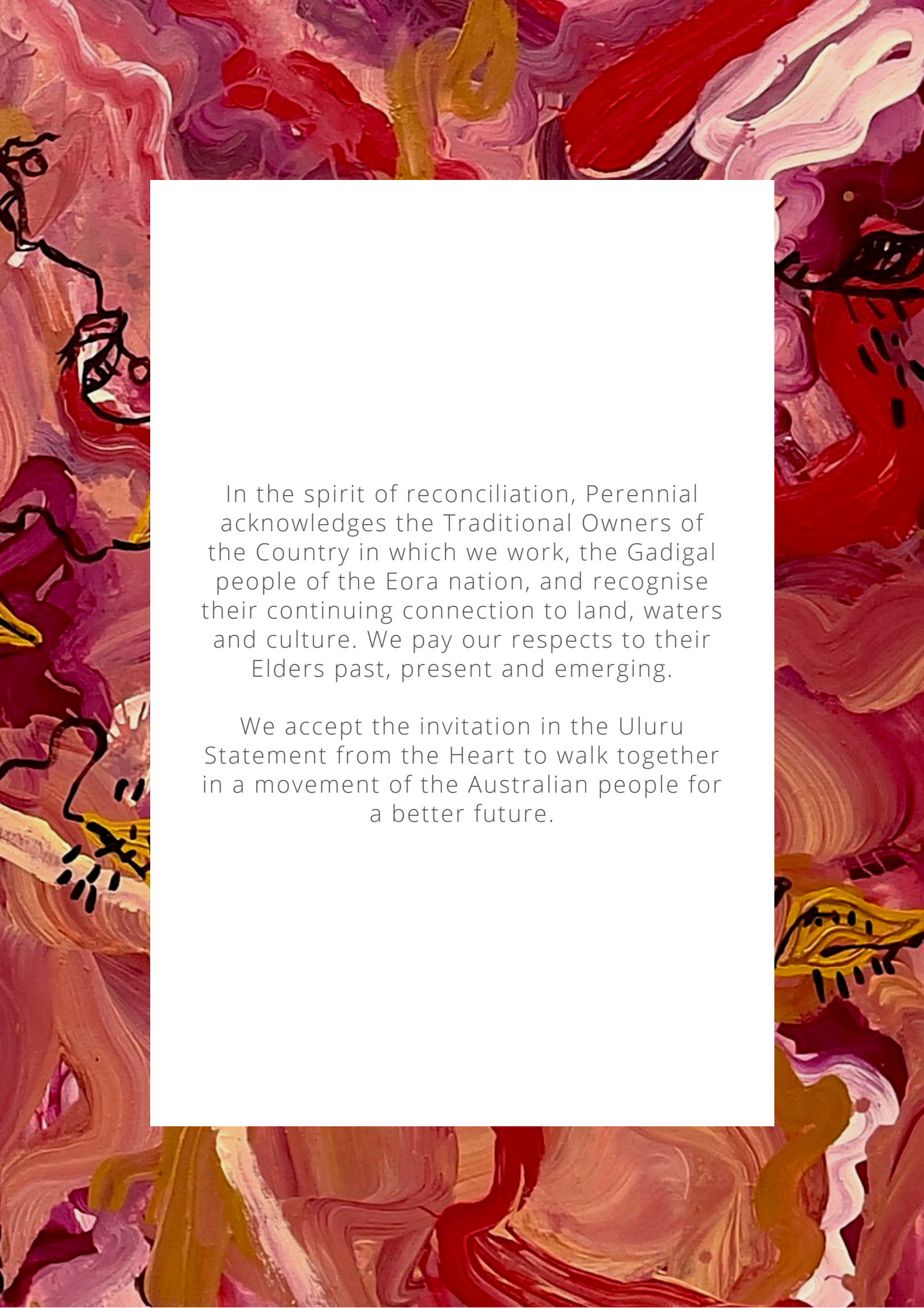


2022  
Perennial  
Better Future  
Impact  
Statement

RELEASED MARCH 2023





In the spirit of reconciliation, Perennial acknowledges the Traditional Owners of the Country in which we work, the Gadigal people of the Eora nation, and recognise their continuing connection to land, waters and culture. We pay our respects to their Elders past, present and emerging.

We accept the invitation in the Uluru Statement from the Heart to walk together in a movement of the Australian people for a better future.

# CONTENTS

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# About the Better Future Strategy

The Perennial Better Future Strategy represents the next generation of authentic Environmental, Social and Governance (ESG) investing, with ~A\$250 million funds under management.<sup>1</sup> We seek to invest in companies making a positive contribution to society and the environment, while pursuing strong, consistent returns for investors. As at 31 December 2022, ~50% of the the stocks in the portfolio (ex. cash) was invested in "Better Future Enabler Investments" (as defined below).

