

# Perpetual ESG Australian Share screening process

**Perpetual employs a rigorous investment process in managing our suite of Australian equities strategies. The Perpetual ESG Australian Share Fund ('the Fund') employs this same disciplined process, but with additional screening based on Perpetual's environmental, social and governance (ESG) and values-based exclusionary screens, to give investors an opportunity to align their investments with their personal values and ESG preferences.**

## Overview

Responsible investment research requires specialist skills. Work in this field is aimed at evaluating a company's performance on a range of ESG and values-based criteria.

Perpetual has a dedicated Responsible Investments team. We also utilise research from external specialists to help us research companies listed on the Australian market and overseas exchanges. For screening the Fund, Moody's Analytics is our primary external specialist, based on their depth of research and quality of systems and resources. Additionally, Perpetual may draw on external ESG research from other external specialists including MSCI ESG Research and RepRisk.

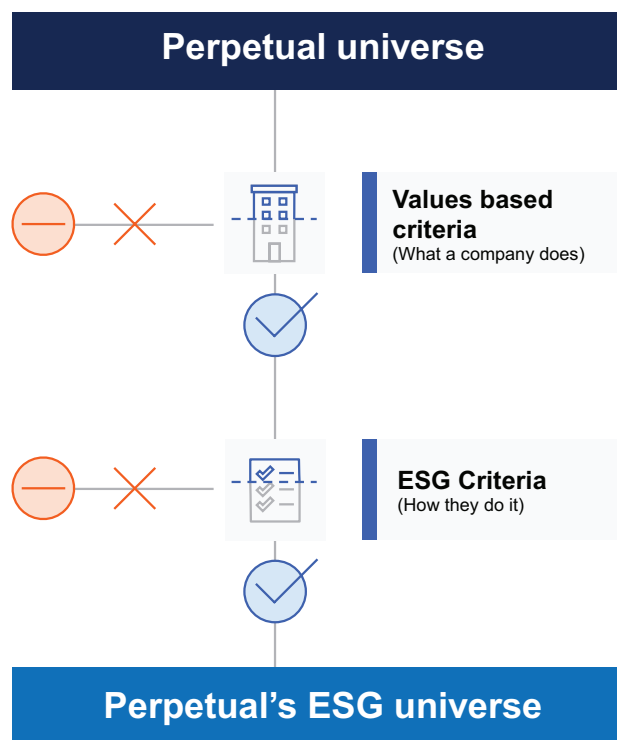
**The Perpetual ESG Australian Share Fund has two exclusion screens, with which we assess companies, including:**

- A values-based exclusionary screen for involvement in certain activities, and
- An ESG exclusionary screen based on an evaluation of companies' overall performance on ESG issues

Perpetual's Responsible Investments team is responsible for the screening process. The team is responsible for determining a company's suitability for inclusion in the Fund. Screening criteria may change over time to account for emerging issues.

## The screening process

Before being considered for investment, companies must pass the values-based and ESG exclusionary screens. The screening process is designed to limit the Fund's investible universe to only those companies that meet minimum values-based and ESG criteria. The Fund's Portfolio Manager constructs the portfolio for the Fund from these companies.



## Stage 1: Values-based exclusionary screen

This screen is designed to identify and exclude companies that derive a proportion of their revenue<sup>1</sup> from involvement in certain activities (see below). This means that companies breaching any Values-based Activity involvement threshold (for example earning 10% of revenue from Fossil Fuels, or 1% revenue from Tobacco Production) will fail this Values-based Exclusionary Screen and therefore will not be considered for investment by the Fund.

