ENGAGEMENT REPORT 2021

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Stewardship at Perennial

Established in 2000, Perennial is an Australian fund manager managing approximately A$8.0 billion on behalf of institutional and retail clients.

At Perennial, we consider it our responsibility as investment managers to engage with portfolio companies on behalf of our clients to understand ESG and sustainability issues. This helps to drive positive change that will ultimately improve corporate performance. Understanding a corporate's material ESG drivers through engagement aids our investment decision-making, enabling us to identify ESG risks and opportunities in the business and improve business outcomes by sharing ESG ideas and best practice approaches in sustainability.

We are pleased to share our second annual engagement report which showcases our engagement efforts and stewardship in our investee companies. See the 2020 engagement report here: https://perennial.net.au/wp-content/uploads/Perennial-Engagement-Report-2020.pdf

ESG Engagement

In the 2021 calendar year, Perennial had 140 engagements with companies on material ESG issues. We actively engage with portfolio companies on pertinent ESG issues, motivated to improve sustainability practices. Typically, our engagements with companies are on a one-on-one basis, however, we also enact change through collaborating with like-minded investors as a member of several asset owners and asset manager collaborative engagement groups.

Our active engagement with companies on ESG issues allows us to:

- Identify ESG-related risks and opportunities;
- Address ESG-related controversies;
- Assess the authenticity of a company's approach to sustainability;
- Help improve the business outcomes by sharing ESG ideas and industry best practices

2021 Engagement Statistics

In 2021, Perennial portfolio managers and investment analysts undertook more than 2,000 company and industry meetings.

Environmental, social and/or governance issues were discussed in 140 meetings (~7% of all meetings) which is broadly in line with 2020.

Environment issues were raised the most, in 67% of ESG meetings. This is reflective of the increasing discussion of climate-related concerns in the investment community. Social factors were raised in 45% of meetings and governance in 39%.

The most common ESG topics discussed are outlined as ordered on the right. The top issue raised was climate change and the environment, followed by gender diversity on the board and management teams and board composition. Climate change topics discussed included carbon emissions disclosures, science-based reduction targets, renewable energy, energy efficiency and climate transition plans.

Indigenous heritage, circular economy and cybersecurity continued to be some of the key ESG issues explored with companies, while employee engagement emerged as a new key topic in 2021.

CLIMATE CHANGE & ENVIRONMENT

GENDER DIVERSITY

BOARD COMPOSITION

REMUNERATION

MODERN SLAVERY

INDIGENOUS HERITAGE

EMPLOYEE ENGAGEMENT

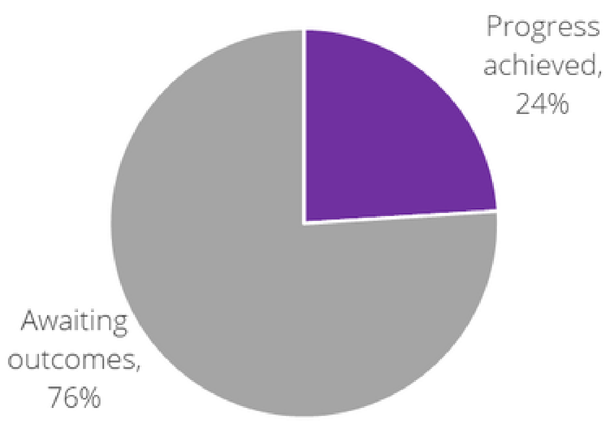
CIRCULAR ECONOMY

CYBERSECURITY

In 2021, of the 70 company approaches to specifically target ESG outcomes and initiatives (up 89% from 2020), 24% have already made progress (consistent with 2020), while we await outcomes from the remaining 76%.

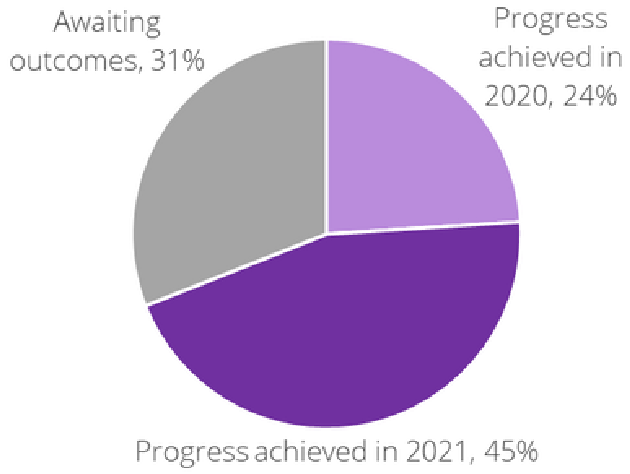
In 2020, of the 36 company approaches to discuss specific ESG & sustainability outcomes, 69% have resulted in a positive impact. Some of the targeted changes can take multiple years to eventuate. For example, in 2020, only 24% of these engagements had led to positive change, however during 2021, an additional 45% had made progress against our engagement priorities.

