed our current policies and activities, conducted a peer benchmarking assessment and mapped key sustainability standards and frameworks. These were evaluated from both an operational and product focus.

Collectively, this process led to the identification of nine key priority sustainability themes that are most relevant for Perpetual.

Priority sustainability themes	
Climate change	Ethical business
Good governance	Diversity and inclusion
Talent, development and wellbeing	Local environmental impacts
First Nations advocacy and support	Sustainable products and services
Social and community impacts	

### Next steps in our evolution on sustainability

Through the rest of the year, we will refine our vision and define the pillars of our Sustainability Strategy, laying out a road map of planned actions, with clear commitments and defined timeframes, to be a more sustainable business and deliver enduring positive impact across the areas that matter the most to our stakeholders. We look forward to sharing this with you in FY22.



# Our approach to sustainability and ESG investing



At Perpetual, sustainability is about creating enduring prosperity for our clients, people, communities and the environment. This means delivering excellent service, providing a safe and inclusive workplace, helping to increase investment in communities and reducing our impact on the environment.

Our approach is built on strong foundations of good corporate governance, prudent risk management and a longstanding commitment to ESG principles.

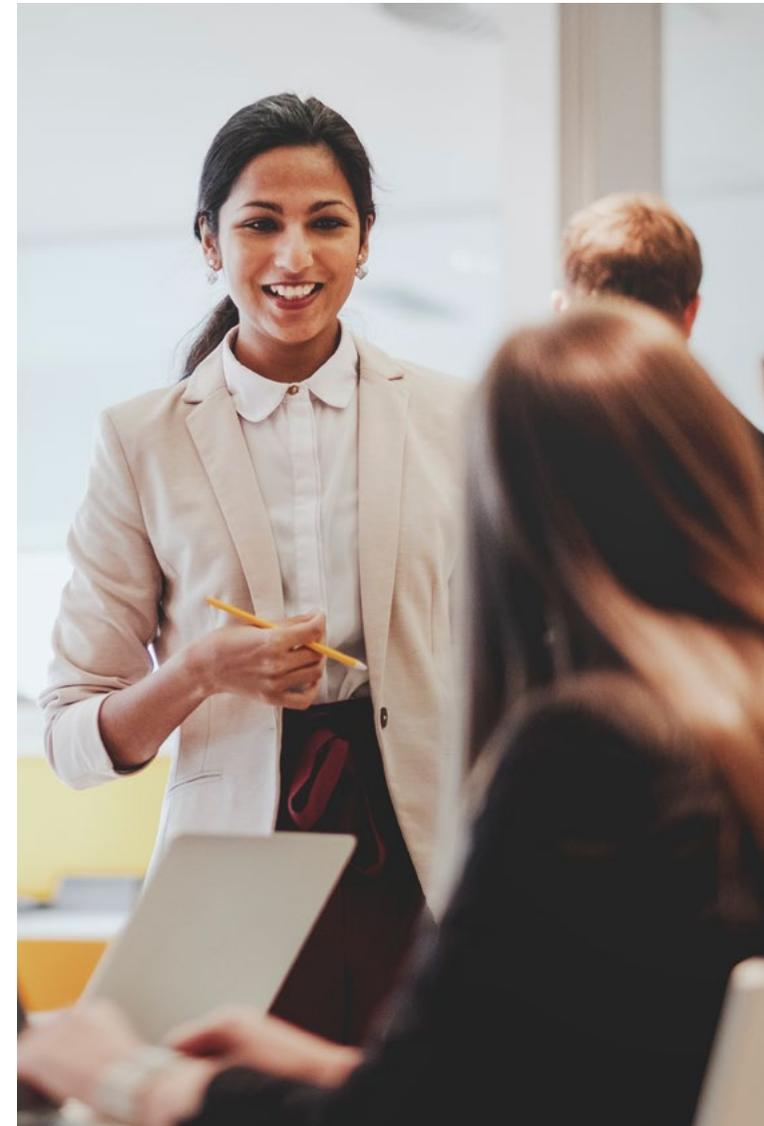
Good governance means ensuring that control and accountability are appropriately defined, balanced and monitored across the Group. The Perpetual Board is committed to high standards of corporate governance and ensuring the right systems, procedures and practices are in place to achieve this. Perpetual's governance framework and practices are robust, and the Board considers they comply with all of the ASX's Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Edition). During FY21, the Perpetual Board's gender composition increased to 38% women.

 For more information on corporate governance see: [www.perpetual.com.au/corporate-governance](http://www.perpetual.com.au/corporate-governance)

Prudent risk management includes promoting an effective risk culture that creates an environment of risk awareness, responsiveness and ownership. Our approach to effectively managing risk is reflected in our Risk Management Framework and our Risk Appetite Statement (RAS), which defines the amount of risk the Board permits management to take in delivering our strategic vision and objectives. Through the year, we continued to evolve how ESG factors are considered within our RAS, such as reinforcing commitments around the delivery of our Stretch Reconciliation Action Plan and gender diversity targets.

 For more information on how Perpetual manage risk, visit our Operating and Financial Review at [www.perpetual.com.au/ofr](http://www.perpetual.com.au/ofr)

We also recognise we have a responsibility to play our part in reducing the potential for harm caused by modern slavery as it relates to our business. During FY21, we formalised our approach to this important issue, publishing our first [Modern Slavery Statement](#), which outlines how we identify and assess the risks of modern slavery and the actions we are taking to manage those risks. A dedicated Working Group has been set up to oversee our activities and we have appointed a Sustainability and Modern Slavery Manager to drive forward our agenda on this important issue.





## Integrating environmental, social and governance factors across Perpetual

Perpetual has been actively committed to ESG investing for many years.

In FY21, we continued to see rising interest from our clients on the different ways they can invest sustainably. This year, we conducted research on sustainability with wealth advisers based in Australia. Advisers reported the use of ESG investment products by their clients had increased from 38% to 54% over the last two years and 80% of advisers expect sustainability conversations with clients to increase.<sup>3</sup>

For each of our businesses that invest funds on behalf of our clients, consideration of ESG factors is incorporated into investment analysis, decision making and ownership practices. We believe that the integration of ESG principles can help promote more sustainable economic growth and that this should translate into higher and more consistent investment returns over time.

More information about our divisions and businesses' commitment to ESG principles is outlined in the following pages.

<sup>3</sup> Perpetual Client Insights and Analytics survey of retail adviser attitudes to responsible investment (June 2021).





## Perpetual Asset Management International

### Trillium Asset Management

Trillium is a pioneering impact driven, ESG investment firm based in the US. Established in Boston in 1982, Trillium was one of the first investment firms to align values with investment objectives.

Trillium’s fully integrated investment process incorporates ESG information into fundamental due diligence in all stages. A benchmarking exercise is conducted analysing a company’s performance on specific ESG metrics against their full set of industry peers. This uses a materiality lens driven by Trillium’s in-house knowledge and experience and informed by standards and frameworks such as the Sustainability Accounting Standards Board (SASB) and CDP.

Analysts and portfolio managers then conduct deep analysis to compare companies to a smaller set of close peers in order to understand performance on ESG areas that are specific to their business model. The outputs of this process, including both ESG risks and opportunities, help identify companies best positioned to deliver risk adjusted, long-term outperformance.

Trillium also advocate with investee companies and policymakers to press for positive change on ESG topics that will help improve ESG policies, performance and impact. This has resulted in the firm influencing many companies around the world to create positive social and environmental change.

 For more information on Trillium’s shareholder advocacy see their latest shareholder advocacy report at: [www.trilliuminvest.com/esg/advocacy-policy](http://www.trilliuminvest.com/esg/advocacy-policy)

Trillium offers a range of equity and fixed income strategies, many of which are designed as fossil fuel free products. All funds are designed to advance humankind towards a global sustainable economy, a just society, and a better world.

### Trillium's sustainable investment approach

#### Evaluate financial integrity

Measure management and board quality by analysing execution history and financial statement reporting.

