

Perpetual Limited

**PEOPLE &
REMUNERATION
COMMITTEE**

TERMS OF REFERENCE

Approved 22 June 2020

Perpetual 

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1. OBJECTIVE

- 1.1 The People and Remuneration Committee (**committee**) is a standing committee of the board of directors of Perpetual Limited (**board**). The purpose of the committee is to assist the board to carry out the following functions in respect of Perpetual Limited and its wholly owned subsidiaries (together **Group**) to more efficiently and fully:
- (a) monitor that management has in place and carries out appropriate talent management policies and practices in conformance with the Group's performance, values and risk appetite;
 - (b) ensure that the Group has adequate policies, programs and practices in place to attract and retain talent to meet its purpose and strategic objectives;
 - (c) monitor that management has a workplace, health and safety framework in place and satisfy itself that the framework is effective;
 - (d) set and monitor the Group's approach to diversity and inclusion and corporate social responsibility;
 - (e) review and recommend to the board for approval non-executive remuneration policies and practices;
 - (f) review and recommend to the board for approval executive remuneration policies and practices; and
 - (g) review succession and career plans for key roles.
- 1.2 In addition, the committee has been delegated authority by the Perpetual Superannuation Limited (**PSL**) board to assist with the implementation, and oversight, of remuneration policies and practices in accordance with the Superannuation Prudential Standard 510 – Governance (**SPS 510**).
- 1.3 The committee may, within the scope of its responsibilities:
- (a) perform activities and make recommendations to the board consistent with these terms of reference;
 - (b) engage independent counsel and other advisors as it considers necessary to carry out its duties at the Group's expense;
 - (c) require the attendance of company officers at meetings as appropriate; and
 - (d) have unrestricted access to management, employees and information it considers relevant to its responsibilities under these terms of reference.
- 1.4 The committee has no management role.

2. MEMBERSHIP

- 2.1 Committee members are appointed by the board. The committee will consist of:
- (a) a minimum of three members;
 - (b) all of whom are non-executive directors; and
 - (c) a majority of whom are independent directors.
- 2.2 The board also appoints the chairman of the committee, who must be an independent director who is not chairman of the board.
- 2.3 At least one member must have an expertise and/or experience in human resources, remuneration or a related field and all members must have an understanding of the financial services industry.
- 2.4 The chairman of the committee will ensure that there is an appropriate induction process for completion by each new member.
- 2.5 The secretary of the committee will be the company secretary, or such other person as nominated by the board.

3. MEETINGS

- 3.1 The committee meets formally at least four times a year and the schedule of meetings will be agreed in advance.
- 3.2 One of the meetings will be set at a date to enable the remuneration report and corporate responsibility statement to be reviewed prior to presentation to the board. This meeting may be held in combination with the Audit, Risk and Compliance Committee and may be attended by the external auditors. All directors are encouraged to attend this meeting.
- 3.3 Special meetings may be convened as required or requested by a director.
- 3.4 The number of times the committee met and the individual attendance by members at committee meetings must be disclosed in the annual report.
- 3.5 A quorum of the committee is two independent non-executive director members of the committee.
- 3.6 The CEO and the Executive, General Manager People will be invited to attend all meetings, unless otherwise determined by the committee.
- 3.7 In the discharge of the committee's responsibilities, no executive should be directly involved in determining their own remuneration.
- 3.8 Other members of the board are invited to committee meetings under a standing invitation.

- 3.9 The agenda and supporting papers should be delivered to the committee members by the company secretary at least five days in advance of each meeting.
- 3.10 Draft minutes of each committee meeting are to be approved by the committee chairman and circulated to all committee members by the company secretary within a reasonable timeframe following the committee meeting.
- 3.11 Once the minutes have been approved by the committee chairman, a copy will be included in the papers for the next board meeting. The committee chairman will also provide a report to the board of material matters at the next board meeting.
- 3.12 Minutes are not a verbatim recording of the meeting but should accurately record the resolutions of the committee, key reasons for those decisions (where appropriate) and actions arising.
- 3.13 The action list from each committee meeting will be approved by the committee chairman and circulated to all committee members with the minutes of the meeting.
- 3.14 The action list will include accountabilities and the nature and timing of subsequent reporting.
- 3.15 Reports and other papers of the committee shall be made available to all directors upon request, provided no conflict of interest exists.
- 3.16 Committee members will be given the opportunity to attend technical or professional development courses to assist them in keeping up to date with remuneration, legal and regulatory issues.