ESG engagement outcomes in 2021



Perennial 2021 engagement activities that have led to company progress in 2021.

ESG engagement outcomes in 2020



Perennial 2020 engagement activities that have led to company progress in 2020 and 2021.

Engagement Focus Areas

SECTION 1: GREENHOUSE GAS EMISSION REDUCTION

Last year, we witnessed the UN Climate Change Conference in Glasgow – COP26 – bring the climate change crisis to the forefront of discussions between investors and corporates. More than ever, investors and shareholders are recognising the urgency of climate action required by companies to decarbonise our planet, prevent environmental decline, and shape a better future.

As the energy transition gathers pace, investors, including Climate Action 100+, have focused their attention on encouraging companies to align capital expenditure with their decarbonisation strategy, particularly prominent in the resources and energy sectors. Such decarbonisation projects are intended to assist companies' alignment with the Paris Agreement's objective to limit global warming to as close as possible to 1.5 degrees. The latest Climate Action 100+ Benchmarking Report showed that no companies met all criteria on capex alignment.

In 2021, we discussed capex alignment with the Paris agreement with several companies across the Perennial investment universe, with detail provided throughout this report.

Examples of companies where we engaged on the environment including alignment with the Paris Agreement, measuring and disclosing GHG Emissions include A4N, ADH, BEN, BHP, CHC, CSX, ERD, FMG, HCW, IDX, KMD, MME, NEA, PVN, SDV, STO, STP, TLK and WPL.

Engagement Highlight: Capex Alignment with the Paris Agreement

We had an in-depth discussion with Santos regarding their 2021 AGM on alignment with the Paris Agreement. Proposal 6.02 was put forward by a shareholder proponent asking the company to disclose how its capex and operations will be managed consistent with the Paris Agreement. We wrote to the company to outline our intention to vote for proposals 6.01 and 6.02 (against management recommendations) as we wanted to see Santos exhibit best climate reporting practice by providing a Paris-aligned Capex and Operations plan. Santos initiated a call to discuss our position on this proposal. The company stated that they were market-leading with their net-zero commitment by 2040 and asked for our opinion on what they could do better. We acknowledged the company's intention to put the climate change report to an advisory shareholder vote at the 2022 AGM, but a review of the company's progress from the Climate Action 100+ benchmarking report stated the failure to outline a capex plan. An official board response was released regarding the proposal and we participated in an internal discussion on the proposal with Climate Active 100+ members. With the additional information we received, we noted that Santos is making progressing and disclosing better than peers, with no other global players demonstrating capex alignment with the Paris Agreement. Acknowledging Santos' progress in climate change-related initiatives and engaging in discussions with like-minded investors, we ultimately voted against the proposal (which was in line with management), noting further areas of improvement with the company.

Engagement Highlight: Carbon Emissions Reporting

In March 2021, we met with Alpha HPA (ASX: A4N) to discuss carbon emissions mapping and reporting. We encouraged the company to provide more detailed disclosure of the carbon savings from its production process verse traditional processes. Alpha HPA engaged an external consultant and ultimately reported that a 59% reduction in carbon dioxide is achieved through using their technology compared to incumbent processing.