#### Target strategic leaders

Identify companies likely to achieve strong returns based on superior business models and financial management strategies through fundamental bottom-up selection.



#### Assess ESG integrity

Analyse ESG risks and opportunities informed by Trillium’s 30-year track record of proprietary data and insights.

#### Advocacy

Provide input to the materiality process and ongoing interaction with companies to promote positive change.

**“Trillium was one of the first investment firms to align values with investment objectives.”**



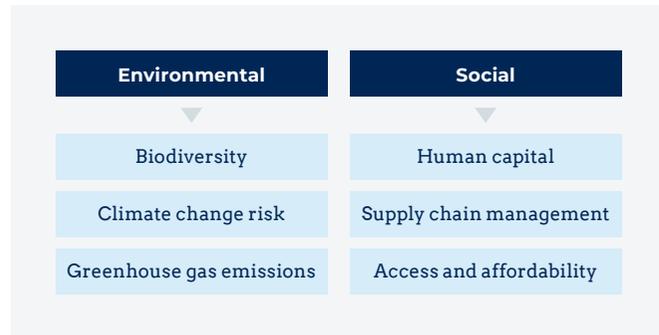


## Barrow Hanley

Barrow Hanley is a US-based global value investment firm that Perpetual acquired in November 2020, which employs ESG factors in its analysis in the construction of equity and fixed income portfolios.

The firm's approach to ESG investing is underpinned by the Barrow Hanley Guiding Principles for Responsible Investing, the UN-supported PRI, the Investor Stewardship Group and the SASB. A key element of the process is the calculation of the proprietary Barrow Hanley Composite ESG Score using a weighted average of the scores from the firm's analysts, third-party ESG research and disclosure based on frameworks such as SASB.

A poor ESG score does not mean a portfolio manager cannot buy, or must sell, a stock as ESG factors are one part in Barrow Hanley's holistic research process. A lower ESG score could provide an opportunity for improvement and an increase in valuation through active engagement with the company, if appropriate.



**“Barrow Hanley believes that their process provides a unique ability to effectively integrate the consideration of ESG factors in their stock and bond portfolios and produce additional economic value for the firm’s clients.”**

Any changes in ESG scores are captured in Barrow Hanley's materiality matrix for each holding every six months. Changes in third party ESG-related research are circulated every morning, however, analysts at Barrow Hanley go beyond this data. This is based on the understanding that our own deep research and engagement with company management teams can uncover opportunities that the market has not recognised to improve ESG practices, which can lead to improving share price performance as well as better outcomes for the environment, society or corporate governance.

In 2020, Barrow Hanley refined the ESG factors that are incorporated into their fundamental valuation process and discussions with investee companies. Currently, the universe of ESG themes covers six key environmental and social themes (see left), in addition to governance factors, considered most financially material to investment performance.

Barrow Hanley believes that their process provides a unique ability to effectively integrate the consideration of ESG factors in their stock and bond portfolios and produce additional economic value for the firm's clients.



For more information on Barrow Hanley's approach see their latest stewardship report at: [www.barrowhanley.com/responsible-investing](http://www.barrowhanley.com/responsible-investing)



### Perpetual Asset Management Australia

At PAMA, our responsible investment policy sets out how consideration of ESG factors is integrated into our investment analysis and decision-making process, as part of meeting clients' investment expectations and objectives. PAMA is an active investor and integrates ESG factors into our stewardship activities such as proxy voting and company engagement.

Over the past year, PAMA introduced a new proprietary ESG Workbook for our equity investment managers and analysts. The Workbook draws on internal and external ESG research to analyse potential ESG issues at companies and also helps to prioritise issues for engagement with investee company management. A new formalised ESG risk score has also been created to further integrate ESG factors into the management of credit portfolios.

Sound research is a vital part of PAMA's investment process. Significant internal research capabilities exist within PAMA including in our Equities, Credit and Responsible Investment teams to assess ESG risks and opportunities at a company, sector and thematic level. Specialist external ESG research providers are used to provide additional data and analysis. During the year, teams in PAMA produced proprietary internal research on ESG-related themes including the impact of the pandemic on the move from fossil fuels to renewables and the outlook for lithium and hydrogen, both of which are likely to be important to decarbonise the global economy.

In our suite of investment products, PAMA offers dedicated and well-established ethical investment strategies and, this year, we expanded our range of ethical and ESG investment products available to Australian investors, with the launch of the Multi Asset ESG Real Return Fund (see graphic to the bottom left).

PAMA also launched two global equity funds, managed by Trillium, that are now available to Australian clients: the Trillium ESG Global Equity Fund and the Trillium Global Sustainable Opportunities Fund. As one of the longest standing impact-driven, ESG-focused firms, we are proud to offer clients direct access to Trillium's capabilities.

For further information see PAMA's inaugural ESG report here: [www.perpetual.com.au/PAMAEsgreport](http://www.perpetual.com.au/PAMAEsgreport)

Wholesale Ethical SRI Fund	Ethical SRI Credit Fund	Multi Asset ESG Real Return Fund
Launched in 2002.	Launched in 2018.	Launched in 2021.
Aims to provide long-term capital growth and regular income through investment in quality shares of ethical and socially responsible equity investments.	Aims to provide regular income and consistent returns by investing in a diverse range of income generating, ethical and socially responsible fixed income and credit assets.	Offers multi-asset exposure based on a range of sustainable, ethical and financial criteria.
Total of \$958 million invested as at 30 June 2021.	Total of \$29 million invested as at 30 June 2021.	Includes Australian and international shares, fixed income and credit assets managed directly by Perpetual and Trillium.

## PAMA introduced our new proprietary ESG workbook

for our equity investment managers and analysts



## Perpetual Private

In our wealth advice business, Perpetual Private, there has been increasing client interest in ESG investing. Funds under Advice (FUA) in our Direct Equity portfolio, which has an ethical focus, grew from \$84 million to \$131 million by the end of FY21, reflecting this growing client interest and the portfolio's performance. We also have a strong pipeline of investments for our Perpetual Private Impact Fund in FY22, covering a range of sectors across private equity, infrastructure and real estate.

**“There is a big increase in interest in ESG from the conversations I am having with my wealth clients. The majority of my clients this year are choosing our responsible investment products. In five years’ time, I think we will look back at this time as a turning point when ESG went mainstream.”**

► **Richard McClelland**  
Associate Partner at Perpetual Private

## Perpetual Corporate Trust

Sustainability, ESG and supporting green product development have been an increasing focus for PCT, with growing demand from our clients. In FY21, PCT provided fiduciary services for six client transactions across a range of ESG-focused outcomes. These included supporting a green residential mortgage-backed security deal to provide loans to upgrade the environmental performance of homes and acting as trustee for clients in the growing green bonds market (see page 29).

PCT is also providing market leadership and insight into sustainability. We have partnered with the Australian Securitisation Forum, which represents the securitisation industry, to produce a comprehensive study on the emergence of sustainability and ESG factors in securitisation, due to be published in September 2021.

Good governance and acting in the best interests of clients are fundamental to the way PCT operates. PCT's Managed Funds Services (MFS) business continued to demonstrate the valuable role we play as independent Responsible Entity (RE) during the sale of the Vitalharvest Freehold Trust as it went through a competitive bidding process. This included thoroughly assessing 19 offers and counteroffers over an eight-month period with the ultimate outcome being an increase of 70% above the pre-offer trading price for unitholders.

Our MFS business was appointed as the RE to the Emerging Markets Impact Investment Fund (EMIIF), established by the Australian Government Department of Foreign Affairs and Trade. The EMIIF provides investment capital and technical assistance to funds that support small and medium-sized enterprises (SMEs) to grow in South Asia, Southeast Asia and the Pacific. It helps SMEs in those regions to grow in ways that both generate profit as well as positive ESG outcomes, with a key focus on gender equality.