4. RESPONSIBILITIES

Talent Management

The committee will:

- 4.1 Oversee employment and talent management policies and practices across the Group, including policies and practices related to employee recruitment, training and development, promotion, workplace health and safety, equal opportunity, cultural diversity, as well as remuneration and benefits.

Remuneration Policies

The committee will:

- 4.2 Assist the CEO to develop effective remuneration policies and practices for the Group and:
 - (a) to ensure that incentives for executive directors and other senior executives encourage them to pursue the growth and success of the Group without rewarding conduct that is contrary to the Group's values, policies or risk appetite;

- (b) to balance the need to reward appropriately with the implications for the Group's reputation and standing in the community if it is seen to pay excessive remuneration to directors and senior executives.
- 4.3 Review compensation policies and principles for senior executives in light of current market benchmarks and expert advice on remuneration levels and structures with the aim of monitoring that:
- (a) appropriate remuneration and incentives are in place to attract, secure, retain, and motivate high calibre qualified, experienced and committed executives;
 - (b) policies are fair and equitable having regard to their stated purpose (including rewarding and creating incentives for high levels of individual and company performance (both in the short-term and over the long-term) without taking undue risks) and current market levels and corporate governance and legal requirements;
 - (c) in setting remuneration levels, due regard is paid to the interests of the company and its shareholders; and
 - (d) the Group's policies and practices comply with regulatory requirements in respect of remuneration
- 4.4 Review and recommend to the board for approval the CEO's annual recommendations for remuneration of senior executives reporting directly to the CEO and for selected other key executives.
- 4.5 Review executive and employee share and option schemes to monitor that these are market-competitive and achieve their objectives.
- 4.6 Make recommendations to the board on decisions required under the terms of executive and employee share and option schemes.
- 4.7 On approval from the board, exercise any and all of the powers and discretions of the board under any employee share and option plan that may from time to time be operated by the Group, including (but not exclusively) the following plans:
- Perpetual Long-Term Incentive Plan
 - One Perpetual Share Plan
 - Variable Incentive Plan
- including (but not limited to) in relation to the making of offers and invitations, the terms of such offers and invitations, the interpretation of the relevant plan rules, and the issue, grant, cancellation or listing of shares and options over shares under the plans.
- 4.8 Monitor superannuation arrangements available to executives and staff and endeavour to keep them consistent with the Group's policies and procedures in the context of industry practice.
- 4.9 Review and make recommendations to the board on remuneration of directors, senior executives or other employees by gender and recommend strategies or changes to address any pay bias.

- 4.10 Review and monitor the processes employed by the Group to verify the integrity of any corporate reporting that is overseen by PARC and which the Group releases to the market and which is not audited or reviewed by an external auditor.

Succession and Career Planning

The committee will:

- 4.11 Review at least annually, the CEO's succession plans for key executive positions, together with the career development plans in place for key executives including, in particular, executives with high potential to progress to more senior roles. This review will include consideration of any gender diversity targets set by the board.
- 4.12 In conjunction with the Investment Committee, review succession plans for the asset management team and refer succession plans for key asset managers to the board for review.
- 4.13 Report to the board on the status of succession plans including the availability of internal and external succession candidates for all key executive positions.

Executive Performance Planning and Review

The committee will:

- 4.14 Establish, maintain and review the process of setting robust performance measures and targets that encourage superior executive performance and ethical behaviour consistent with the Group's Code of Conduct.
- 4.15 Review and recommend to the board payments and equity grants to be made under executive incentive plans and monitor the achievement of performance measures and targets.

Board Remuneration

The committee will:

- 4.16 Review directors' emoluments annually, including board fees, fees for committees and subsidiary boards and other benefits, in light of contemporary market practice, workload and, as necessary, securing expert advice on market relativities.
- 4.17 Make recommendations to the board for any changes in the level, form or structure of board remuneration, with the aim of monitoring that:
- (a) board remuneration is appropriate to attract and retain suitably qualified, high calibre, experienced and committed directors; and
 - (b) board remuneration is fair and reasonable having regard to current market practice, the responsibilities and liabilities of directors, the workload involved in fulfilling these responsibilities and the interests of the company and its shareholders.