SECTION 2: GENDER DIVERSITY

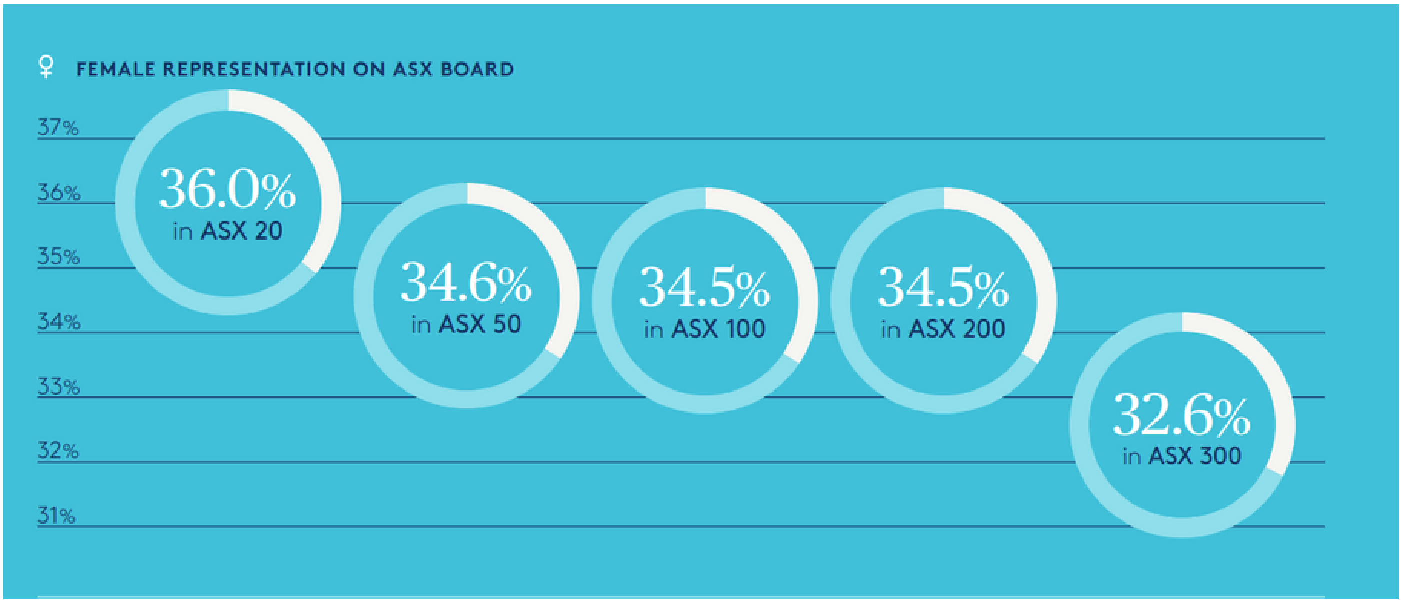
As a signatory to the 30% Club, Perennial supports the view that the board of directors of ASX-listed companies should have a minimum 30% representation of women, and should strive for equal representation where possible.

According to the latest Australian Institute of Company Directors report, gender diversity on boards has improved, however, more work by corporates and investors is needed to ultimately achieve gender parity, particularly in the smaller end of the ASX. In the March 2022 report, it was reported that females on the board made up:

- 36% of the ASX20
- 34.5% of the ASX100
- 32.6% of the ASX300

In our view, a diverse board and management team leads to better outcomes for the business. We find that companies with greater female board representation benefit from the diversity of thought, background, and experience. This typically delivers better outcomes for the business, stakeholders, and shareholders over the medium term. We believe companies should have medium-term board renewal plans for more balanced gender representation on the board. This topic was flagged as a key area of focus for ASX listed corporates in the Perennial 2021 Better Future Survey.

As such, the Better Future team recently wrote to all companies in the Better Future strategies with less than 30% females on the board in January 2021 and December 2021, providing ample time before the AGM season to look at board composition and address our concerns.



Source: Gender Diversity Progress Report: December 2021 - February 2022, AICD
https://aicd.companydirectors.com.au/-/media/cd2/resources/advocacy/media/pdf/gender-diversity-report-march-2022-18pp-web-2.ashx

In 2021, we increased our focus on gender representation in "line" management roles. We met with a Director from Chief Executive Women (CEW) to discuss the findings from the CEW Senior Executive Census 2021, including the need to set targets for gender diversity in “line” management roles. The Chief Executive Women Senior Executive Census report 2021 classifies “line” management roles as positions that drive key commercial outcomes, typically with profit and loss responsibility, including Chief Executive Officer / Managing Director, Chief Operating Officer and Group Executives.

> *Line roles drive key commercial outcomes and usually come with profit and loss responsibility and include the Chief Executive Officer (CEO), Chief Operating Officer (COO) and Group Executives. The percentage of line roles held by women is highest at 17% among ASX100 companies, reducing to 14% in the ASX200 and ASX300... The 2021 Senior Executive Census shows intentional action in the form of targets correlates with greater gender balance in executive leadership teams. It demonstrates a need for targets to be set for executive leadership teams and particularly for line roles.*
>
> *CEW SENIOR EXECUTIVE CENSUS 2021*

In the Chief Executive Women (CEW) 2021 Census Report, CEW notes that “women hold only 14% of line roles (across the ASX300) with profit and loss responsibilities, revealing a narrow pipeline of women positioned to progress to CEO roles in the future”. By increasing the representation of women in line roles, and setting gender targets for such positions, we believe companies can increase and accelerate the appointment of women in executive leadership teams (ELTs).

In 2021, we engaged on gender diversity with 4DX, A4N, CBL, CCX, CHC, CQE, CSX, CXL, FPH, GSS, IAG, IMM, IMR, IPD, JAN, KMD, MX1, NEW, PEB, PXA, SDF, SIQ, TLX and VOC

Engagement Highlight

BLACKMORES

We wrote to Blackmores (ASX: BKL) in early October 2020, before the AGM, in regards to improving the gender diversity on the board. At the time of our email, only 1 out of the 5 non-executive directors was female (20%). As we strive for at least 30% representation on ASX listed boards, we encouraged them to appoint additional well-qualified female directors before the 2021 AGM. On the 23rd of October, Blackmores announced a board renewal with Anne Templeman-Jones stepping up as Chair and appointing additional independent Non-executive Directors. In April 2021 they announced the appointment of an additional two female NEDs, Wendy Stops and Sharon Warburton. Wendy will be Chair of the Blackmores Board Risk and Technology Committee. Sharon will be Chair of Blackmores' Board Audit Committee.