## PCT provided

# fiduciary services for six client transactions

across a range of ESG-focused outcomes.



# Delivering for our clients



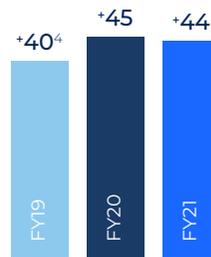
For 135 years, our clients have trusted us to help them protect and grow their wealth. We continue to be recognised as a leader for the services we provide, and we continually work to maintain those standards and to earn the trust of our clients.

## Connecting with clients

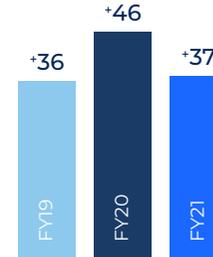
In FY21, COVID-19 continued to fundamentally affect how we support and communicate with our clients globally. With fewer face-to-face meetings possible due to the pandemic, more interactions were conducted by email, phone, videoconference and through webinars. Across our global businesses, we hosted 26 webinars, filmed 40 videos and published over 260 articles and whitepapers to provide advice and support to our clients.

Our NPS score for FY21 was +44, largely in line with last year's record result of +45. Any score over 40 signifies strong advocacy from clients and demonstrates the continued support our teams have been able to provide despite a very challenging year for clients and our people.

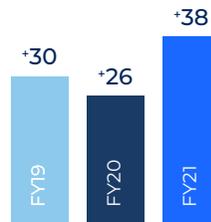
The feedback we received highlights our efforts to be regularly in touch, the strength of our relationships with clients and the quality of our advice.



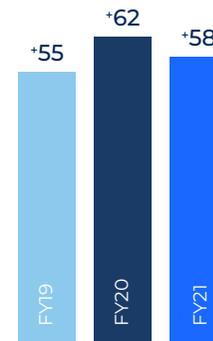
Perpetual NPS<sup>5</sup>



Perpetual Private



Perpetual Asset Management Australia



Perpetual Corporate Trust



4 NPS scores may be restated to incorporate acquisitions or changes to client segmentation within business units to allow for direct comparison year on year. The FY19 NPS score was restated from 39 to 40 to reflect the acquisition of Round Tables in PCT and the addition of the Not-For-Profit client segment within Perpetual Private.

5 The Barrow Hanley and Trillium businesses were not included in our NPS surveys.



PAMA saw a significant increase in their NPS score demonstrating the strength of our relationships and communications. The rise in the NPS for PAMA was also supported by the significant improvement in investment performance for our Australian equity funds and the broader market movement towards value investing. PAMA's Australian equity funds have consistently utilised a value approach to the management of client funds since their inception.

Our NPS for Perpetual Private saw a slight decline over the year. This was driven by a drop in our Not-For-Profit segment and Perpetual Plus, a specialist service that utilises Perpetual's Select funds, which was down from an all-time high for that segment the year before. We were pleased, however, that our Private Clients team achieved NPS of +62, their highest on record.

Although slightly down from its FY20 NPS score, Perpetual Corporate Trust maintained its very high level of client satisfaction. Clients continued to rate us highly for the quality of our communications and the level of service and support they receive from us.

**+38**  
▲ from +26 in FY20

**PAMA saw a significant increase in their NPS score**

### Client Advocacy: putting our clients first

As part of our Client First commitment, Perpetual's Client Advocacy team continues to improve the client complaint process so that our clients achieve a responsive, timely and fair resolution to complaints they raise with Perpetual. In FY21, we have improved the ease with which complaints can be lodged, including further improvements to our website, and provided clearer guidance to clients as to what they should expect when they lodge a complaint with us.

We seek to resolve complaints as quickly as possible, and where matters are not able to be resolved, we explain the reasons for delay and provide a timeframe for resolution. During FY21, we received 164 complaints, down 8.9% from 180 in FY20. Of the complaints we received during the year, 128 were closed. For the complaints that remain open, we continue to work towards achieving a mutually acceptable resolution with our clients. The median length of time to close a complaint was 37 days.

New regulatory guidance from the Australian Securities and Investment Commission for internal dispute resolutions (IDR) comes into effect on 5 October 2021. We have focused on ensuring that our business is able to meet the enhanced IDR standards. As part of these changes, we will be publishing a client version of our Complaints Management Policy and we are implementing protocols and processes to make it easier for vulnerable clients to lodge a complaint with us.

The team's focus, however, is not just on meeting regulatory standards, but on ensuring that across Perpetual effective management of complaints is recognised as a key part of sustaining and improving our relationships with our clients.

Find out more information about client advocacy at: [www.perpetual.com.au/client-advocacy](http://www.perpetual.com.au/client-advocacy)

# Supporting our people



At Perpetual, we recognise the contribution our people continue to make in developing longstanding client relationships and building a trusted brand. In turn, we are focused on supporting our people to do great things and prosper in their roles. Their health and wellbeing are paramount, and we are committed to building a positive and inclusive culture that helps us create an environment where our people can thrive.

## Understanding how our people are feeling

The actions we take in our business are informed by the feedback we receive from our people. One regular opportunity is through our quarterly 'Mood Monitor' survey that helps us understand the sentiment of our workforce. The changes in these measures over time are important, as we know motivated employees who feel positive about their work are likely to offer more discretionary effort and stay with us for longer.

Global trends in employee engagement show that for many organisations engagement initially rose during the acute phase of the COVID-19 crisis then dropped due to the stress and general impact of the ongoing pandemic.<sup>7</sup> This trend was also evident for employee sentiment at Perpetual, which reached a high point in March 2021, when 63% of people were feeling 'Good' or 'Great', although it has slightly declined more recently. In June, when our most recent survey was conducted, many of our people were under new stay at home orders.

Mood Monitor Survey Results FY20–FY21<sup>6</sup>



While 74% of our people said that the stress of COVID-19 is manageable for them, that also means that one quarter are finding it challenging. Key themes that were cited for those feeling less positive included workload, lockdowns and other pressures associated with COVID-19. In response to the pandemic and feedback from our people, we are taking further steps to invest in programs that support the wellbeing of our employees, equipping our leaders and people to work in a hybrid environment and increasing connection with the Perpetual community virtually (see next section).

6 Employees in our mood monitor survey are asked if they feel great, good, okay, fair, bad or terrible. Employees who responded great or good are displayed as positive, okay or fair as neutral and bad or terrible as negative. Barrow Hanley employees did not take part in the FY21 Mood Monitor surveys and Trillium employees took part in the November 2020 and June 2021 Mood Monitor surveys.

7 [How Employee Engagement Shifted in 2020 – and What It Means for the Future. Kincentric \(2021\)](#)



## Focusing on wellbeing in a hybrid work environment

The mental health and wellbeing of our team across our global businesses are vital for our people to be able to thrive both at work and at home.

One of the key indicators of employee wellbeing is the use of our employee coaching and assistance program. It was used by 7% of our people in FY21, the same as the year before, and many of those using the service cited personal challenges around family relationships and home schooling, and trying to balance personal and work commitments, as their reason for using it. Barrow Hanley's employee assistance provider, Health Advocate, was also made available to answer questions from our people and provide emotional support to manage the mental strain of the pandemic.

To help address these concerns, the table to the right outlines some of the steps we have taken to support our people in their new working environment during the pandemic.

## Staying safe at work

Throughout the COVID-19 pandemic crisis, the health and safety of our people continues to be our top priority. Over the year, we strictly followed government advice and restrictions in all our locations.

In addition to adhering to government guidelines, we are also implementing initiatives designed to make it easier for our people to get vaccinated. For instance, a vaccination clinic was available at Barrow Hanley's head office in Dallas and we provide an additional day of leave for employees in Australia and Singapore to attend vaccination appointments or to help manage any post vaccination symptoms.

