



Perpetual Limited

RISK MANAGEMENT FRAMEWORK

June 2021

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COMMITMENT TO RISK MANAGEMENT

As one of Australia's oldest and most trusted financial services organisations, Perpetual is committed to managing its key risks as part of doing business through robust corporate governance, embedding risk into decision-making processes and risk management into business practices.

Perpetual's commitment to managing its key risks is reflected in the design and implementation of this Risk Management Framework (RMF).

The Perpetual Board (Board) has ultimate responsibility and commitment to ensure that the organisation has an appropriate RMF in place to ensure risks are identified, assessed and managed effectively. The Board's commitment is reflected through the establishment of, and investment in the Perpetual Risk, Compliance and Internal Audit functions, led by the Chief Risk Officer (CRO). The CRO has the mandate to design and implement this Risk Management Framework (RMF). This commitment is further demonstrated by the formation of the Audit, Risk & Compliance Committee (ARCC), a Board Committee with responsibility for overseeing the design and effectiveness of the RMF.

However, ultimately management are responsible for ongoing ownership and effective management of their risks within their business unit and promoting and implementing a culture of risk ownership and management that further reinforcing the important role all employees play in managing risk at Perpetual.

SCOPE

This RMF applies to Perpetual Limited and its controlled subsidiaries, collectively referred to as Perpetual.

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

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

This RMF does not specifically apply to unrelated Perpetual entities (such as the Perpetual Equity Investment Company), however these entities may elect to adopt this RMF. Where Perpetual Limited or its subsidiary companies provide services to these unrelated entities, these services must be subject to the risk oversight measures set out in this RMF.

GOVERNANCE STRUCTURE

The functionality of the RMF is supported by a well-established governance framework. Key components of which are outlined below:

Perpetual Limited Board (the Board): Responsible, among other things, for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk, so that the strategic and business objectives of Perpetual can be met. The Chief Executive Officer and Managing Director sits on the Board. All other members of the Board are independent non-executive directors.

The Board Sub Committees referenced below support the Board in fulfilling its risk management and governance obligations. Each committee, except for the Continuous Disclosure Committee, shall be comprised of Non-executive Directors appointed by the Board based on skills and experience relevant to the needs of each committee and on the workload capacity of individual directors.

Audit, Risk & Compliance Committee (ARCC): Responsible for overseeing the RMF and the financial reporting process at Perpetual. The ARCC is also responsible for monitoring overall legal and regulatory compliance. All members of the ARCC are independent non-executive directors.

Investment Committee (IC): Responsible for monitoring the effectiveness of Perpetual's investment governance framework, ensuring management has in place and carries out appropriate investment strategies and processes for investment activities undertaken on behalf of clients and the Group.

People and Remuneration Committee (PARC): Responsible for monitoring the Group's people and culture policies and practices, ensuring management has in place fair, effective and market competitive remuneration and incentive programs to attract and retain high calibre employees.

Nominations Committee: Recommends nominees for the Board, reviews the size and structure of the board to ensure that the board comprises appropriately qualified and experienced people. Also responsible for implementing a formal evaluation process of the board's performance as a whole.

Continuous Disclosure Committee: Responsible for ensuring that there is an adequate framework in place for the timely, accurate and balanced disclosure of material information, and the framework continues to operate effectively to facilitate Perpetual's timely compliance with its continuous disclosure obligations.

The Board and its Sub Committees (listed above) meet regularly, are governed by Terms of Reference and contain appropriately qualified and experienced members.

Subsidiary Boards: Subsidiary Company Boards oversee aspects of risk management relevant to their specific functions. This includes the Boards of regulatory licensed entities and committees of relevant subsidiary companies of Perpetual.

Key management committees, with delegated responsibilities, include the Executive Committee (ExCo), Compliance Committees, Breach Committee and Due Diligence Committees.

Executive Committee (ExCo): Has overall responsibility for developing and implementing Perpetual's strategy, managing the business and workforce. The ExCo is responsible for promoting and overseeing the application of Perpetual's Risk Management Framework (RMF).

Compliance Committees: Responsible for monitoring compliance by the relevant Responsible Entity with the Compliance Plan of the relevant scheme and report its findings to the board of the Responsible Entity.

Breach Committee: Responsible for determining whether issues reported to it constitute a breach, determining appropriate action to be taken in respect of an issue reported to the Committee, authorising the reporting of a reportable breach to ASIC and/or APRA; undertake any specific tasks referred to it by the boards of any Perpetual Group entity.