- 4.18 Recommend to the board for approval the remuneration levels for the chairman of the board.

CEO's and KMP's arrangements

The committee will:

- 4.19 Obtain market information regarding the CEO's remuneration each year and market information periodically in respect of KMP and make a recommendation to the board in respect of the CEO's performance and remuneration (including fixed annual remuneration, short term and variable incentives and equity-based payments).
- 4.20 Recommend to the board for approval annually robust performance measures and targets that encourage superior executive performance and ethical behaviour from the CEO.
- 4.21 Assist the Chairman of the board in undertaking an annual review of the performance of the CEO and KMP against individual and company targets contained in the incentive arrangements.

Remuneration disclosure

- 4.22 In conjunction with the Audit, Risk and Compliance Committee, the committee will monitor that all remuneration-based accounting requirements have been complied with (including any disclosure requirements).

Remuneration consultants

- 4.23 Approve the appointment of remuneration consultants for the purposes of the *Corporations Act 2001* (Cth) where a recommendation is sought.

Equal opportunities and diversity

- 4.24 The committee will monitor that corporate policies support opportunities at Perpetual being realised based solely on merit, for all employees. Policies include those relating to equal opportunity regardless of sex, race, religion, sexual orientation and disability, preventing discrimination and harassment and upholding privacy.

The committee will:

- 4.25 Oversee the Group's Diversity and Inclusion Policy including making recommendations to the board regarding objectives to be set for achieving gender diversity.
- 4.26 Report to the board at least annually on the objectives and management's progress in achieving them.
- 4.27 Review at least annually the relative proportion of men and women on the board, in senior management positions and in the workforce at all levels of the group, and report to the board outlining the committee's findings or, if applicable, provide the board with the company's most recent indicators as required by the Workplace Gender Equality Act 2012.

Stakeholder Engagement

The committee will:

- 4.28 (a) develop a strategy for shareholder and regulator communication in relation to remuneration issues; and
- (b) oversee the content and tone of the Remuneration Report and recommend to the board its inclusion in the annual directors' report.

General

- 4.29 The committee will carry out any other responsibilities and functions that may be delegated by the board.

5. PERPETUAL SUPERANNUATION LIMITED

- 5.1 The committee will assist the PSL board to regularly review the application, effectiveness of, and compliance of the remuneration policies and practices for the Group with the requirements of SPS 510. Where the remunerations policies and practices for the Group relate to the Group's superannuation related activities, the committee will ensure that any performance-based components:

- (a) are designed to encourage behaviour that supports:
 - i. protecting the interests, and meeting the reasonable expectations of beneficiaries;
 - ii. the long-term financial soundness of PSL and any of the superannuation funds for which it is trustee; and
 - iii. PSL's risk management framework;
- (b) are designed to align remuneration with prudent risk-taking and must incorporate adjustments to reflect:
 - i. the outcomes of PSL's business operations;
 - ii. the risks related to PSL's business operations; and
 - iii. the time necessary for the outcomes of those business operations to be reliably measured.

- 5.2 The committee will make annual recommendations to the PSL Board on the remuneration of:

- (a) responsible persons (excluding auditors and actuaries);
- (b) persons whose activities in the committee's opinion affect the financial soundness of PSL's business operations;
- (c) persons specified by APRA; and
- (d) categories of persons covered by the remuneration policy, for the purposes of SPS 510;

- 5.3 The committee provides the PSL board with free and unfettered access to it in relation to matters relevant to PSL's role and responsibilities. The PSL Chair will attend committee meetings where PSL remuneration matters are being considered.

6. REPORTING RESPONSIBILITIES

The committee will through its chairman, regularly update the board about matters relevant to the committee's role and responsibilities and make appropriate recommendations for approval by the board.

7. REGULATOR CONTACT AND AVAILABILITY

Committee members will make themselves available to meet with APRA on request.

8. EVALUATING PERFORMANCE

In order to ensure that the committee is fulfilling its duties to the board, the committee will periodically:

- (a) obtain feedback from the board on the committee's performance and implement any agreed actions; and
- (b) provide any information the board may request to facilitate its review of the committee's performance.

9. REVIEW OF THE TERMS OF REFERENCE

The committee will review the committee's terms of reference periodically, discuss any required changes with the board and ensure any revisions to the terms of reference are approved by the board and PSL (where relevant).

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