SECTION 3: REMUNERATION STRUCTURES

We are focused on holding management accountable for ESG-related objectives by encouraging ESG-linked compensation. We believe companies' alignment of management incentives with ESG performance can be significantly improved. Moreover, of the companies that do incorporate ESG performance metrics in management scorecards, most tie ESG compensation to Short Term Incentives (STIs), rather than Long Term Incentives (LTIs). We would particularly like to see emissions reduction and alignment with the Paris Agreement integrated with executive remuneration structures to ensure that CEOs today are making progress toward typically distant, long-term net-zero and carbon-neutral goals.

Examples of companies we engaged with on remuneration structures include CBL, ERD, IAG, IDX, IMR, OPT and SIQ.

Engagement Highlight

EROAD

In January 2021, we wrote an email to portfolio companies in the Better Future Trust that did not have a "Say-on-Pay" vote for shareholders. The "Say-on-Pay" vote asks investors to vote for approval on the compensation of the top company executives – the CEO, the CFO and at least three other most highly compensated executives.

We were met with a positive response from Eroad (ASX: ERD). The company replied to us expressing that they strive to maintain best practices in corporate governance and ESG. The company stated that they would put the remuneration report up for approval to shareholders by 31 March 2022. The company was also willing to discuss ESG more broadly and invited the Better Future team for a meeting.

COVID-19 JOBKEEPER

In 2021, companies' decisions to return or retain the net benefit from the JobKeeper wage subsidy scheme were in focus. Companies came under pressure by the public to repay the money after posting profits for the 2020 financial year.

Engagement Highlight

Integral Diagnostics (ASX: IDX) stated at the 1H21 result that the company would consider returning some of the JobKeeper payments once the uncertainty of COVID-19 had passed. We emailed the company to gain more clarity as to when and if the payments would be returned since the COVID-19 situation had been worsening. Initially, we did not receive a response from the company, however, in the FY21 result, they addressed that they had paid back the net benefit they received from JobKeeper. We discussed this with management on a post-result call and received an email from management following our call.

SECTION 4: MODERN SLAVERY

Perennial is committed to ensuring corporates take necessary action to combat supply chain and modern slavery issues. Indeed, companies exposed could face compliance, brand and reputational risk. Increasingly, global markets and regulatory bodies are paying greater attention to supply chain and modern slavery issues. In Australia, The Commonwealth Modern Slavery Act 2018 requires organisations with a consolidated revenue above A$100m to report on the risks of modern slavery in their operations and supply chains and the initiatives they are undertaking to address such risks.

A study conducted by Monash University's Centre for Financial Studies (MCFS) on the quality of modern slavery statements published in February 2022 highlighted that over a third of ASX300 companies produced poor statements for the FY20 period, some of which barely met the legal requirements. Moreover, across the ASX300, only six companies demonstrate best practices in their modern slavery disclosures. Key areas of improvement in modern slavery performance identified include assessing modern slavery exposure in company operations, identifying extended supply chain risks and enabling remediation.

As investors, Perennial expects companies to adhere to the reporting obligations and provide transparent disclosure to shareholders surrounding their supply chain processes. We expect companies to go beyond the minimum legal reporting requirements and take proactive and effective action in combatting modern slavery in their supply chains, particularly given the increasing risks that have emerged during the COVID-19 pandemic. In 2021, we engaged with several companies on ethical supply chain and modern slavery including ADH, BRN, CSX, CCX, IDX, KMD, MME, STP and SWK.

Engagement Highlights

In July 2020, we met with City Chic (ASX: CCX) to discuss the company's risks associated with supply chain and modern slavery. At the 2021 result, City Chic announced that they are tracing tier 2 and 3 suppliers. City Chic is also using DNA testing to trace cotton back to farms and tighten the regions they are purchasing from.

In 2021, we met with KMD Brands (ASX: KMD) to discuss increasing the company's communication surrounding the supply chain and modern slavery to shareholders. We also discussed how the company can improve its practices in this area. Some of their initiatives include targeting a zero waste supply chain, 220 hours of staff training, 22 internal audits and 2 suppliers exited.

Before the company's listing, we met with Step One (ASX: STP) to assess its ESG capability and provide best practice examples of supply chain and modern slavery. We also sought to understand the bamboo harvesting process and environmental impact. The company was working towards achieving organic certification across the whole supply chain.