Due Diligence Committees: Responsible for overseeing due diligence and verification processes in respect of public disclosure documents (PDS). The primary objective is to ensure, as far as practicable, that PDSs comply with the Corporations Act and do not contain misleading or deceptive statements or omissions.

To properly administer services in our client’s best interests, all Perpetual’s Australian Financial Services Licensed entities have delegated several of its functions and powers to the Conflicts Officers as set out by the Conflicts Management Framework.

RISK APPETITE STATEMENT (RAS)

The Board’s expectations regarding the consideration of risk in decision making processes and expected behaviours are outlined in Perpetual’s RAS.

The RAS sets out the Board’s position in relation to each of Perpetual’s material risk categories (these risk categories are defined later in this RMF) and articulates the expected behaviours, metrics and tolerances that management are to take into account when setting and implementing strategy and running their day to day areas of responsibility. Whilst risk limits and measures are incorporated into business plans and budgets, the RAS identifies boundaries beyond which management should not venture, unless specifically approved by the Board.

RISK CULTURE

Perpetual is committed to promoting an effective risk culture and in particular, one that creates an environment of risk awareness and responsiveness. The ARCC is responsible for the oversight and monitoring of Perpetual’s risk culture framework. The CRO has primary responsibility for the maintenance, implementation and reporting of the framework.

Promoting an effective risk culture helps to ensure all employees:

- Exhibit the right values, beliefs and actions in relation to managing risk,
- Take ownership of risk, and
- Manage risk in an effective and efficient manner.

The key elements of an effective risk culture at Perpetual are described in the table below.

Element	Description
Clear and established accountabilities	<p>Clearly defining who is responsible and accountable for managing risk across Perpetual is fundamental to ensuring risk is managed appropriately.</p> <p>Accountability and ownership are key drivers in both the establishment and maintenance of an effective control environment and management of risk.</p> <p>Defining ownership is therefore essential and at Perpetual, the Board and ARCC look to management to own and effectively and efficiently manage the risk within their business unit. Risk partner with the business and provide the framework, tools, advice and assistance that enables business units to effectively manage risk.</p> <p>All employees own risk in their areas of responsibility and play a role in managing risk more broadly across the organisation.</p>
Timely identification and management of risks	<p>For risk to be managed efficiently and effectively it is essential that risk is identified and managed in a timely manner.</p> <p>Business units and employees must therefore be proactive, not reactive and consideration of risk should be embedded into day to day decision making processes. If risks are not identified or managed in a timely manner, not only does it demonstrate a lack of responsiveness, it may result in relatively insignificant risks becoming material.</p>

Early escalation of issues and complaints	<p>Early escalation of issues and complaints is demonstrative of a culture that attempts to manage risk responsively.</p> <p>Early escalation is critical as it promotes visibility of issues and complaints and enables them to be addressed in a timely, effective and responsive manner. The earlier issues and complaints are escalated, the quicker they can be assessed and actions to address these agreed and implemented, leading to better outcomes for Perpetual and our clients.</p> <p>This helps to ensure that issues and complaints are managed proactively, effectively and efficiently and allows the downside or consequences of risk to be managed and potentially minimised. It also ensures greater transparency and allows key stakeholders, such as the Board and ARCC, to be kept informed. Ensuring timeliness of response to complainants helps to minimise dissatisfaction and mitigate risks that complaints will be escalated or will remain unresolved.</p>
An encouraging and open environment	<p>In order for the above to take place, an environment that is open and encourages risk to be discussed and managed as part of the day to day decision making processes is critical.</p> <p>It is important that employees feel comfortable in raising risks, issues and complaints both within their business unit and elsewhere in the organisation.</p>
A willingness to learn from mistakes	<p>It is important that a culture exists that assesses and responds to mistakes in a manner that seeks to strengthen controls designed to minimise the risk of such mistakes recurring.</p> <p>An environment where employees are not punished for reporting issues, or criticised for sharing new ways to better manage risks, is essential to fostering a culture of understanding, accountability and ownership that is built on trust.</p>

RISK BEHAVIOURS

Perpetual has developed 'The Way We Work' (TWWW) @ Perpetual to set out the behaviours expected from staff at the different levels of the organisation, including the behaviours expected to embed appropriate risk behaviours in all endeavours and effectively balance risk with opportunity. These risk management behaviours are aligned with Perpetual's desired Risk Culture. There are four key themes based on which the risk behaviours are measured. These include:

1. Manages Risk, Issues & Complaints
2. Maintains the Control Environment
3. Manages Compliance Obligations
4. Applies the Risk Management Framework

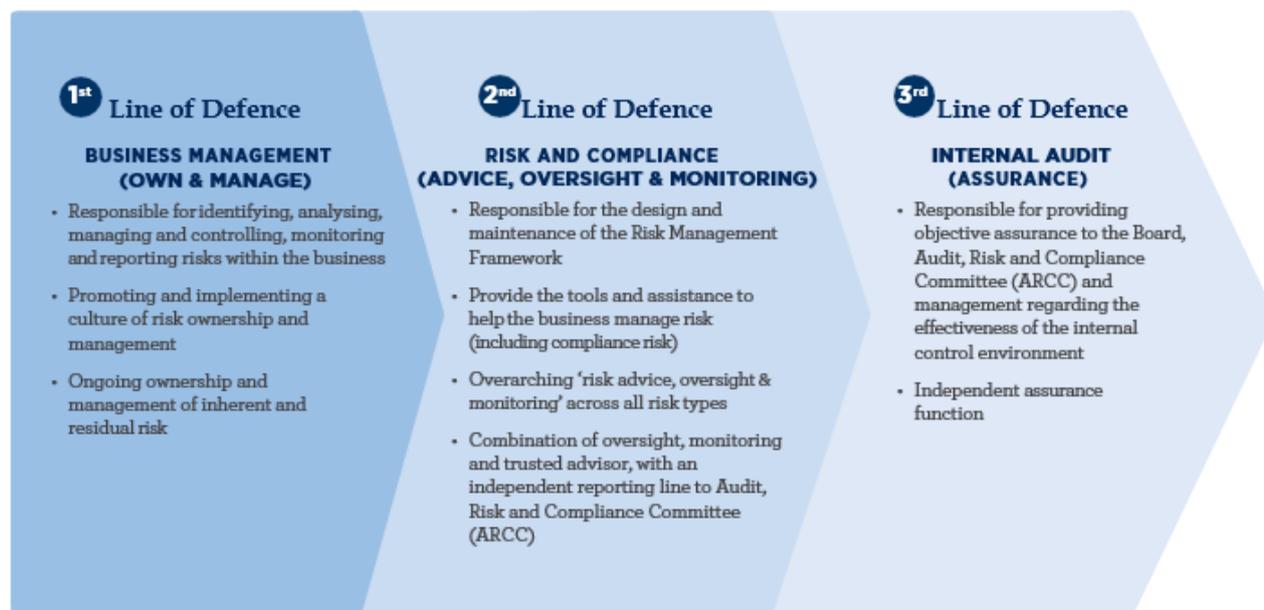
Perpetual employees have 'The Way We Work' behaviours and a risk overlay measure embedded within their performance scorecard. Individual performance against these measures is considered when assessing overall performance and incentive payments.

RISK CULTURE / BEHAVIOUR MONITORING AND REPORTING

The effectiveness of Perpetual's risk culture and risk behaviours is assessed through various mechanisms. Where risk culture and risk behaviour monitoring and reporting identify instances where behaviour or practices are not in line with Perpetual's view of an effective risk culture, actions will be implemented to respond to these gaps. These may be associated with group wide or specific divisional gaps.

ROLES AND RESPONSIBILITIES

The Risk Management Framework is underpinned by the 'Three Lines of Defence model' to implement best practice risk management. This model sees the first line, being business unit management, accountable for the day-to-day identification, ownership and management of risks. Perpetual's Risk and Compliance functions represent the second line and are responsible for overseeing first line activities. Internal Audit provides independent assurance, representing the third line, and has an independent reporting line to the Chair of the ARCC. This model is summarised in the diagram below.



1ST LINE

Business Management: Hold primary responsibility for risk management at Perpetual. Responsible for identifying, analysing, managing, monitoring and reporting all relevant risks within their business. Ultimately management have day to day responsibility for ensuring that all risks under their control are effectively managed. Issues are required to be reported into Archer to allow for appropriate oversight by Risk and Compliance. Business management refers to management within operating and support divisions.

2ND LINE

Risk, Business Partnering – Risk and Compliance, Compliance (including locally based risk & compliance leads) and Client Advocacy teams collectively represent Perpetual's Second Line of Defence.

