



**Renewed optimism as benefits of transformational acquisitions start to be realised**

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| <b>Company/ASX Code</b>                | Perpetual Limited/PPT   |
| <b>AGM date</b>                        | Thursday 21 October 2021  |
| <b>Time and location</b>               | 10am AEDT on-line - go to: <a href="https://agmlive.link/PPT21">https://agmlive.link/PPT21</a> - please note both written (received by 5.00 pm on 14 Oct 2021) and oral questions (in real time) will be accepted.  |
| <b>Registry</b>                        | Link Market Services  |
| <b>Webcast</b>                         | Yes   |
| <b>Poll or show of hands</b>           | Poll on all items   |
| <b>Monitor</b>                         | Richard Williams assisted by Peter Gregory  |
| <b>Pre AGM Meeting? (via MS Teams)</b> | Yes, with chair Tony D'Aloisio<br>NED Nancy Fox and chair of the People and Remuneration Committee<br>Paul Chasemore – EGM, People and Culture<br>Shannon Dooley – GM, Performance and Reward<br>Emma Rumble – GM Corporate Affairs & Investor Relations<br><br>Also, in March 2021 met with T D'Aloisio, N Fox, P Chasemore, S Dooley and G Lembit regarding the use of net promoter score (NPS) in the balanced scorecard |

**ASA WILL ATTEND THE VIRTUAL AGM, VOTE PROXIES AND ASK QUESTIONS AS NORMAL**

Please note: The individuals involved in the preparation of this voting intention have shareholdings in this company.

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| <b>Financial and statutory reports</b> | To receive and consider the financial statements, the reports of the Directors and of the auditor for the financial year ended 30 June 2021. |
| <b>ASA Vote</b>                        | No resolution or vote is required on this item of business.  |

**Summary of ASA Position**

**Key events**

The company successfully completed the acquisition of Trillium at the end of June 2020, and the transformational 75% of Barrow Hanley (BH) in November 2020. These two US based companies provide PPT with exposure to the fast-growing ESG investment segment.

At the pre-AGM meeting the directors and executives exhibited a distinct sense of enthusiasm and optimism for the company! The ASA is confident that this optimism stems from how the company is successfully integrating the new acquisitions into PPT's operations and the company's prospects for further growth. The ASA intends to follow-up at the AGM with a question asking if there have been any issues with the acquisitions, and if so, how they have been managed.

On 5 October 2021 PPT announced the acquisition of Laminar Capital Pty Ltd a specialist debt markets and advisory business with funds under management /advice (FUMA) of \$8.0 billion and a specialist fixed income digital platform, Treasury Direct, with \$21.0 billion of assets under administration on its platform. This represents approx. 3% of Perpetual Corporate Trust's (PCT's) current funds under administration (FUA). While the acquisition is relatively small, the acquisition demonstrates PPT's commitment to future growth.

### **Governance and culture and Key Board changes**

A new US based director (Ms Mona Aboelnaga Kanaan) has been appointed as of June 2021. Her skills include:

- Global financial markets
- Managing and acquiring global asset management businesses
- Corporate strategy development and execution including change management and M&A
- Private and public company investment and governance

Her appointment increases the board's gender diversity from 29% female to 38%.

While her appointment increases the number of directors from 7 to 8 ASA believes this is justified by the increased size, diversity and geographic spread of Perpetual's business. With Ms Aboelnaga Kanaan's New York location, her intimate understanding of the US market will be invaluable, as this is now a critical market for Perpetual.

ASA have been concerned about Perpetual's focus on the Executive for the management of the Perpetual Investment Australia business and so are pleased to see the appointment of Amanda Gillespie to lead this division. Perpetual now has an executive team with clear leadership and accountability that is well aligned to business structure.

### **Board technology knowledge**

The ASA inquired if the board had addressed the issue of increased technology knowledge and capability. The chairman advised that this had not been specifically addressed, but indicated that three directors ie Greg Cooper, Craig Ueland and Nancy Fox have expertise in financial technology (this expertise is not mentioned in the board skills matrix).