SECTION 5: INDIGENOUS HERITAGE

The Perennial investment team has had engagement on cultural heritage issues and indigenous rights protections with relevant companies in our investment universe, particularly in the mining and energy sectors. We believe Indigenous relations are extremely important for these sectors to ensure the empowerment of the traditional owners and to maintain their social license to operate.

Engagement Highlight

Following on from our voting history in 2020 at Rio Tinto (ASX: RIO) and BHP Billiton (ASX: BHP), in October 2021 we voted in favour of the shareholder proposal (proposal 8.0) and against management at the Fortescue (ASX: FMG) AGM. The proposal requested that the "Company publicly support stronger heritage protections and ensure alignment of trade association advocacy with its stances". Our vote reflects our efforts to see greater empowerment of Indigenous populations and Native Title rights. We believe that mining companies should assume a proactive role in ensuring that Aboriginal people are empowered in cultural heritage decisions.

Engagement Outcomes

2021 EXAMPLES

KMD Brands (ASX: KMD)

Public companies are coming under ever-increasing scrutiny regarding their performance and impact on environmental, social and governance factors. We have met with KMD Brands in several instances over 2021 to discuss ESG & sustainability. One of these interactions with KMD Brands included participating in a formal “materiality assessment” to determine which sustainability issues are critical for the company. We have seen several positive engagement outcomes from KMD Brands over the last 24 months including:

- Appointed a female CEO of the Rip Curl business in August 2021
- Appointed a female Non-Executive Director to the board in October 2021
- Improved sustainability messaging, including at their Investor Day in November 2021

Integral Diagnostics (ASX: IDX)

After several engagement meetings with Integral Diagnostics over the past 24 months, including contributing to a consultant review, Integral Diagnostics disclosed its Scope 1 and 2 emissions in 2021. As a result of this process, the company was able to discover a more energy-efficient solution for medical consumables which uses less power, resulting in significant cost savings for the business. The company noted in its FY21 ESG report that in FY22, it will focus on achieving a better understanding of its Scope 3 emissions and how the company can influence its supplier to work towards reducing their emissions.

Fund Engagement Highlights

PERENNIAL BETTER FUTURE

It is encouraging to see more companies willing to engage on ESG issues and improve ESG outcomes. Australian companies are starting to acknowledge that improving ESG outcomes benefits all stakeholders and that companies that are doing this are more likely to attract the incremental investor.

Damian Cottier
Portfolio Manager and the Better Future Strategies and Co-Head of ESG, Perennial

Immutep (ASX: IMM)
Gender Diversity

In January 2021, we wrote an email to portfolio companies in the Better Future strategies that did not have at least 30% female representation on the board, including Immutep. In January 2022, we had a dedicated ESG meeting with an Immutep director, where we discussed the benefits of gender diversity and ran through some suggestions for potential candidates. Following continuous engagement with the Better Future team, in February 2022, Immutep announced the appointment of a female Non-Executive Director to the board.

PERENNIAL SMALLER COMPANIES

We have found the increased engagement with the board members of our portfolio companies is a constructive way to improve governance, environmental and social practices. Through these detailed conversations we have also gained valuable insights into the companies and their approach to risk – forming another tool in our stock selection process.

Andrew Smith
Portfolio Manager and Head of Smaller Companies and Microcaps, Perennial

Genetic Signatures (ASX: GSS) - Gender Diversity

Along with another major shareholder, we encouraged the board to improve the board diversity from a gender and skills basis. The company was receptive, and an external search has begun with Perennial also sharing a database of potential candidates. In the chair address at the 2021 AGM held in November, they stated that the company was "actively engaged in a search that will address diversity on the board".

Envirosuite (ASX: EVS) - Board Independence

We encouraged board renewal to improve independence and bring in a more skilled Managing Director. Good outcomes were achieved on both measures with a highly appropriate CEO joining, in addition to new board members.

PERENNIAL AUSTRALIAN SHARES

The management of environmental, social and corporate governance issues is an increasingly critical component of overall risk management within a business. The level of attention paid to these issues and the effectiveness with which they are managed, is indicative of the overall approach to and effectiveness of risk management within an organisation. As a result, in-depth engagement with Boards and Management on these issues provides a valuable, broader insight into the level of risk across the business, which can be factored into our investment decision making.

Stephen Bruce
Director of Portfolio Management, Perennial

Woolworths (ASX: WOW) - Modern Slavery

As a member of IAST APAC, Perennial joined the working group of Woolworths in 2021. In our first IAST APAC company meeting with Woolworths, we met with three Woolworths participants – the Supply Chain Officer, Head of Sustainability Governance and Human Rights Manager. We discussed modern slavery, COVID-19 impact on the availability of workers, supplier pressure on prices and compliance, policy and governance and the living wage. Woolworths is well progressed in managing modern slavery risks, with the company producing a detailed modern slavery Statement in 2020 highlighting market-leading initiatives. However, despite the sound management of risks and initiatives, the group acknowledged that the company is not immune to modern slavery risks. As such, the group established an engagement plan and objectives, noting specific areas of focus. For example, the interaction between responsible sourcing and procurement. The group considered how training and incentives for buying teams can be implemented to incorporate sustainability-related issues in dealings with suppliers.