We invest in companies that have a positive impact on the environment and society, with a focus on companies that derive the majority of their revenues from the below business operations - "Better Future Enabler Investments".



Healthcare or health outcomes; or



Education services or outcomes (including childcare); or



Renewable energy, improving energy efficiency or seeking to reduce greenhouse gas (GHG) emissions; or



Improving efficiency of resources; or



Water treatment or remediation; or



Environmental services or otherwise focussed on environmental outcomes; or



Improving social welfare outcomes.

<sup>1</sup> As at 31 December 2022. Includes the Perennial Better Future Trust, eInvest Better Future Fund, HUB24 Perennial Smaller Companies Responsible Portfolio and an institutional mandate.

The Better Future Strategy is available through the following products:

The Perennial Better Future Trust is available direct or through platforms: Netwealth, Hub24, BT Panorama, AMP North, WealthO2, Macquarie Wrap, CFS Future Wrap. Active ETF quoted on the ASX: The eInvest Better Future Fund (managed fund) (ASX: IMPQ)



## The Perennial Better Future Team

Left to right: George Whiting, Head of Institutional and Retail Business Development – Perennial Better Future, Emilie O'Neill, Co-Head of ESG & Equities Analyst, Damian Cottier, Portfolio Manager, and Madeleine Huynh, ESG Analyst & Assistant Equities Analyst.

Disclaimer: The Zenith Fund Awards were issued on 14 October 2022 by Zenith Investment Partners (ABN 27 130 132 672, AFSL 226872) and are determined using proprietary methodologies. The Fund Awards are solely statements of opinion and do not represent recommendations to purchase, hold or sell any securities or make any other investment decisions. To the extent that the Fund Awards constitutes advice, it is General Advice for Wholesale clients only without taking into consideration the objectives, financial situation or needs of any specific person, including target markets where applicable. Investors should seek their own independent financial advice before making any investment decision and should consider the appropriateness of any advice. Investors should obtain a copy of and consider any relevant PDS or offer document before making any investment decisions. Past performance is not an indication of future performance. Fund Awards are current for 12 months from the date awarded and are subject to change at any time. Fund Awards for previous years are referenced for historical purposes only.





We also employ a negative screen with a zero-revenue threshold. We do not invest in companies that to our knowledge receive any revenue from\*:



The manufacture, distribution or sale of tobacco or alcohol products, including electronic nicotine delivery systems

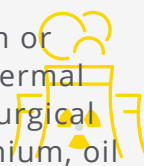
Operations or transportation associated with the live exportation of animals offshore



The manufacture, distribution, or sale of weapons or armaments



Extraction or sale of thermal or metallurgical coal, uranium, oil or gas (other than recycled oil)



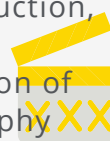
The manufacture or distribution of toxic pesticides



Gambling or betting operations



The production, sale or distribution of pornography



Old-growth forest logging



## Better Future Themes

We invest in companies that have a positive impact on the environment and society - "Better Future Enabler Investments".

### Healthcare & Health Outcomes

Our investments in the healthcare sector help to drive improved patient health outcomes, through traditional health and wellbeing services, in addition to innovative emerging healthcare technologies.



### Improving Educational Outcomes

Our investments in the education sector help to improve educational outcomes and students' access to educational opportunities. Investments include learning & assessment platforms and childcare infrastructure.



G8 Education<sup>ltd</sup>

\*see Perennial Better Future PDS available at [www.perennial.net.au](http://www.perennial.net.au) for full list of exclusions

## Renewable Energy, Energy Efficiency and GHG reduction

Our investments in this category are contributing to a net zero environment including renewable energy providers, companies improving energy efficiency and those reducing GHG emissions.



## Social Welfare

Our investments in this category are focused on improving social welfare, for example, by providing disability employment services and manufacturing worker safety products.



## Resource Efficiency

Our investments in this category are focused on improving the efficiency of resources aim to ensure the Earth's finite resources are used in a sustainable manner, promoting responsible consumption and production.



## Water treatment

Our investments in this category are focused on helping to improve access to and the quality of water globally. For example, Calix's ACTI-Mag magnesium hydroxide is an innovative solution for wastewater treatment.

## Environmental Services

Our investments in this category seek to drive improved environmental outcomes. These companies undertake a range of operations, including biotech and sustainable processing.