## Wellbeing initiatives across our global businesses

### Theme

#### Supporting employee wellbeing, reducing stress and fatigue

### Initiatives

- Headspace Wellbeing app made available for our people and their families.
- Access to five days carers leave for teams in our Melbourne office in late 2020 impacted by a long-term lockdown to support parents or carers during the pandemic.
- Additional day of COVID-19 vaccination leave for employees in Australia and Singapore.
- COVID-19 vaccination clinic available at Barrow Hanley's head office in Dallas.
- Trillium employees granted a 'mental health day' that they could take as an extra day of leave, during COVID-19.
- Care packages for employees during extended lockdowns.
- Launch of partnership with the charitable organisation LifeChanger, which will provide opportunities for our people to mentor young people as well as wellbeing initiatives for employees (see page 25).
- Providing private independent employee support services through our employee coaching and assistance program and Barrow Hanley's employee assistance provider.

#### Equipping our people leaders for hybrid working

- Launch of Management Essentials leader training modules, including 'Leading through uncertain times' webinars.
- Launched a leaders' guide to facilitate conversations between managers and their teams about how to work effectively in a hybrid working model.

#### Empowering our people to work where and how they work best

- Adoption of hybrid working model.
- Encouraged our people to work where and how they work best, either in the office or from home, based on the task that they are performing.

#### Increasing connection with Perpetual community

- Provided over 30 webinars during the year across our businesses, on topics such as employee wellbeing and mental health. There were over 5,500 registrations for these webinars.
- Perpetual wide meditation challenge through Headspace.
- Team MyMarathon challenge to get our people moving, while raising awareness and funds for heart disease research (see page 25).

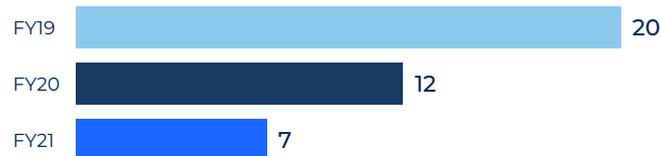


### Employee safety incidents

We take any accidents, injuries and ‘near misses’ that occur at work or during the course of an employee’s employment seriously. Our people are required to report all incidents, which we monitor, measure and learn from to prevent workplace injuries in future.

In FY21, there were seven of these safety incidents, mainly related to manual handling and falls in the office, of which two resulted in lost time. This reduced from 12 the previous year, driven by the fact that many of our people worked from home more often during the year, given the impact of the pandemic. In all cases, steps were taken to identify the root cause of the incident to reduce the risk of it reoccurring and, where possible, removing the risk entirely.

### Employee safety incidents<sup>8</sup>



### Embracing diversity and inclusion

We are passionate about creating a fulfilling, diverse and inclusive place to work at Perpetual. This means creating a supportive environment that values our people’s unique backgrounds and experiences, and one in which our people feel respected and that it is safe to be themselves.

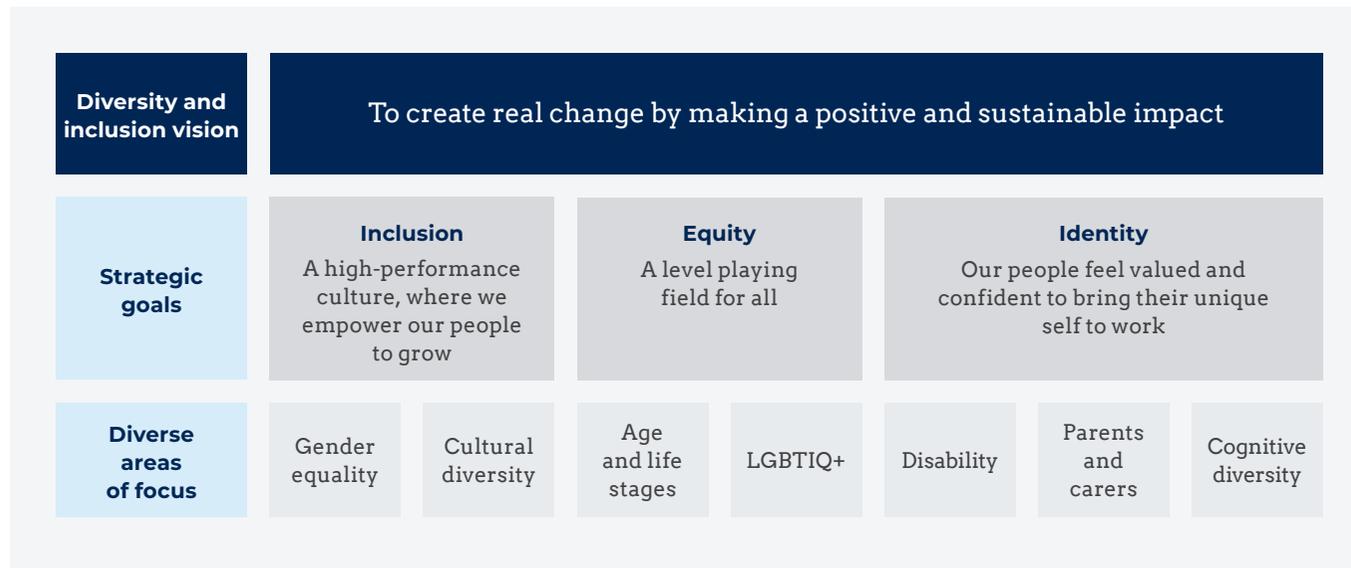
In our most recent employee survey, 94% of our people agreed that Perpetual cultivates an inclusive environment accepting of diverse views and individual differences. To continue to build an inclusive workplace, this year, we launched our new Diversity and Inclusion Strategy. This included creating seven employee-led subcommittees of our Diversity Council to take a lead on ensuring our workplace is fully inclusive for a range of diverse areas of identity (see graphic to the bottom left).

### Striving for gender equality

At Perpetual, we believe that building a gender balanced leadership team and workforce delivers better business results. To progress to greater gender equality, we have set targets at different levels in the company.

We advocate for greater gender diversity in boardrooms. This commitment is reflected in our own target that by 2024, we will have a 40% gender representation on our Boards. In June 2021, Mona Aboelnaga Kanaan was appointed to the Perpetual Limited Board, bringing deep industry knowledge, particularly in North America. Now, 38% of the Perpetual Limited Board directors are women, up from 29% the previous year.

### Perpetual Diversity and Inclusion Strategy



<sup>8</sup> Employee safety incidents metric does not include incidents from our international businesses, Barrow Hanley and Trillium.



Currently, 36% of our senior leader cohort are women across all our global businesses, level with the previous year. This continues to be below our target of 40% women in leadership by 2024. To create a pipeline of women to move into more senior roles, we have targets in place to increase the representation of women in roles such as investment management and financial advice, where balanced gender representation continues to be challenging for the financial services industry. Recruitment and talent development programs are in place in our business to accelerate our progress and we are part of initiatives such as Future IM/Pact to attract more women into these sorts of roles (see next page).

In late 2020, we announced the promotion of Amanda Gillespie to Group Executive, Perpetual Asset Management Australia. Amanda has more than 20 years of investment experience, having previously been General Manager, Perpetual Investments, and prior to that Chief Executive of Lonsec. Now 38% of our Executive Committee are women.



Amanda Gillespie  
Group Executive, Perpetual Asset Management Australia

Barrow Hanley's associate analyst program is designed to increase diversity in investment-focused roles by hiring women and people from diverse cultural backgrounds and providing training and development opportunities to encourage people from diverse backgrounds to progress in senior portfolio management roles. Early this year, two people from diverse cultural backgrounds were promoted in associate analyst positions and, more recently, one female analyst joined the Collateralised Loan Obligations team.

As a firm, Trillium strives to achieve diversity at all levels and seeks to invest in companies that are doing the same. Trillium promotes gender equity through its own hiring and talent development practices. Half of Trillium's management team are women, as are 40% of the organisation's portfolio managers.