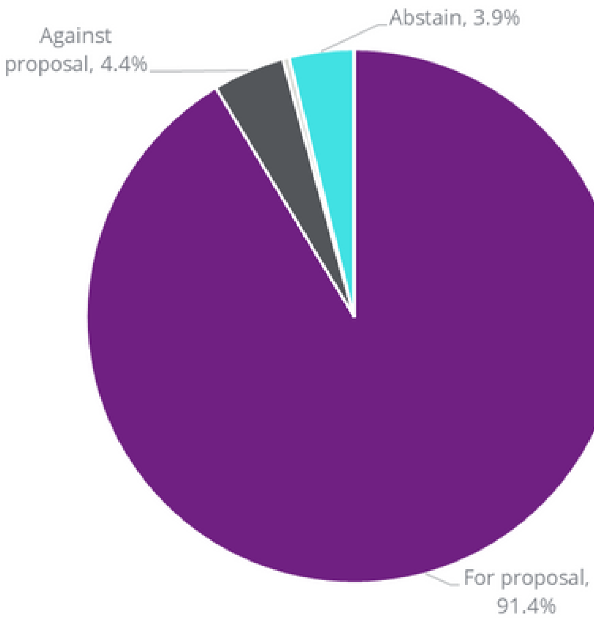
Proxy Voting

VOTING STATISTICS

In the 2021 calendar year, Perennial voted on 1,563 proposals across 235 companies.

Perennial voted against management recommendations on 123 occasions across 68 companies. This represented 8% of resolutions (or 29% of companies). The most common topic we voted against was security issuance, followed by remuneration and director elections.

Perennial 2021 Vote Decisions

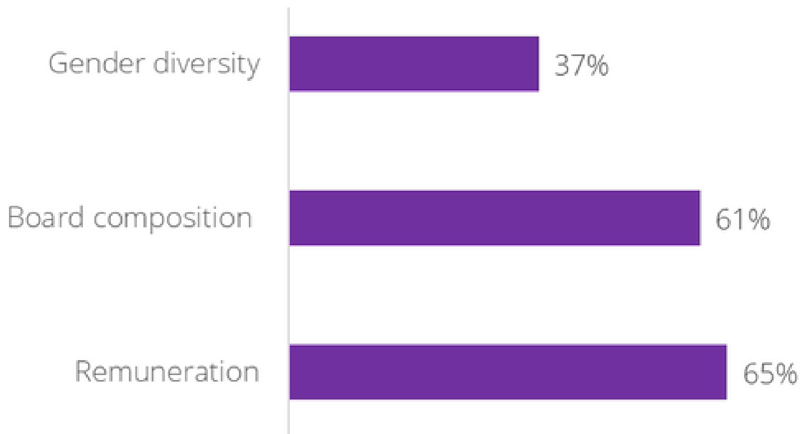


Note: We abstained on occasions regarding ratifying the placement of securities given we are not able to vote if we have participated in the placement. Source: Perennial CY2021 voting record.

During the 2021 calendar year, we had 49 in-depth discussions with companies regarding controversial AGM proposals.

The most common discussion was on remuneration, which was raised in 65% of proposal meetings. This was followed by board composition which includes director independence and election, discussed in 61% of meetings, and gender diversity, which was raised in 37% of meetings.

Common Proxy Discussion Topics in 2021



Note: Perennial CY21 Voting Record, % of total proposal meetings

Voting Themes & Trends

CLIMATE FOCUSED RESOLUTIONS

The 2021 AGM season saw a significant rise in the number of climate-focused resolutions. Perennial engaged with several companies on shareholder proposals relating to capital expenditure alignment with the Paris Agreement, including Woodside Petroleum (ASX: WPL) and Santos (ASX: STO) as Perennial is committed to considering the impact of climate change on our portfolio.

As the investment community globally becomes more focused on climate risk, we believe companies that are managing the risk well will be better positioned versus companies that are laggards. We expect companies to align themselves with the Paris Agreement to limit global warming to as close as possible to 1.5°C. We engage with companies to set appropriate short, medium, and long-term science-based targets and to publish disclosures to the market.

Woodside Petroleum (ASX: WPL)

Woodside has sought to align itself with the Paris Agreement's objectives, however it has not yet aligned its capital expenditure with net zero.