Risk and Compliance: Responsible for the design and maintenance of the RMF. Provide the risk and compliance frameworks, programs, systems, tools and policies, advice and assistance which enables business units and management to proactively identify, assess and manage risk and meet their compliance obligations; and through advice, oversight and monitoring, provides key boards, committees and management with a view of the effectiveness and efficiency of risk management through regular risk and compliance reporting.

Local Risk & Compliance Leads (US, UK and Singapore): Responsible for tailoring the design and maintenance of Perpetual's compliance risk management frameworks, programs, and policies to ensure compliance with the regulatory environment in which they operate. Provide the 2nd Line Risk and Compliance advice and assistance as outlined above locally.

Client Advocacy: Is responsible for oversight of all complaints received from clients of Perpetual's businesses and for ensuring that the clients obtain the assistance they need to have their complaint heard, investigated and resolved fairly. The role of Client Advocacy is performed by a dedicated team in Australia and by the local Risk and Compliance leads for all other locations.

3RD Line

Internal Audit: Provides independent, objective assurance to the Board, the ARCC and management regarding the effectiveness of the internal control environment. Internal Audit also provides control related consulting services designed to improve Perpetual's operations, helping to assess whether there is an appropriate balance between risk and control, in line with Perpetual's risk appetite.

Whilst the Risk, Compliance, Client Advocacy and Audit teams above represent Perpetual's Second and Third Lines of Defence, all LARCC (Legal, Audit, Risk, Compliance & Company Secretariat) teams play a role in managing risk at Perpetual, summarised below.

Legal: Provides timely and commercially focused legal advice to business units, to ensure the organisation's legal risk is effectively managed. The team also aid in the implementation of effective corporate governance structures and processes.

Company Secretariat and Governance: Is accountable for implementation of effective corporate governance structures and processes to ensure Perpetual and its subsidiary companies comply with relevant legislation and regulation to ensure both companies and their directors operate within the law.

Office of the Superannuation Trustee (Australia only): Assists the PSL Board in discharging its fiduciary obligations, particularly with regard to considering and acting in the best interests of members

RISK MANAGEMENT CATEGORIES

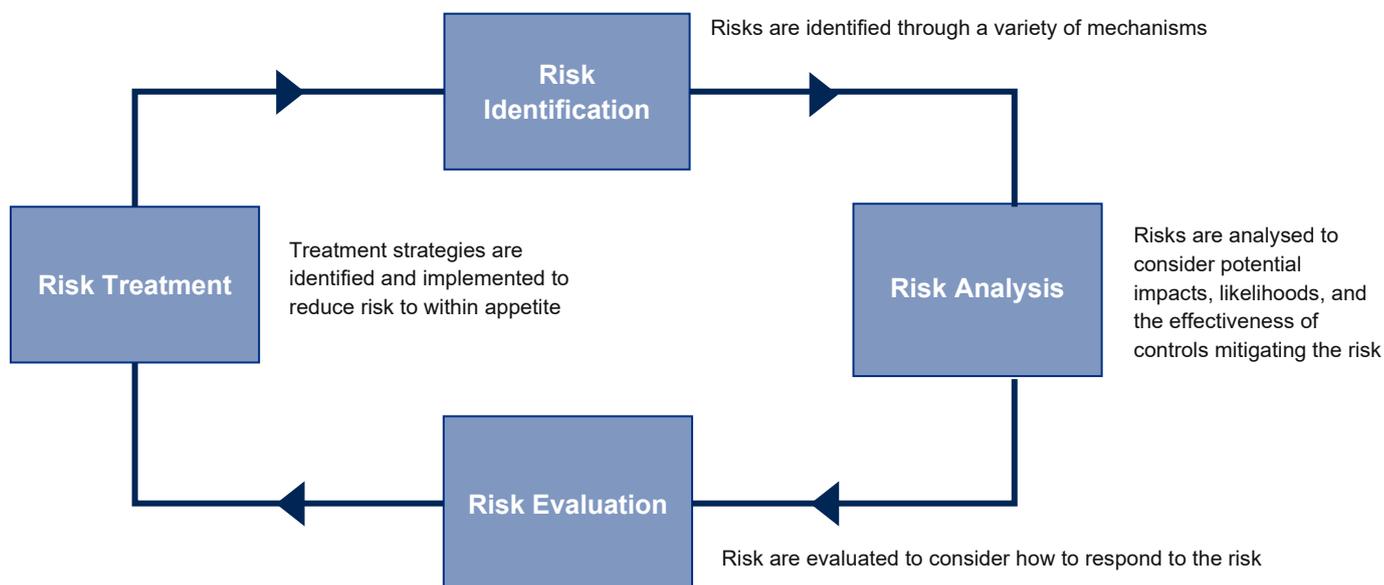
To form a portfolio view of risk, Perpetual has defined ten risk categories:

Risk Category	Definition
Strategic	The risk arising from adverse strategic decisions, improper implementation of strategic decisions, a lack of responsiveness to industry changes or exposure to economic, market or demographic considerations that affect our market position and client value proposition.
People	The risk arising from an inability to attract, engage, safeguard and retain quality and appropriate people to execute the business strategy. (Risks associated with staff deviations from business policy/procedures/rules and/or expected behaviours are captured in Conduct Risk).
Financial	The risk that the strength of Perpetual's balance sheet, profitability or liquidity are inadequate for its business activities. This includes inappropriate accounting, financial reporting, or related disclosures. This risk includes (but is not limited to) capital, funding, market and liquidity risks.
Investment	The risk arising from ineffective investment strategies relative to peers and benchmarks, non-adherence to investment style and investment governance or inadequate management of market, credit and liquidity risks within the funds or client accounts.
Operational	The risk arising from inadequate or failed internal processes, systems, people or from external events. This risk includes employee processing errors, fraud or an event which disrupts business continuity. (Risks associated with failed systems or cyber related are captured in Information Technology and Cyber Security Risk).
Information Technology (IT) and Cyber Security	The risk arising from failed, corrupted, breached or inadequate information systems resulting from inadequate infrastructure, applications, cloud services, security controls and support. The risk includes (but is not limited to) loss of confidentiality, integrity and availability of sensitive or critical data as well as business disruption resulting from a cyber security event or failure of technology service provider to meet business requirements.
Outsourcing	The risk that we enter into inappropriate servicing arrangements and/or services performed by external service providers, including related and third parties, are not managed in line with the servicing contract or operational standards.
Environmental, Social and Governance (ESG)	The risk arising from inadequate or inappropriate environmental, social and governance (ESG) considerations in business and investment decision-making.
Compliance and Legal	The risk that Perpetual Limited breaches its regulatory and legal obligations (including licence conditions and client commitments).
Conduct	The risk arising from conduct by Perpetual directors, employees or contractors that is unethical or does not align with our values, our policies, our expected behaviours and the expectations of our internal and external stakeholders.

These ten risk categories reflect a grouping of current and historical risks considered material to Perpetual. More specific risks are identified as relevant to business units, divisions and the group. The categories do not limit the breadth of risks identified, for example, technology risk would be identified within both the IT and Cyber Security and Outsourcing risk categories, fraud risk within the Operational risk category and market / liquidity risk within the Investment and Financial risk categories.

RISK ASSESSMENT AND TREATMENT

Risk assessment and treatment processes under this RMF align with the International Standard ISO 31000:2018 'Risk Management Guidelines'. These processes are summarised below:



RISK AND CONTROL SELF-ASSESSMENT PROGRAM

The Risk and Control Self-Assessment (RCSA) Program is one of the core components of the RMF and sets out Perpetual's primary approach to risk management. In line with the organisation's overall approach to risk management, key risks are identified, assessed, managed, monitored and reported through this Program.

This Program also includes the identification of controls implemented to mitigate these risks and business self-assessment of the effectiveness of these controls (through controls testing).

MATERIAL BUSINESS RISKS

Key business risks that Perpetual faces are outlined in the Operating and Financial Review provided as part of annual and 6 monthly financial result reporting.

OTHER SUPPORTING FRAMEWORKS, PROGRAMS AND GROUP POLICIES

The following Frameworks, Programs and Group Policies have been developed, implemented and are regularly assessed for effectiveness to support the management of risks and related activities:

Compliance Risk Management Framework: Given the specific nature of compliance risk, a supplementary framework has been developed which describes how Perpetual manages compliance with its legal, professional and regulatory requirements across the group. It outlines the regulatory environment that we operate in and our approach to compliance risk management, It also describes the collection of programs, processes and tools that we utilise to manage regulatory compliance risk including:

- Regulatory Change Management Framework
- Conflicts Management Framework
- Privacy Framework
- Management of Responsible Managers and Persons
- Management of Financial Advisers
- Anti-Money Laundering and Counter Terrorism Financing Program.

Local Jurisdiction Compliance Programs and Policies: In addition to the Perpetual Compliance Risk Management Framework, a number of local, jurisdictional based compliance programs and policies are in place for Perpetual entities based in the US, UK (Barrow Hanley and Trillium) and Singapore reflective of the specific regulatory environments in which they operate and are required to comply.