### **Covid work arrangements**

The chairman said there was no "post COVID" state regarding staff working arrangements. Safety is key - mental health awareness programmes have been implemented and a staff survey regarding attitudes to mandatory vaccination is in the pipeline. One extra day of leave has been granted to staff in order to get vaccinated.

Currently 50 people out of 1,000 work in the office. These are people who have to be there – for example handling physical documents.

### **Board sources of information and company culture**

Given the added complexity of the company, the board meets regularly with the CEOs of BH and Trillium and Mona, with her deep experience in investment markets, provides a broader perspective of the US market.

Ms Fox observed that there has been a change in culture in the organisation since the acquisitions of BH and Trillium – for example board meetings now start at 7.00 am rather than 10.00 am to coincide with the US work day.

The FY21 annual report contains a summary of a very detailed sustainability report 2021 located on PPT's website which supports the company's ESG focussed strategy.

### **Skin-in-the-game**

In addition to the customary details of board shareholdings, for the first time PPT's annual report provides a table outlining board members' investments in PPT funds.

### **Board fees**

NED fees have been reviewed and will be increased from 1 July 2021. When PPT commenced recruiting for a US director it was found that PPT was not competitive – it was found that the fees needed to attract a quality US director was more than in Australia.

A subsequent desktop review of Australian competitor's director fees revealed a catch-up was in order, particularly that director's fees have not increased since 2016. No external advisors were used.

A market-based premium applies to independent US based NEDs (the premium is not disclosed in the annual report). A flat fee applies when NEDs are required to travel long-haul for board matters.

In addition, as of 1 January 2021 the chair and members of Investment Committee fees were increased to reflect the increased complexity, accountability and time associated with the US acquisitions

### **Financial performance**

Perpetual Asset Management has now been divided into Perpetual Asset Management Australia (**PAMA**) and Perpetual Asset Management International (**PAMI**).

As foreshadowed last year the basis for the payment of dividends is UPAT rather than NPAT. The definition of UPAT has been changed to reflect the changes to the Group's operating cashflows from both existing and future organic and inorganic opportunities. Because of the international acquisitions future dividends may not be fully franked.

**Overall financial results were improved** as a result of the contributions from the US acquisitions, and improved results from PP and PCT with PAMA detracting from the company's performance (see below).

Operating revenue was up 31% vs FY20, UPAT up 26% vs FY20, (with NPAT down 9% due to one off costs associated with the acquisitions). ROE was up 0.8% and the **fully franked total dividend at \$1.80 per share** up 16%.

**PAMA** UPBT at \$42.2m, is down 13.4% vs last year as a result of continuing net funds outflows, prior period distributions and product re-pricing.

Institutions opting to manage their own investments continues to be challenging. However, PPT is starting to see inflows now.

The proposed diversification into actively managed ETFs is part of a multi-pronged approach to expanding the breadth of clients.

The chair commented that the overall impact of the above situation on the now much larger organisation is much less. It is still an important contributor to the overall business and we will seek an update on it at the AGM.

Funds Under Management (FUM) is accounted for in the domicile of the fund. For example, if a Trillium product is sold in Australia it is accounted for under PAMA. But it is really early days and have not decided how this will be managed in the longer term

**PAMI** UPBT was \$40.7m.

**Perpetual Private (PP)** UPBT was 8% up vs last year as result of net inflows from additional advisors, operating model benefits and the Priority Life acquisition. A 19% lift in Funds Under Advice (FUA) has come from both new and existing advisors (\$405m from new advisors and the balance of \$2.295b from existing advisors).

**Perpetual Corporate Trust (PCT)** UPBT was up 9% vs last year as a result of increases in revenue from Debt Market services and Managed Fund Services.