# Better Future Impact Highlights



**83.1%** less carbon intensive

(based on Scope 1 and 2 CO2 emissions)

**compared to ASX Small Ordinaries benchmark** and 84.9% less carbon intensive than the ASX300 <sup>2 3</sup>

**~13.6K GWH** of renewable energy generated

which is ~1.9m homes powered for a year <sup>4 5</sup>

the net **SDG contribution** of the portfolio is more than the ASX Small Ordinaries benchmark <sup>6</sup> **19.5%**

**66 dedicated ESG engagements** with management and boards about material ESG risks and opportunities **across 37 portfolio companies**



**17 female Directors** appointed to the board **across 16 portfolio companies** during 2022, typically following our engagement with the company <sup>7</sup>

**17%** of portfolio companies with a female chair, compared to 12% in the ASX Small Ordinaries benchmark <sup>8</sup>

<sup>2</sup> Carbon intensity (tCO2e per \$ revenue) of Perennial Better Future Investments compared to ASX Small Ordinaries benchmark. Holdings as at 31 December 2022.

<sup>3</sup> Carbon intensity (tCO2e per \$ revenue) of Perennial Better Future Investments compared to ASX 300. Holdings as at 31 December 2022.

<sup>4</sup> MEZ company disclosures

<sup>5</sup> Conversion of 0.0072 GWh to power 1 home, Climate Council Australia.

<sup>6</sup> Data provided by Sustainable Platform. Holdings and ASX Small Ordinaries benchmark as at 31 December 2022.

<sup>7</sup> TLX, SPK, SDF, IMM, BEN, PXA, COH, IPH, JAN, A4N, GSS, FPH, IEL, IPD, MX1, LME

<sup>8</sup> SPK, IDX, BEN, EQT, LME, PDL, COH, APM



# Better Future Enablers

We highlight how some of our Better Future Enabler Investments are shaping a better future:

## Better Future Enabler Investment & Key SDG Contribution

## Company Overview & 2022 Highlights



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



Source: Company Annual Reports

**Calix (ASX: CXL)** has several businesses focused on improving sustainability outcomes globally. These include a "LEILAC" technology to separate carbon dioxide from the cement production process to be used or stored. In FY22, CXL announced the use of its technology to produce zero emissions iron and steel. CXL's Zero Emissions Steel Technology ("ZESTY") has the potential to drive electrification and hydrogen reduction in the processing of iron ore, providing new pathways to green steel.

### Highlights in 2022:

- Signed first-of-a-kind global licence agreement with Heidelberg Materials for LEILAC
- ZESTY awarded \$947,000 ARENA grant to help fund BOD and FEED study for renewably powered 30,000 tpa demonstration plant
- Joint Venture executed with Pilbara Minerals, supported by \$20M Modern Manufacturing Initiative (MMI) grant, aiming to develop a novel mid-stream lithium processing to produce low carbon, low waste, and high value concentrated lithium salt
- Announced LEILAC partnership with CEMEX for 3 projects working towards the decarbonisation of the construction value chain
- Announced LEILAC partnership with Adbri to produce sustainable fuels at an Adbri lime plant, with funding from the HyGATE Initiative
- Approved low toxicity fertiliser that assists crop protection
- ~250bn litres of water and wastewater treated in FY22

**The demand for CXL's technologies are driven by strong decarbonisation tailwinds.**

### Government policy

**~90%**

of global GDP now under net zero commitments.<sup>1</sup>

### Investor activity

**US\$42tn**

assets of signatories to the '2022 Global Investor Statement to Governments on the Climate Crisis'.<sup>2</sup>

### Net zero spending

**US\$275tn**

Estimated spend required by 2050 to fund the global energy transition.<sup>3</sup>

1. <https://zerotracker.net/>  
 2. 2022 Global Investor Statement to Governments on the Climate Crisis, The Investor Agenda  
 3. The net-zero transition: What it would cost, what it could bring. McKinsey Sustainability.




**Janison's (ASX: JAN)** online learning and assessment platform is used by organisations globally to deliver exams. This is more efficient than traditional "pen and paper" exams and the platform can be used to improve educational outcomes.




**APM Human Services (ASX: APM)** is a global human services provider that helps the unemployed and people with injury, illness or disability to find employment, improve their health and wellbeing, and participate in their community.

#### Highlights in 2022:

- Over 185,000 people with a disability supported
- Over 110,000 people with mental health needs supported
- Over 25,000 defence personnel and veterans supported




**Limeade (ASX: LME)** has developed a software platform that promotes employee well-being and measures employee satisfaction and engagement.



Alpha HPA



**Alpha HPA (ASX: A4N)** has developed a process to produce sustainable ultra-high purity alumina products. The company's technology is expected to reduce greenhouse gas emissions by up to 60% versus traditional processes.



**Pacific Edge (ASX: PEB/NZX: PEB)** has developed a test that can detect bladder cancer without requiring a surgical procedure.