Trillium has also worked successfully to get companies to make and implement diversity commitments. For instance, Trillium lodged a shareholder proposal in 2019 calling on Alphabet to assess the feasibility of integrating diversity into its compensation plans. While the company initially opposed the proposal, in February 2021, Alphabet announced that it will tie part of the incentives for those at the vice president level and above to reaching diversity and inclusion goals. A similar proposal was lodged with Nike in 2018. Following dialogue with the company, Trillium withdrew the proposal and, in March 2021, Nike announced that for the first time they would tie a proportion of executives' pay to five-year goals for improving racial and gender diversity in its workforce and leadership positions.

Looking back further, Trillium filed some of the first LGBTQ+ equality shareholder proposals and successfully engaged dozens of companies on how they provide a safe and inclusive workplace for LGBTQ+ employees. Similarly, the firm has filed multiple shareholder proposals over 30 years requesting companies disclose data to shareholders on the diversity and composition of their workforce that they already report to the US government.

Through this action, Trillium has successfully driven positive change at companies such as Travelers and Starbucks who now disclose more meaningful and transparent information on the diversity of their workforce and the steps they are taking to make genuine improvement.

Filing the first racial justice audit shareholder proposal at a pharmaceutical company, Johnson & Johnson, during the 2020 racial reckoning in the US, Trillium continues to be an innovator in its advocacy for greater diversity.

Perpetual and members of its leadership teams have joined a range of initiatives (as shown in the table on the next page) that align with our beliefs and the commitments we have made towards gender equality and our broader agenda on diversity.

**"I am proud we are working with Future IM/Pact to encourage students with different backgrounds to consider a role in investment management when they start out in their careers.**

**This can be through raising awareness for women of the type of roles in the sector, through mentoring of female students and more targeted graduate programs.**

**Ultimately, attracting a wider pool of the brightest talent to the industry will help create higher performance for our clients."**

► **Carol Yuan**  
Credit Analyst, Perpetual Asset Management Australia



## Initiatives supporting diversity and gender equality

Initiative	What they stand for	Activities
<b>Champions of Change Coalition</b>	A global coalition for advancing more women in leadership.	Rob Adams, CEO, is a member of the Champions for Change National 2016 Group.
<b>Women in Banking and Finance (WiBF)</b>	Mentoring for Success program to develop future female leaders. Eighth consecutive year Perpetual has participated.	Three women from Perpetual will be mentored by external senior mentors from our industry, we have provided three senior mentors and 17 women were nominated to take part in WiBF development opportunities in 2021.
<b>Future IM/Pact</b>	Perpetual is a sponsor of Future IM/Pact, an industry collaboration aimed at attracting more diverse talent into the investment teams of Australia's leading super funds and fund managers.	We hosted networking events so a group of students could meet our investment teams. One female student was placed in PAMA's 2022 graduate intake and we piloted mentoring programs for female students.
<b>AICD '30% Club'</b>	A campaign to achieve 30% female representation on ASX 200 boards.	Currently, 38% of directors on the Perpetual Limited Board are women.
<b>#IStandForRespect campaign</b>	Australian CEOs committed to standing against gendered harassment and violence in all its forms.	Rob Adams pledged support for #IStandForRespect, consistent with our belief in creating a workplace that values diversity and fosters inclusion.
<b>GiveOUT™ Australia</b>	A LGBTQ+ organisation focused on growing giving to LGBTQ+ causes in Australia.	Rob Adams and David Lane both signed on as patrons of GiveOUT™. Perpetual hosted a series of events to celebrate Pride month.
<b>Workplace Gender Equality Agency Employer of Choice for Gender Equality</b>	Recognises and promotes organisations' active commitment to achieving gender equality in Australian workplaces.	Perpetual has been recognised as an Employer of Choice for Gender Equality each year since 2018.
<b>Toigo Foundation</b>	US organisation that fosters the advancement and leadership of under-represented groups in financial services.	Barrow Hanley is part of a program with the Toigo Foundation that helps MBA students from more diverse backgrounds to find roles in financial services.
<b>Strengthening Racial Equity in Asset Management</b>	STREAM is a non-profit based in Texas focused on providing opportunities in financial services to students from underrepresented groups.	This year, Barrow Hanley provided a US\$10,000 (A\$13,333) <sup>9</sup> scholarship and internship for a student through STREAM.
<b>Thirty Percent Coalition</b>	A coalition of investors working to increase diversity in corporate boardrooms across the US.	Investment Manager, Lisa Hayles, is the third person from Trillium to be represented on its Board since its founding in 2011.
<b>Boston Women's Workforce Council</b>	A public-private partnership between the Boston Mayor's Office and local employers dedicated to eliminating the gender and racial wage gap.	Trillium has signed up to the '100% Talent Compact' that includes completing a biennial wage gap survey and pledging to close the gender and racial wage gap.
<b>Racial Justice Investing</b>	A coalition of investors and business leaders who are taking action for racial justice in their own organisations and through engagement with portfolio companies.	Trillium is a leader-participant, helping to put together the coalition's organising document in 2020 and through active participation in its regular meetings.

9 Exchange rate of AUD:USD 0.75 as at 30 June 2021.

# Helping to increase investment in communities



For more than 100 years, philanthropists have placed their trust in Perpetual to protect their enduring legacies and help them have greater impact in the community. Perpetual has \$3.6 billion of FUA on behalf of philanthropists, not-for-profit organisations and Native Title trusts and we support communities around our global locations through charitable giving and volunteering.

## Helping philanthropists support communities through a difficult year

Perpetual supports philanthropists on investment management, good governance, capability-building and community funding grants to help our clients create positive impact for the causes they care about.

In FY21, our clients distributed \$103 million of their philanthropic funds, which was down from \$113 million distributed in FY20. The lower distributions were linked to pandemic-related economic impacts and record low interest rates, which meant there was a reduction in income generated from private charitable trusts. These trusts generally have deeds that restrict the ability for trustees to access capital.

To minimise the impact the low-income environment had on the community sector, we were pleased that many of our other philanthropists with different philanthropic structures were able to contribute \$7.2 million more this year to offset some of the reduction in income.

## IMPACT Philanthropy Application Program

Each year, Perpetual invites not-for-profit organisations to apply for funding through our IMPACT Philanthropy Application Program (IPAP). In FY21, a total of \$22.6 million in funding was allocated to community organisations through the IPAP process.

Each year our applications provide valuable insights into the not-for-profit sector and the issues affecting Australia. For example, as part of the application, we asked organisations to nominate which of the [17 UN Sustainable Development Goals \(SDGs\)](#) their application supported. The top three are outlined below.



55%

Good health and well-being



13%

Quality education



11%

Reduced inequalities





# \$13.5m

**distributed to over 400  
community organisations**

# \$309m

**total value of the  
Perpetual Foundation**

## The Perpetual Foundation

The Perpetual Foundation has a total value of \$309 million and comprises of 301 endowments, which are held on behalf of clients and some of our employees.

In FY21, the Foundation distributed \$13.5 million to over 400 community organisations, up from \$11.4 million the previous year. While the minimum amount the Foundation was obliged to distribute was lower than the year before, many clients made the decision to increase their grants above the mandatory requirements to help support the community sector, which was impacted by COVID-19, resulting in an overall increase in funds dispersed in FY21.

## Facilitating community impact investments

Since 1984, Trillium, through its Private Client business, has helped clients make community impact investments. These investments are typically directed to non-profit loan funds as well as community development banks and credit unions that help provide a flow of capital to historically underserved communities. Our clients currently have over US\$40 million (A\$53 million) in loans outstanding to organisations focused on community economic development, both in the US and internationally.

Trillium's community development financial institution partners have worked hard to support small business borrowers through the pandemic, from helping them apply for federal support, to restructuring their loan terms to provide flexibility during the shutdown. In one case, a partner organisation hosted a farmers' market in their parking lot when the vendors needed to move out of their indoor space due to COVID-19. Clients have been heartened to hear these stories, and we have seen an uptick in interest in including or expanding their allocation to these high impact loans in portfolios.