## **Risk management**

### **Integrity of ESG credentials**

The ASA inquired about how PPT ensures the integrity of its ESG credentials. In reply the company cited that it has disclosed carbon emission data to the Carbon Disclosure Project (CDP) since 2010 and has seen its highest score of B- in 2020. Also noted was the inclusion of ESG matters in the Balanced Scorecard used for assessing KPI remuneration outcomes. The remuneration report is audited by the company auditor each year.

While PPT doesn't have an independent auditor for the ESG side of the business, PPT has started work on a Sustainability Strategy program, which will identify a clear set of commitments and KPIs to achieve ESG goals and how PPT will play its role in advancing a sustainable and equitable world. PPT will design an assurance program to ensure its KPIs are robust and reported in a transparent manner to provide confidence to stakeholders.

### **ESG definition**

PPT provided to ASA its definition of ESG as follows:

“At Perpetual, we define sustainability/ESG as 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”.

### **Cybersecurity**

In answer to ASA questions, “how does the board fulfil its obligations to oversee cybersecurity?” and “how are cyber incidents escalated to the board?” the company provided a detailed written response which outlined that the board views cybersecurity as a strategic risk and detailed a number of processes to handle cybersecurity threats through PPT's Risk Management Framework. This provided confidence that the company is adequately managing its cyber security risks.

### **Audit**

There was a 21% increase in audit and review expenses in FY21 and PPT indicated that because of the increased complexity of the company driven in particular, by recent international expansion, higher levels of audit fees will occur into the future.

## Summary

| (As at FYE)                          | 2021  | 2020  | 2019  | 2018   | 2017  |
|--------------------------------------|-------|-------|-------|--------|-------|
| NPAT (\$m)                           | 74.9  | 82.0  | 115.9 | 140.2  | 137.3 |
| UPAT (\$m)                           | 124.1 | 93.5  | 115.9 | 140.0  | 136.9 |
| Share price (\$) as of 30 June       | 40.05 | 29.67 | 42.24 | 41.60  | 55.87 |
| Dividend (cents)                     | 180   | 155   | 250   | 275    | 265   |
| TSR (%)                              | 40    | (26)  | 8     | (21.0) | 42.3  |
| EPS – NPAT (cents)                   | 133   | 173   | 246   | 299    | 294   |
| CEO total remuneration, actual (\$m) | 1.494 | 1.603 | 1.03  | 3.26   | 3.57  |

For FY21, the CEO's total actual remuneration was **16 times** (vs 17.4 times in FY20) the Australian Full time Adult Average Weekly Total Earnings (based on May 2021 data from the Australian Bureau of Statistics).

Note - For May 2021, the Full-time adult average weekly total earnings (annualised) was \$93,444.

| Resolution 1 | Remuneration Report |
|--------------|---------------------|
| ASA Vote     | For                 |

## Summary of ASA Position

The company's balanced scorecard had been reviewed by management to reflect the now much larger organisation. Of note is the financial/non-financial metrics weighting split is now 60/40 (in FY20 55/45) and the weighting attributed to NPS has been reduced from 7% in FY20 to 5%.

In recognition of the potential impact of the Barrow Hanley acquisition on remuneration outcomes, the board determined to apply an additional EPS accretion gateway to two-fifths of the UPAT measure under the FY21 balanced scorecard, as well as increasing the FY21 UPAT target (up to a 50% weighting from 40% previously) to reflect the anticipated additional profit associated with the acquisition.

It should be remembered that during FY21, in recognition of the poor overall performance of the company in FY20 and the impact of COVID-19, KMP incentive awards that would have been made in cash and un-hurdled equity were converted to hurdled equity with 100% of STI awards being performance rights subject to absolute total shareholder return equally over three and four years.

In addition, the fixed remuneration of chairman and CEO reduced by 20% for the period 1 July to 31 December 2020 and for the board members and Executive Committee the reduction was 10% for the same period.

The board has awarded the CEO/MD an overall incentive outcome of 100% of target or 57% of the maximum in respect of FY21 in recognition of strong group and individual performance. Group Executives have received 93% or 53% of the maximum on average.