Modern Slavery Framework: Articulates the programs, processes and tools applied to ensure compliance with the Modern Slavery Act 2018 for Perpetual and any entities it controls, providing a consistent framework to effectively understand, manage, monitor and report on the risks of modern slavery in Perpetual's supply chains and operations.

Issues Management: The Group Policy Issues Management documents the framework for the identification, assessment, management and reporting of issues across the organisation. This policy applies to all issues, such as operational issues that may arise on a day to day basis. Issues are assessed and overseen by members of Risk & Compliance, who are responsible for assessing issues in light of the organisation's risk and compliance obligations. All issues are dealt with on a case by case basis, with material issues being reported to the ExCo and ARCC.

Complaints Management: The Group Policy Complaints Handling sets out the minimum requirements and expectations to be applied when addressing complaints received from our clients in Australia, with the policy equivalent in place and tailored for Perpetual entities based in the US (Barrow Hanley and Trillium), UK and Singapore. The policy is designed to ensure that complaints are appropriately and expeditiously addressed as this enables improved client relationships, greater client satisfaction and compliance with requirements under regulatory licenses. Effective and efficient complaints handling also provides insights that can be leveraged to improve the overall quality of services, products and processes. Complaints are assessed and overseen by a dedicated Client Advocacy team in Australia and by the local Risk & Compliance leads in the US, UK and Singapore. Complaints and underlying themes are subject to periodic reporting to the PL Board, ExCo and ARCC.

Controls Assurance Program: Supports the monitoring aspects of the RMF to provide independent assurance over the effectiveness of controls owned and implemented by management to validate whether risks are being appropriately managed. The Controls Assurance Program provides standards and guidance for independent assurance activity undertaken by 2nd Line functions and sets out to complement other elements of the RMF.

Business Continuity Program (BCP): Used to counter any interruptions to business activities and protect critical business processes from the effects of major failures or disasters. The BCP provides guidance on implementing and maintaining BCP procedures, including; business impact assessments, crisis response procedures, and recovery procedures.

Information Security Program: Defines a structure for managing Information Security (IS), its components and their interrelationships. It further defines security roles and responsibilities and provides a central reference point for all IS activities and related documentation. IS objectives are set out to protect Perpetual from any adverse impact on its reputation and operations arising from failures of confidentiality, integrity and availability of information and systems.

Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Program: Articulates Perpetual's primary approach to managing compliance obligations in respect of Australian AML/CTF legislation, and to minimise the potential for products and services to be used for money laundering or terrorism financing (ML/TF) purposes. The Program applies to Perpetual and its subsidiaries globally. It defines the roles and responsibilities for day-to-day management of ML/TF related risks, including how risks are identified, mitigated and managed using the risk management tools, supporting systems, policies and procedures developed in the Program. Independent assessment and revalidation of the controls owned and implemented by management form part of this Program.

Model Governance Program: Specifies requirements for the use of models to ensure model risks are understood and managed appropriately.

Insurance Program: Defines a structure for managing Perpetual's corporate insurance arrangements.

Whistleblowing: Policy and procedures encourage employees to raise concerns with respect to suspected misconduct directly with their manager, independent senior management or via an externally managed hotline. The policy also sets out the processes to protect whistleblowers who report suspected misconduct.

Policies and Procedures: Support the workings of the RMF as they communicate risk management expectations. Policies exist at both an organisation and Operating Division level.

Risk Training and Communication: Risk & Compliance teams coordinate risk training initiatives across the organisation which help business and support divisions understand risk management. This includes presentations and online training focused on risk, issues and policies to foster a culture conducive to risk awareness and responsiveness. All new employees receive targeted risk 'on-boarding' training.

RISK AND COMPLIANCE SYSTEM

To support the effective management of risk and compliance obligations, Perpetual has invested in a company wide risk and compliance system called Archer. Archer helps the business manage their risk and control environment and forms the basis for operational risk reporting. The system includes a variety of modules that support the management and delivery of event management, risk management, compliance management, complaints management, good value claims and business continuity management.

CONTINUOUS IMPROVEMENT

As outlined earlier, the effectiveness and output of the RMF is overseen on an ongoing basis through supervision of the Board and the ARCC. Dedicated day to day responsibility for the maintenance and improvement of the RMF rests with the CRO. To ensure ongoing alignment with best practice the RMF is independently reviewed on a periodic basis.

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