## Working with not-for-profits

With just under \$1.4 billion of FUA in the not-for-profit sector, we currently support over 100 not-for-profit clients on their investments, governance and access to funding.

We also regularly prepare whitepapers providing insight into the industry for our clients' benefit. In February 2021, we released '[How NFPs should engage with government](#)' – a whitepaper for not-for-profit, social purpose leaders and Boards to examine how well prepared their organisations are to work effectively with government. This whitepaper provides tools to respond to the fast-changing policy, funding and legislative landscape, which have been especially important to navigate as investment income and government funding for not-for-profits have been impacted during the pandemic. The whitepaper and its associated webpage and [video](#) have been viewed more than 1,500 times.

Perpetual funds a Fulbright scholarship each year for an emerging leader in the not-for-profit sector to undertake research in the US. This year's recipient of the scholarship is Bridi Rice, a foreign policy expert who was former Director at the Australian Council for International Development. Bridi will use her Fulbright Scholarship to work with and in a variety of Washington-based think tanks.

**“There are a few big questions I’m focusing on. How do think tanks influence policy in the modern era? What can we take from the past to make them more effective? And what can we bring from the future – in areas like artificial intelligence, globally diverse boards and big data – to ensure they address the emerging issues of our time?”**

- ▶ Bridi Rice  
Co-Convenor of the Asia-Pacific Development, Diplomacy and Defence Dialogue and Fulbright Scholar



Historic signing of the Noongar Boodja Trust deed.

**“We will work with the Noongar People to realise their aspirations, which are intrinsically linked to country, culture and community.”**

### Supporting First Nations communities

For Aboriginal and Torres Strait Islander communities, investing Native Title funds through a Native Title trust helps ensure their money benefits the whole community, now and in the future.

As one of Australia’s most experienced trustees and investment managers, Perpetual helps communities manage money and administer Native Title trusts. Most importantly, our approach is always based on listening to and acting on community needs, such as health, education, cultural preservation or to drive future financial independence through training, business or property ownership or on-country development.

In FY21, we managed \$708 million for Aboriginal and Native Title clients on behalf of 31 Aboriginal and Torres Strait Islander communities. We also added four new clients in this area including being appointed as the first Trustee for the Noongar Boodja Trust. The Trust will hold, maintain and grow the compensation paid by the Western Australian Government to the Noongar Agreement Groups under the South-West Native Title Settlement. The Trust represents a significant opportunity to establish an enduring legacy for Noongar People.

We will work with the Noongar People to help them realise their aspirations, which are intrinsically linked to country, culture and community. Through a gradual and stepped process over 12 years, Perpetual will actively assist and train Noongar People in the knowledge and skills required to transition to a Noongar Trustee.

With Perpetual’s recent global expansion, our focus has expanded to include the concerns and rights of First Nations Peoples in the US and we fully support the engagement our US-based firms have with these communities.



### Case study: Trillium’s First Nations advocacy to change the Washington NFL Team name

Established in 1932, the NFL’s Washington D.C. franchise, until 2020, used a demeaning, Native American slur as its name and an equally racist logo. For decades, Native American leaders such as the Oneida Trust of the Oneida Nation of Wisconsin in the US have advocated for the team to change their name and imagery.

In 2009, Trillium became involved with the Oneida Trust in what would be the first of many shareholder engagements to seek to persuade FedEx, Nike and other sponsors to use their leverage with the team to make the name change.

Through dialogue and shareholder proposals, these efforts built a framework of investor and company understanding about the problems with the name and why it was wrong for the companies to be associated with it.

Following the Black Lives Matter protests in 2020, the Oneida Trust, Trillium and fellow Investors and Indigenous Peoples Working Group members, representing hundreds of billions of dollars in assets, made a final push with the sponsors. That engagement, and the sponsors’ subsequent decision to call for change, led the team to finally agree to change their name and their mascot. The team is now simply known as the Washington Football Team.



## Launching our 2021–23 Stretch Reconciliation Action Plan

Perpetual has long been committed to supporting First Nations Peoples. Our inaugural Reconciliation Action Plan (RAP) was launched in 2013 and since then we have actively sought to embed the core pillars of reconciliation: to provide more opportunities for Aboriginal and Torres Strait Islander Peoples and to build strong relationships and respect of First Nations’ cultures and histories.

In December 2020, we reaffirmed our commitment to reconciliation by launching our new [Stretch RAP for 2021–23](#). The Plan has four key areas (see graphic below) and includes 84 commitments we have made to build positive outcomes with Aboriginal and Torres Strait Islander clients, communities, our people and through good governance.

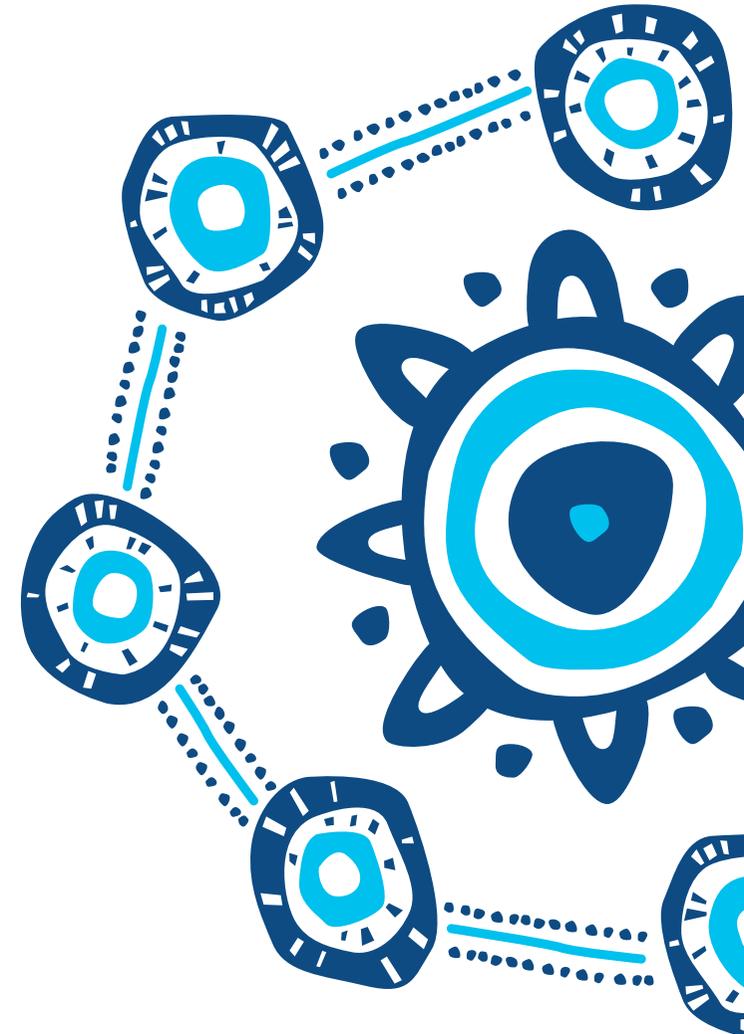


Since the launch, we have already made progress on commitments in our RAP. In April 2021, Perpetual made a submission in response to the Australian Government’s First Nations Interim Voice Report. This reiterated our strong support for the Uluru Statement from the Heart by calling for a First Nations Voice to be enshrined in the Constitution.

To ensure that our employees’ interactions with our Aboriginal and Torres Strait Islander clients and communities are respectful and culturally sensitive, we refreshed our community visit and protocol document. We have also improved our recruitment and development processes for employees, including enabling self-identification of cultural background within our HR management systems and ensuring all job advertisements have a statement to actively encourage applications from Aboriginal and Torres Strait Islander people.

Each year, we celebrate and recognise National Reconciliation Week (NRW) and NAIDOC Week<sup>10</sup> to encourage recognition and respect of the important place of First Nations Peoples in the history and culture of Australia. During this year’s NRW, more than 370 of our people joined our three webinars to listen to important stories and insights from First Nations leaders, including Nova Peris, OAM, Australia’s first female Indigenous federal parliamentarian and first Indigenous athlete to win an Olympic Gold Medal.