This is the fifth year of operation of PPT’s variable incentive plan, and the second full year of alignment of KMP remuneration arrangements to the CEO’s.

This alignment involves an additional longer-term (three and four year) absolute TSR performance hurdle that applies to half of any allocated equity under the variable incentive plan.

The ASA guidelines state that CEO and KMP LTI remuneration arrangements should be measured over a minimum of four years with at least two metrics taken into account (eg TSR and EPS growth). **The ASA has voted against PPT’s remuneration report for at least the last six years for this reason.**

Market value is used to calculate STI and LTI grants.

After nearly three years in the role the CEO/MD has \$852,664 worth of PPT shares, representing 73% of his fixed remuneration (up from 20% last year).

At last year’s AGM there was a 2.1% (vs 6.59% in FY19) vote against the adoption of the remuneration report.

The table in **Appendix 1** outlines the CEO/MD’s statutory remuneration structure as provided by PPT.

This year the ASA will vote **for** the remuneration report for the following reasons:

- Successful completion of the transformational acquisitions of two US based fund managers
- Improved financial performance
- The willingness of the CEO/MD, KMP, chairman and Directors to voluntarily reduce their remuneration for the first six months of FY21
- The variable incentive unhurdled equity outcomes for FY18 were awarded in September 2020. On average these awards were 53% of the original target as a result of the declining share price. This provides alignment with shareholder experience
- The CEO/MD’s actual remuneration has declined 59% since FY16 indicating that the current remuneration structure has aligned with shareholder experience (see the chart in **Appendix 1**)
- The need to attract and retain talent
- A high degree of short and long-term variable remuneration relative to fixed remuneration compared to PPT’s peers (according to a Godfrey Remuneration Group survey).

The ASA will vote un-directed proxies in favour of this resolution.

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|---------------------|--|
| <b>Resolution 2</b> | <b>Re-appointment of Mr Craig Ueland</b> |
| <b>ASA Vote</b>     | <b>For</b>                               |

### Summary of ASA Position

Mr Ueland was appointed in March 2012 (ie has served nine years as an independent NED). The board’s policy is that NEDs should not seek re-election after three elected terms unless requested to do so by the board. Mr Ueland is seeking re-election at the board’s request because his

overseas experience (including in the USA) is relevant and beneficial to PPT, given its recent US acquisitions. This will be his final term under the board's rotation policy.

Mr Ueland has a detailed knowledge of global financial markets and the investment management industry gleaned from over 20 years as a senior executive of Russell Investments.

Mr Ueland is chairman of PPT's investment committee and a member of both the nomination committee and the audit, risk and compliance committee.

Outside PPT, Mr Ueland is a committee member of the Endowment Investment Committee of the Benevolent Society and a board member of the Stanford Australia Foundation and the Supervisory board of the OneVentures Innovation and Growth Fund II.

Mr Ueland satisfies both ASA's and PPT's shareholding guidelines while also holding significant interests in four of PPT's funds. There are no workload or performance related issues for Mr Ueland.

The ASA will be voting any undirected proxies in favour of his re-appointment.

|                     |   |
|---------------------|---|
| <b>Resolution 3</b> | <b>Re-appointment of Mr Ian Hammond</b> |
| <b>ASA Vote</b>     | <b>For</b>                              |

#### **Summary of ASA Position**

Mr Hammond was appointed in March 2016 (ie has served six years as an independent NED). He was a partner at PWC for 26 years including positions as lead partner for several major financial institutions. Mr Hammond was also a member of the Australian Accounting Standards Board and represented Australia on the International Accounting Standards Board.

Mr Hammond is chairman of PPT's Audit, Risk and Compliance Committee and a member of PPT's Investment Committee and Nominations Committee.

Outside PPT, Mr Hammond is a NED of Suncorp Group and Venues NSW as well as not-for-profit organisations including Mission Australia and Chris O'Brien Lifehouse.

Mr Hammond satisfies both ASA's and PPT's shareholding guidelines while also holding significant interests in two of PPT's funds. There are no workload or performance related issues for Mr Hammond.