As such, Perennial voted in favour of proposal 5.02, regarding the disclosure of Paris-aligned capex and operations, which was against management's recommendation. While we did not support the entirety of the resolution regarding the requirements for decommissioning, plan for asset closures and capital returned to investors, we agreed with the broader message of the proposal for disclosure of how the company's capex and operations would be managed in a manner consistent with the climate goals of the Paris Agreement. Our support in favour of this resolution conveyed our preference for Woodside to disclose how the company's capex plans are in line with the company's net-zero emission ambition in the short-medium term. We look forward to Woodside's proposed Climate Change Report in 2022.

BHP Group (ASX: BHP)

In November 2021 at the BHP Group (ASX: BHP) AGM, we voted against the proposal that requested shareholder approval of the Company's Climate Transition Action Plan. We voted against the proposal and management's recommendation since the emissions reduction targets stated did not appear to be certified by the Science-Based Targets initiative (SBTi) or aligned with the Paris Agreement objectives. BHP outlined that the Plan was to be put to an advisory vote every three years. We prefer an annual advisory vote in relation to the Plan as climate related developments are happening at pace.

REMUNERATION

Given the continued impacts of COVID-19, remuneration was a key topic in the 2021 AGM season, since boards were required to balance negative performance outcomes for shareholders in challenging operating conditions, whilst retaining and rewarding key talent. Our preferred remuneration structures are fair, closely aligned with shareholder interests and provide adequate incentives which motivate and reward individuals to perform.

Insurance Australia Group (ASX: IAG)

In October 2021, we voted against the remuneration report proposal (proposal 1.0) at the Insurance Australia Group (ASX: IAG) AGM. We wrote to and had a call with the IAG management team to discuss our decision. We voted against the proposal and management's recommendation since the report failed to discuss in detail the exclusion of certain non-recurring items, including the customer refund provision of $238m. Moreover, we did not support an increase in the salary of the Managing Director, given the underperformance of the company at the time of voting, the size of the increase shortly after the appointment and the context of the COVID-19 impacts affecting the broader economy. We also voted against the election of a male director given the gender diversity of the board fell below our expectations of a minimum 30% female representation.

Event Hospitality and Entertainment (ASX: EVT)

In October 2021, we voted against the proposal that requested approval of an equity grant (recognition and retention) award to the company's CEO. Perennial does not support the repeat of material retention payments. We flagged this in 2020 when the company issued a large COVID-19 retention award to the CEO. In 2020, we supported the proposal given it was specifically one-off and metrics were COVID-19 impacted, however, we informed the company we would vote against subsequent retention awards. We emailed the company and also spoke to them to discuss our decision.

Collaborative Engagements

Collaborative shareholder engagement occurs when a group of investors communicate with companies on ESG issues, using a unified voice to express their concerns more effectively to corporate management teams and achieve stronger ESG outcomes. Perennial joined Climate Action 100+ (CA100+) in December 2019 and has been a signatory to Investors Against Slavery & Human Trafficking (IAST) APAC since November 2020.

Climate action 100+

Climate Action 100+ is an investor-led initiative that connects 600 investors with over $65 trillion in combined assets under management with a shared ambition of ensuring that some of the world's largest companies take necessary action on climate change. The '167' focus companies are collectively responsible for over 80% of global industrial emissions. Perennial is on the work groups of Origin Energy (ASX: ORG), South 32 (ASX: S32) and the Oil and Gas Working Group (O&G WG).

In 2021, the Climate Action 100+ initiative in Australasia focused on the overall climate competency of boards, in addition to climate outcomes delivered by the board.

IAST APAC

Perennial is a founding signatory of Investors Against Slavery & Trafficking ASIA-Pacific (IAST APAC). Established in 2020, IAST APAC is an investor-led initiative to promote effective action by corporates to identify, resolve and prevent modern slavery, labour exploitation and human trafficking across supply chains. In June 2021, IAST APAC members represented A$7.7 trillion in funds under management across 34 members.

IAST APAC operates across two workstreams: 1) Investor statement on modern slavery and 2) Engagements with specific companies.

We are participants in both workstreams 1 and 2.

Better Future Survey 2021

A key component of Perennial's engagement with companies on ESG issues is the Better Future Survey. In 2021, Perennial conducted its third Better Future survey, which was sent to ~200 ASX-listed corporates. The survey is designed to take the "ESG Pulse" of ASX listed companies. It seeks to obtain the views of ASX listed companies on where they have been, where they are now and where they are going on all things ESG. We use the findings from the survey to guide our engagement with companies in the following 12 months.

What 3 areas of ESG are becoming more important or material to your business and will be of focus in the next 12 - 18 months?

When asked about the areas of ESG becoming more important to corporates in the next 12 - 18 months, greenhouse gas emissions, including alignment with the Paris Agreement, came in as the number one priority for corporates for the second year in a row. Diversity moved up as a priority, while modern slavery and cyber security came in equal third.