Values-based activity	What involvement do we consider	Involvement Threshold <sup>1,2</sup>
<b>Alcohol</b>	Production or distribution of alcoholic beverages, including the wholesaling and retail of alcoholic beverages manufactured by other companies.	5% or more of company revenue <sup>1</sup>
<b>Animal Cruelty</b>	Animal testing by producers of cosmetic products.	5% or more of company revenue <sup>1</sup>
<b>Fossil Fuels</b>	Upstream (exploration and production) of fossil fuels (coal, natural gas, oil, oil sands, oil shale) including the provision of services used in the extraction phase	5% or more of company revenue <sup>1</sup>
<b>Gambling</b>	Gambling operations (for example thoroughbred, sports, financial market and other betting) including online services, casinos, and gambling products including gaming equipment (for example slot/poker machines).	5% or more of company revenue <sup>1</sup>
<b>Genetic Engineering</b>	Production of genetically modified organisms (GMOs) for human consumption (except for medical purposes).	5% or more of company revenue <sup>1</sup>
<b>Nuclear and Uranium</b>	Uranium mining, electricity generation from nuclear power and major parts and services sold to the nuclear industry.	5% or more of company revenue <sup>1</sup>
<b>Pornography</b>	Provision of pornography and adult entertainment services.	5% or more of company revenue <sup>1</sup>
<b>Tobacco (Production)</b>	Production of tobacco including plantations and the manufacture of tobacco products including e-cigarettes and nicotine alternatives.	0% or more of company revenue <sup>1</sup>
<b>Tobacco (Retailing)</b>	Distribution of tobacco including the wholesaling and retail of tobacco products manufactured by other companies.	5% or more of company revenue <sup>1</sup>
<b>Weapons (Nuclear)</b>	Manufacture or development of nuclear weapons, including delivery platforms and munitions for the full weapon along with key parts or services.	0% or more of company revenue <sup>1</sup>
<b>Weapons (Military – Controversial)</b>	Manufacture or development of controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, biological weapons, depleted uranium), including delivery platforms and munitions for the full weapon along with key parts or services.	0% or more of company revenue <sup>1</sup>
<b>Weapons (Military – Conventional)</b>	Production of military conventional (not controversial) weapons.	5% or more of company revenue <sup>1</sup>

<sup>1</sup>Calculated using the total gross amount of revenue generated by the sale of goods or services from normal business operations.

<sup>2</sup>Companies will breach the above involvement threshold if their combined revenue from all values-based activities above 5% or more.



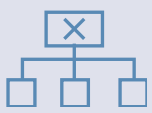
For information regarding the values-based exclusionary screen, please refer to the Product Disclosure Statement.

## Stage 2: ESG exclusionary screen

Companies that successfully pass our Values-based exclusionary screen are then subject to an ESG exclusionary screen. To apply this screen, companies are scored (both positively and negatively) on a broad range of ESG factors shown in the table below. These scores are totalled to arrive at a single score for each company.

Companies that receive a negative total score fail this exclusionary screen and will not be considered for investment. A zero or positive score will allow a company to be considered for investment.

To administer the ESG Exclusionary Screen, data is provided by Moody's Analytics to help determine the involvement considerations and the applicable threshold or measure. The data is based on Moody's Analytics' proprietary research and publicly disclosed representations from companies. Thus, the data provided may not be a complete representation of a company's involvement in a particular ESG issue and may include estimates.

Environmental	Social	Governance
		
<ul style="list-style-type: none"><li>• Environmental risk, policy &amp; performance</li><li>• Energy use and renewables</li><li>• Product and services environmental impact</li><li>• Product impacts and approach</li><li>• Chemicals of concern</li><li>• ESG-positive products &amp; services</li></ul>	<ul style="list-style-type: none"><li>• Animal welfare (Fur)</li><li>• Genetically modified (GMO) food</li><li>• Health and safety risk approach</li><li>• Human rights</li><li>• Discrimination and diversity</li><li>• Community involvement</li></ul>	<ul style="list-style-type: none"><li>• Corporate conduct risk and approach</li><li>• Corporate conduct performance (misconduct)</li></ul>

For information regarding the ESG exclusionary screen, please refer to the Product Disclosure Statement.

## Divestment

Companies are assessed against each exclusionary screen - Values-based and ESG every month. Those companies invested in which fail any screen must be divested promptly from the Fund within 60 days, subject to liquidity and other practical considerations.

## Additional information

Perpetual ESG Australian Share Investment Option available through WealthFocus Investment Advantage, Perpetual ESG Australia Share Investment Option available through Perpetual WealthFocus Pension Plan and Perpetual ESG Australian Share Investment Option available through Perpetual Wealth Focus Investment Option are options that invest directly or indirectly in the Perpetual ESG Australian Share Fund where the screening process described in this document is applied.

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