The ASA will be voting any undirected proxies in favour of his re-appointment.

|                     |  |
|---------------------|--|
| <b>Resolution 4</b> | <b>Re-appointment of Ms Nancy Fox AM</b> |
| <b>ASA Vote</b>     | <b>For</b>                               |

#### **Summary of ASA Position**

Ms Fox was appointed in September 2015 (ie has served six years as an independent NED). She is a lawyer by training and has more than 30 years' experience in financial services, securitisation and risk management gained in Australia, the US and across Asia.

Ms Nancy Fox AM is chairman of Perpetual’s People and Remuneration Committee and a member of Perpetual’s Audit, Risk and Compliance Committee and Nominations Committee. She is also currently chairman of Perpetual Equity Investment Company Limited.

Outside PPT, Ms Fox is a NED of ING Bank Australia, Lawcover Pty Ltd, Mission Australia and Aspect Studios Pty Ltd.

Ms Fox satisfies both ASA’s and PPT’s shareholding guidelines while also holding significant interests in five of PPT’s funds. There are no workload or performance related issues for Ms Fox.

The ASA will be voting any undirected proxies in favour of her re-appointment.

|                     |   |
|---------------------|---|
| <b>Resolution 5</b> | <b>Re-appointment of Ms Mona Aboelnaga Kanaan</b> |
| <b>ASA Vote</b>     | <b>For</b>  |

**Summary of ASA Position**

Ms Aboelnaga Kanaan was appointed as an independent NED on 28 June 2021 and stands for re-appointment for the first time.

Ms Mona Aboelnaga Kanaan holds a Bachelor of Science in Economics from the Wharton School of the University of Pennsylvania and an MBA from Columbia University’s Graduate School of Business.

Based in New York, USA, Ms Mona Aboelnaga Kanaan is an experienced director, and asset management executive having held leadership positions over a distinguished career spanning more than thirty years. She is currently the Managing Partner of K6 Investments LLC, an independent private equity firm which she founded in 2011,

Ms Aboelnaga Kanaan brings to the board deep expertise in scaling, acquiring and modernising global asset management and financial services firms and considers her experience to be highly relevant and beneficial given the company’s recent acquisition of two US asset management firms.

As mentioned earlier, her appointment increases the board’s gender diversity from 29% female to 38%.

PPT advises that appropriate background checks were conducted before Ms Mona Aboelnaga Kanaan was appointed to the board.

Ms Aboelnaga Kanaan has not commenced meeting the ASA’s or PPT’s shareholding guidelines due to the trading window closing two days after her appointment.

There are no workload or performance related issues for Ms Aboelnaga Kanaan.

The ASA will be voting any undirected proxies in favour of her re-appointment.

|                                  |  |
|----------------------------------|--|
| <b>Resolutions 6(a) and 6(b)</b> | <b>Approval of the 2021 variable incentive equity grants for the Managing Director and CEO, Mr Rob Adams</b> |
| <b>ASA Vote</b>                  | <b>For</b>   |

### Summary of ASA Position

This resolution is to seek approval for a grant of 21,560 unhurdled share rights and 21,560 hurdled performance rights to the CEO/MD.

The unhurdled share rights with a face value of \$888,943 will vest on 1 September 2023 and convert to restricted shares for an additional two-year period.

Half of the hurdled performance rights with a face value of \$444,471 will vest on 1 September 2024 subject to a three-year CAGR TSR hurdle and convert to restricted shares for another 12 months.

The other half of the hurdled performance rights will vest on 1 September 2025 subject to a four-year CAGR TSR hurdle and convert to unrestricted shares.

It should be noted that if there is less than 7% CAGR TSR no hurdled performance rights will vest.

Current three-year CAGR TSR stands at 4% and four-year CAGR TSR is -3%.

The ASA will vote un-directed proxies for this resolution for the same reasons it is voting for the Remuneration Report.