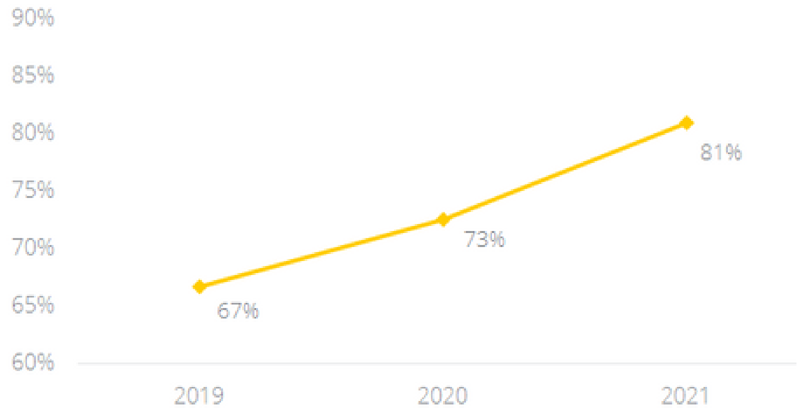
2019	2020	2021
Diversity	GHG Emissions	GHG Emissions
Safety	Modern Slavery	Diversity
Governance	Safety	Modern Slavery
	Governance	Cyber Security

We have experienced positive business outcomes as a result of focusing on sustainability and ESG

ESG and Sustainability isn't just important for investors. 86% agreed that it results in improved business outcomes.

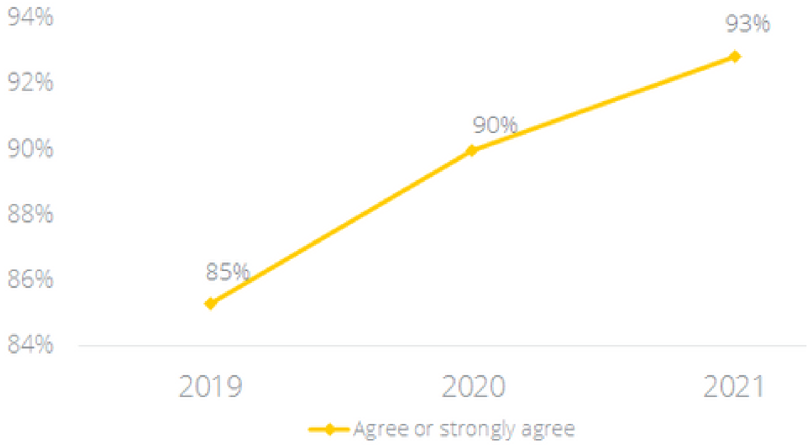
Does your business strategy specifically reference sustainability and ESG?

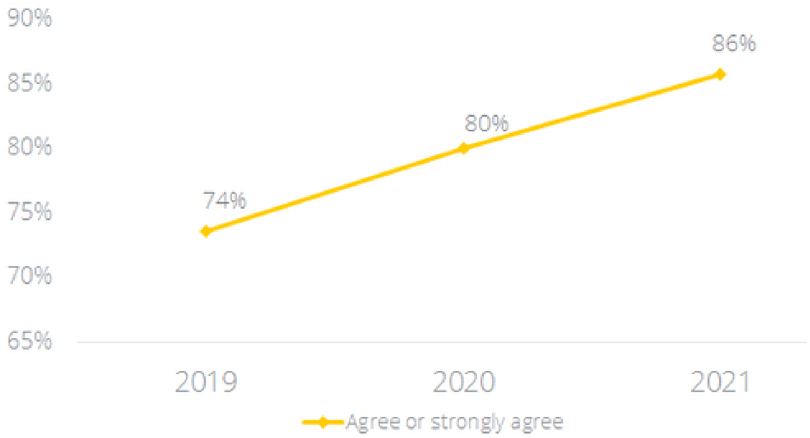
81% percent of companies have a business strategy that specifically references ESG / Sustainability, up from 73% in 2020 and 67% in 2019. This is consistent across both large and smaller companies.



Engaging with investors on sustainability and ESG issues is beneficial to our company

Engaging with investors on ESG issues is becoming increasingly beneficial to respondents.





Thank you

Thank you for your interest in how we approach ESG at Perennial. As you can see in this report, Perennial is taking an active approach to integrating ESG and Sustainability into our investment strategies and corporate strategy more broadly.

For more information on Perennial's ESG strategy, please visit our ESG and Sustainability webpage at https://perennial.net.au/our-story/corporate-social-responsibility-esg/ or reach out to the team.

Emilie O'Neill
Co-Head of ESG &
Equity Analyst

Damian Cottier
Co-Head of ESG &
Portfolio Manager

Madeleine Huynh
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Talented teams,
great opportunities.