**“We reiterated our strong support for the Uluru Statement from the Heart by calling for a First Nations Voice to be enshrined in the Constitution.”**



<sup>10</sup> NAIDOC Week celebrations are held across Australia each July to celebrate the history, culture and achievements of Aboriginal and Torres Strait Islander Peoples.



### Case study: Community Partnership with LifeChanger Foundation

This year, Perpetual entered into a three-year partnership with the LifeChanger Foundation, a preventative mental health and wellbeing non-profit that empowers young people to live thriving, resilient lives. LifeChanger believes that many of the confronting challenges and alarming statistics that face today's youth are preventable through pre-emptive, early intervention programs that build self esteem, self awareness, positive self identity and resilience. LifeChangers' evidence-based program, expert facilitation and trained community mentors develop young people with the emotional and social skills to live thriving, resilient lives.

Perpetual has committed to donate \$150,000 each year to LifeChanger over three years through employee fundraising and company donations. The financial commitment aims to assist the organisation to set up a new mentoring program for schools in NSW having already been established in Victoria, Queensland and South Australia. It will mean LifeChanger can operate its 'Awaken the Hero' workshops to over 2,000 young people in schools and community groups within the Northern NSW region and deliver its 'Mentor' workshop to over 200 mentors in the same region.

### Contributing to good causes

We encourage our people to contribute to charities through fundraising, volunteering and payroll giving and Perpetual matches employees' personal donations given to the charities we support.

Heart disease is the leading cause of death in Australia, claiming the lives of more Australian's each year than any other cause. In 2019, a young Perpetual employee, Josh Avvenevole, tragically passed away from sudden cardiac arrest. He was just 26 years old. In what was indeed a very personal challenge, close to 500 Perpetual employees joined Josh's family and friends, to travel a combined total of more than 32,000 KMs over the month and raising nearly \$90,000 in funds. This was matched by Perpetual, making a total contribution of \$180,000 for the Heart Foundation, the highest of any corporate partner for the campaign.

Barrow Hanley has a long history of giving back to communities. The firm provides employees with free time to volunteer with community organisations such as Children's Cancer Fund, Capital4Kids and Salvation Army, on whose Boards Barrow Hanley employees also serve as directors. The firm has had a relationship with the Salvation Army since 2005, sponsoring their Angel Tree program, which provides Christmas gifts to children and seniors in need. In 2020, Barrow Hanley employees donated over US\$8,100 (A\$10,800) to provide gifts for 81 families to place under their Christmas trees.

Trillium offers each employee one paid day per quarter for volunteering. During the year, the Trillium team undertook an annual gift drive for Casa Myrna, a shelter in Boston for domestic abuse survivors, to ensure that the families all had plenty of presents during the holidays. Trillium's giving is aligned with the firm's mission to support the growth of ESG and sustainable investing globally, environmental protection, basic human needs and human and labour rights. Donations are coordinated by a volunteer employee group and all employees are eligible for matched funding up to US\$1,000 (A\$1,333) annually.

# \$612,000

Total employee and company donations across Perpetual's global businesses

▲ from \$203,000 in FY20

The firm has a commitment to donating at least 1% of revenue to non-profit organisations each year, a target that was surpassed in 2020 when more than 1.6% of revenue was donated.

Across Perpetual's global businesses, our employee and company donations in FY21 totalled \$612,000<sup>11</sup>. This is an increase from \$203,000 the previous year, mainly due to the inclusion of donations from our global businesses since they were acquired.

11 Barrow Hanley donations included from November 2020 post acquisition.

# Reducing our impact on the environment



Climate change presents significant risks to the enduring prosperity of our clients, communities and our business. We are taking action to address climate change by reducing our own environmental impact, investing responsibly for our clients and strengthening our governance and disclosure on climate change.

## Reducing our operational environmental impact

The electricity we consume in our offices and the air travel of our people who need to travel for business are the main contributors to our operational carbon emissions, so it is important we measure and manage those impacts.

During FY21, we estimate our Scope 1 and Scope 2 carbon emissions, predominantly from electricity used to power our offices, were 1,484 tonnes CO<sub>2</sub>e, which is a slight decrease on the previous year (see chart to the right). While emissions fell in our Australian offices as more of our people worked from home, this was offset by the addition of Barrow Hanley and Trillium offices in the US, which are captured in our emissions data for the first time in FY21.

The emissions intensity of our carbon footprint also decreased in FY21, which we measure by the average number of employees and contractors and per square metre of office space.

Emission intensity per employee and contractor reduced to 0.87 tonnes CO<sub>2</sub>e/average head count in FY21 from 1.00<sup>12</sup> tonnes CO<sub>2</sub>e/average head count in FY20. The emissions intensity of our office space also fell to 0.058 tonnes CO<sub>2</sub>e/m<sup>2</sup> from 0.073 tonnes CO<sub>2</sub>e/m<sup>2</sup> the previous year due to the addition of our US properties, where energy grids have a lower carbon emissions intensity than for our Australian offices.

### Scope 1 & Scope 2 emissions from direct operations (tonnes CO<sub>2</sub>e)<sup>13</sup>



12 Emission intensity per employee was previously measured without including contractors. FY20 has been restated to include contractors in line with FY21 because this is a more accurate reflection of our workforce.

13 Our approach to electricity emissions accounting has been updated for FY20 and FY21 to be more in line with best practice. This updated methodology estimates Scope 2 emissions associated with purchased electricity consumption using state-specific electricity factors as provided under the National Greenhouse and Energy Reporting (Measurement) Determination and the National Greenhouse Accounts Factors. The previous approach was based on the greenhouse gas emissions estimated by electricity retailers.

14 Restated based on updated methodology.

15 Reported based on updated methodology. Trillium Scope 1 and 2 emissions in properties in FY21 were estimated due to lack of data availability but is not considered to material. Barrow Hanley emissions included post acquisition from November 2020.



# B-

CDP climate score,  
Perpetual's highest  
ever score.



Restrictions on travel during the pandemic and the greater use of videoconferencing software such as Microsoft Teams saw a significant reduction in the number of business flights. Overall, there were over 800 business-related flights in FY21, significantly less than the year before, when around 2,800 were taken. The carbon emissions associated with our business-related air travel dropped to 99 tonnes CO<sub>2</sub>e in FY21<sup>16</sup>, down 83% from 577 tonnes CO<sub>2</sub>e in FY20.

Our Melbourne office in Rialto maintained an excellent 5 rating against the NABERS Tenancy Energy Rating. NABERS (which stands for the National Australian Built Environment Rating System) is rated up to 6 Stars and measures a building's environmental impact. Our office performed equal to, or more energy efficiently than 62.7% of tenancies rated in Victoria.

We are also seeking to reduce paper usage in our offices. Remote working arrangements and greater use of software programs such as DocuSign, which reduce the need for hardcopy printing, have helped reduce our paper usage. In FY21, we used 9 tonnes of paper, or 700 boxes, in our Australian offices, a reduction of more than 50% from the 19 tonnes consumed in FY20.

# 50%

▼ Reduction in paper usage

### Improving disclosure on climate

Reporting our environmental impact and actions demonstrates our accountability to all our stakeholders. We disclose our carbon emissions data annually to the CDP (formerly Carbon Disclosure Project). Our most recent CDP climate submission score in 2020 received a score of B-. This is the highest score Perpetual has received since we first started providing a submission to the CDP in 2010 and a significant improvement from our rating of D in 2019.

We have also undertaken a project to improve our environmental and carbon data collection and reporting, which will support our Sustainability Strategy work. This will help us to reinforce our approach to robust data capture, allowing us to report other environmental metrics in future including waste reduction and recycling programs.