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| <b>Resolution 7</b> | <b>Renewal of proportional takeover provisions</b> |
| <b>ASA Vote</b>     | <b>For</b>   |

### Summary of ASA Position

PPT is renewing its constitutional provisions which don't allow a corporate predator to only bid for a proportion of a shareholders' interest. The ASA prefers full takeovers so that shareholders are not left with a controlling shareholder.

Under the Corporations Act, Shareholder approval of provisions relating to proportional takeovers extend for a three-year period. Once the three-year period elapses those provisions cease to have effect unless Shareholder approval is renewed by special resolution.

Item 7 is a special resolution to renew the Proportional Takeover Provisions for a further three years.

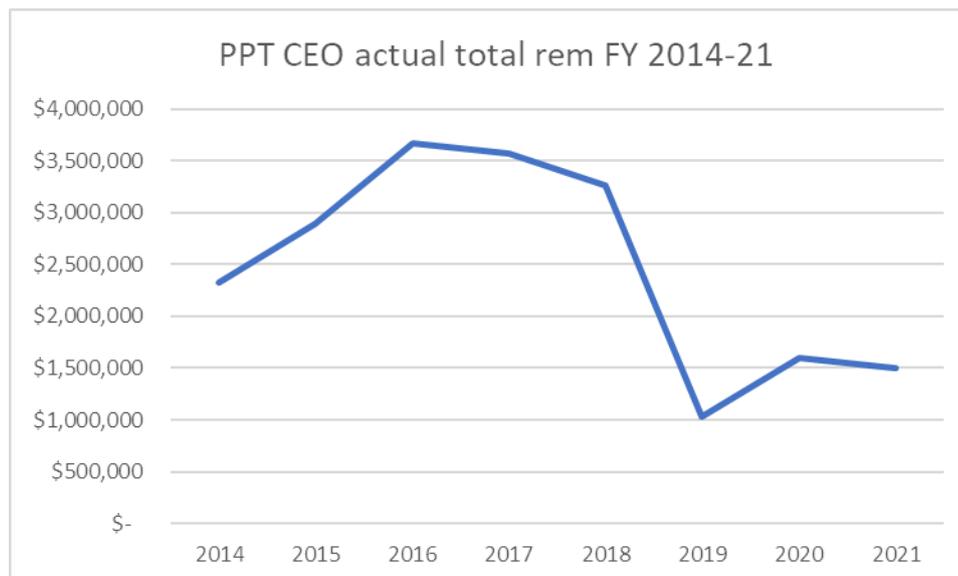
The ASA will vote un-directed proxies for this resolution.

## Appendix 1

### Remuneration framework detail (as provided by PPT)

| CEO rem. framework          | Actual \$ outcome FY21 | % of FY21 total rem. mix | Target \$ | % of Total | Max. Opportunity \$ | % of Total of max. opportunity | Vesting  |
|-----------------------------|------------------------|--------------------------|-----------|------------|---------------------|--------------------------------|--|
| Fixed Remuneration          | 1,172,498              | 34%                      | 1,302,776 | 36%        | 1,302,776           | 25%                            | Voluntary 20% fixed pay reduction for first 6 months of FY21   |
| STVI Cash                   | 500,000                | 14%                      | 500,000   | 14%        | 875,000             | 17%                            | Paid in Sept   |
| STVI Unhurdled equity       | 888,943                | 26%                      | 888,943   | 25%        | 1,555,650           | 29%                            | Vest after 2yrs and restricted for 2 more yrs (released 5yrs from start of perf. period)   |
| LTVI Equity with TSR hurdle | 888,943                | 26%                      | 888,943   | 25%        | 1,555,650           | 29%                            | Vest after 3 years (half) and 4 year (half) subject to Absolute TSR hurdle (3 and 4 year CGR of 7-10%). All equity restricted for 4 years from grant |
| Total                       | 3,450,384              | 100%                     | 3,580,662 | 100%       | 5,289,076           | 100%                           |  |

Chart of PPT's CEO actual remuneration from FY14 to FY21



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