### Investing responsibly for the climate and our clients

Our asset management businesses take an active approach to identifying environmental risks and opportunities through their investment processes.

This was demonstrated by the PAMA Credit team who undertook deep-dive sector research looking at the challenges and opportunities that surging penetration of rooftop solar could pose for electricity distribution networks in the next decade. This included discussions with network operators, analysis on the future regulatory landscape and the effect on existing assets.

### Total carbon-related assets as at 30 June 2021<sup>17</sup> Per cent of portfolios

# 3.0%

Perpetual Australian Equity Funds<sup>18</sup>

# 4.5%

S&P/ASX 300 Index

Our focus also extends to identifying opportunities associated with the global energy transition. Our equities team in PAMA invested in First Solar, a US company that designs and manufactures solar-power systems using Cadmium Telluride thin-film technology. This results in quicker production and a lower manufacturing footprint. Demand for solar energy solutions is expected to continue to grow strongly, driven by declining costs of solar and the need to address climate change.

Over the year, PAMA also increased the focus on assessing climate risk across their portfolios. While PAMA's equity strategies do not have specific climate-related objectives, overall, our Australian equity portfolios have two thirds the exposure to high carbon emissions intensive sectors than the S&P/ASX 300 Index (see graphic above).

<sup>16</sup> This excludes business flights for Trillium employees, which were not material due to lockdowns during the COVID-19 pandemic.

<sup>17</sup> The total carbon-related assets metric measures the exposure to sectors that are considered the most greenhouse gas emissions intensive based on the Global Industry Classification Standard (GICS). The GICS Sub-Industries include Coal & Consumable Fuels, Integrated Oil & Gas, Oil & Gas Equipment & Services, Oil & Gas Exploration & Production, Oil & Gas Refining & Marketing, Electric Utilities, Gas Utilities and Multi-Utilities. This metric aligns with the methodology set out in the Financial Stability Board, Task Force on Climate-Related Financial Disclosures (TCFD) 'Implementing the Recommendations of the TCFD', 2017, page 43.

<sup>18</sup> This metric highlights the average exposure of carbon-related assets of the following Perpetual Australian Equity Funds that have ASX 200/300 benchmarks: Perpetual Australian Share Fund, Perpetual Income Share Fund, Perpetual Concentrated Equity Fund, Perpetual SHARE-PLUS Long-Short Fund, Perpetual Pure Value Fund and Perpetual Ethical SRI Fund.



In May 2021, Trillium announced they would join the Net Zero Asset Managers Initiative. Along with other global investors, participants in this alliance formally pledge to align their portfolios with the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius. As at 30 June 2021, Trillium's domestic equity investment strategies were, on average, 62% less carbon intense than their respective benchmarks.

We are currently developing a Sustainability Strategy for Perpetual (see page 7). As part of this process, we are considering what metrics and targets are appropriate for our business and to reduce our impact on climate change and the environment.

### Using our influence through shareholder engagement

Active engagement with companies is also an important part of how we invest responsibly. We use our influence as a fund manager to encourage improved environmental performance and to lead to better investment outcomes for our clients. To the right are examples of engagements our teams had during the year.

18 S&P Global Trucost, data for US national airlines. Impact Ratio: Direct and Indirect costs % revenue (2019).

### Case study: Engaging Alaska Airline on sustainability

As a long-term investor, the Barrow Hanley team look for opportunities to engage in constructive dialogue with companies to improve ESG performance, which can in turn boost valuations and provide better returns for clients.

Barrow Hanley has had a productive engagement with investee company, Alaska Airlines (Alaska), since 2019. Alaska had, for a long time, been one of the most fuel-efficient US domestic carriers. In 2016, the company acquired Virgin America Airlines, which at that time was the least fuel-efficient. Barrow Hanley raised options to improve the environmental performance for the combined group, including optimising flight paths and adding seats to their planes to improve fuel efficiency.

Further areas of discussion that are being explored include the use of sustainable aviation fuel, encouraging customers to bring their own water bottles to reduce plastic waste and promoting the use of electric vehicles and ride sharing to and from the airport through Alaska's customer loyalty program.

Of the US national airlines, Alaska now has the second lowest total environment impact, including its carbon footprint and fuel use, relative to its revenue.<sup>18</sup> Given the airline sector is one of the hardest to decarbonise, and that fuel costs can range between 20% to 30% of an airline's costs, this will set the company up for stronger performance in the future.



### Case study: Bank of America won't fund Arctic drilling

In October 2020, following a prolonged dialogue, Trillium filed a shareholder proposal asking Bank of America to address the risks associated with Arctic drilling. Trillium's aim was to get the Bank to commit to not financing any projects that would have a negative impact on the pristine Arctic ecosystem that was home to the Indigenous Gwich'in people in the northwest of Canada and Alaska.

In late November 2020, faced with a combination of a shareholder proposal, vocal public engagement from the Gwich'in people, and polling showing that about two in three voters oppose moves to open the Arctic Refuge to drilling, the bank announced that it would not directly finance oil or gas exploration or production activities in the Arctic.





**“All Trillium products incorporate security-level analysis of climate risk and opportunity as part of the in-depth ESG benchmarking and peer analysis.”**

Our June 2020 acquisition of Trillium means we can now offer more ESG-focused products. Trillium has a suite of fully ESG-integrated US domestic investment offerings, and two global, ESG-integrated, sustainability-focused equity offerings, both of which were launched in Australia in August 2020.

The Trillium ESG Global Equity Fund is designed to address the risks and opportunities created by the increasing constraints on natural capital, including an analysis of how companies manage climate risk. The Trillium Global Sustainable Opportunities Fund is a sustainability-themed strategy that invests in companies providing products and services to meet specific sustainability challenges, including climate change. While these products have a specific focus on climate, all Trillium products incorporate security-level analysis of climate risk and opportunity as part of the in-depth ESG benchmarking and peer analysis.

Barrow Hanley’s ESG Value Equity strategy uses a proprietary ESG ranking system, identifying best in class ESG performers as well as companies where there is an opportunity to improve ESG practices. The portfolio is lower carbon compared to its benchmark and has low exposure to utilities.

Additionally, the energy team at Barrow Hanley increased its discount rate by 2%, which equates to a shadow carbon price of US\$50 to US\$75 (A\$67 to A\$100), when valuing energy and utilities holdings as those sectors will be more exposed to future regulation that leads to a higher carbon price.

Climate focused products and services we offer are not just related to our asset management businesses. PCT has acted as trustee for a range of loan issuers in the growing green bonds and securitised loans industry for environmentally focused outcomes.

PCT’s Debt Markets Services (DMS) business supported Brighte Capital to issue Australia’s first 100% green asset-backed securities debt issuance or ‘green bond’. The \$190 million green bond will be used to finance loans for residential solar panels, battery storage and other low carbon products, which are expected to save over 360,000 tonnes of CO<sub>2</sub> emissions annually.

DMS also worked with payments company, hummgroup, on a \$260 million asset-backed securities issuance for its buy now pay later offering, which includes providing solar energy finance.

Firstmac’s transaction to create a residential mortgage-backed security – thought to be the first of its kind to hit the Australian market – was supported by DMS, who provided a range of trustee services. The transaction, which is financed in part by the Clean Energy Finance Corporation, is valued at \$750 million and will result in \$230 million in discounted green home loans to upgrade the environmental performance of residential homes.

**“PCT’s DMS business supported Brighte Capital to issue Australia’s first 100% green asset-backed security debt issuance or ‘green bond.’”**

### Offering products with a climate focus

Across our asset management businesses in Australia and the US, we offer a number of dedicated ESG investment strategies and products, which incorporate criteria related to climate change.

PAMA offers the Wholesale Ethical SRI Fund and the Ethical SRI Credit Fund, which exclude companies or issuers that derive a material proportion of their revenue from fossil fuel exploration and production. During the year, we also launched our new Multi Asset ESG Real Return Fund, which also restricts fossil fuel investments.



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