**Meridian (ASX: MEZ/NZX: MEL)** is NZ's largest renewable electricity provider, generating 100% renewable energy, primarily hydro energy with some solar energy and wind projects in development.

#### Highlights in 2022:

- Refreshed Climate Action Plan which includes a roadmap to halve operational emissions by 2030
- 61 EV chargers installed through MEZ's "Zero EV charging" program
- Released Biodiversity & Deforestation commitment statement
- Progressing to the development stage of the Southern Green Hydrogen (SGH) project in NZ, in partnership with Woodside Energy
- Announced Ruakākā Battery Energy Storage System (BESS) project, which will construct NZ's first large-scale grid battery storage system

**CleanSpace®**  
RESPIRATORS



**CleanSpace (ASX: CSX)** designs, manufactures and sells Powered Air Purifying Respirators. CleanSpace products are used to protect the respiratory health of workers in both industrial and healthcare settings.

**MICRO-X**



**Micro-X (ASX: MX1)** is using its patented carbon nanotube technology to produce a portable X-ray machine that is lighter and smaller than traditional X-ray devices. The technology is approved in 40 countries for healthcare and other commercial use, including brain CT scanning to detect strokes.

**immutep**  
LAG-3 IMMUNOTHERAPY



**Immutep (ASX: IMM)** is developing immunotherapies for the treatment of cancer and autoimmune diseases. Its lead product is designed to improve the effectiveness of existing cancer treatments. In 2022, Immutep was granted FDA approval for Fast Track designation of its "Efti" product. Efti activates the immune system to work in combination with existing cancer treatments to improve patient outcomes.





**Genetic Signatures (ASX: GSS)** is a molecular diagnostics company that uses its 3 base technology to rapidly detect a wide array of infectious diseases, including COVID-19.



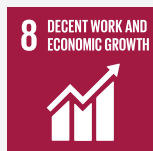
**Opthea (ASX: OPT)** is developing a novel therapeutic drug to improve the vision of wet age-related macular degeneration (AMD) and diabetic macular edema (DME) patients.



**3P Learning (ASX: 3PL)** is a provider of educational software and eBooks to schools and parents of school-aged students globally.

#### Highlights in 2022:

- Used by over 5.5 million students across over 17,000 schools, with approximately 218 million lessons undertaken
- Supporter of the Click Foundation in South Africa to provide free or subsidised licences to support over 300,000 students in under-privileged schools



**4D Medical (ASX: 4DX)** has developed four-dimensional lung imaging technology that provides unprecedented detail for diagnosing and monitoring respiratory conditions.



**Telix (ASX: TLX)** has developed a procedure for imaging prostate cancer that is more effective than existing methods. It is focused on developing its technology to detect and treat prostate cancer and to image and treat other cancers.

# Environmental Highlights



The portfolio is **83.1% less carbon intensive** (based on Scope 1 and 2 CO2 emissions) compared to ASX Small Ordinaries benchmark and 84.9% less carbon intensive than the ASX300<sup>9</sup>



**13,600 GWh of renewable energy** generated which is ~1.9m homes powered for a year<sup>10</sup>



**17 portfolio companies** have a **net-zero or carbon-neutral emissions target**<sup>11</sup>



**21 portfolio companies** have a **dedicated sustainability or ESG report**<sup>12</sup>



**~A\$1.12bn in green financing initiatives** by portfolio companies<sup>13</sup>



**2 portfolio companies** have achieved **B Corp certification**<sup>14</sup>

<sup>9</sup> Carbon intensity (tCO2e per \$ revenue) of Perennial Better Future Investments compared to ASX Small Ordinaries benchmark. Holdings as at 31 December 2022.

<sup>10</sup> MEZ. As reported by Meridian Energy. Conversion of 0.0072 GWh to power 1 home, Climate Council Australia.

<sup>11</sup> AEF, BEN, BKL, CHC, CNU, COH, CQE, EQT, HLS, KMD, MEZ, NHF, PPT, PXA, SDF, SGM, SPK

<sup>12</sup> MEZ, SPK, IDX, SGM, CNU, BEN, NHF, AUB, KMD, ARF, SIQ, COH, CHC, IPH, NWL, CXL, IRE, PPT, PDL, AEF, HCW

<sup>13</sup> CHC A\$1bn sustainability-linked loan, SPK NZ\$100m sustainability-linked bond. For SPK, an exchange rate of 1 NZD = 0.93298 AUD has been used.

<sup>14</sup> AEF, KMD

# Social & Governance Highlights



**17 female Non-Executive Directors appointed** to the board in 2022 across **16 portfolio companies**<sup>15</sup>



**~A\$406m contributed to the community** by portfolio companies<sup>16</sup>



**7 portfolio companies** have a **Reconciliation Action Plan (RAP)**. Sims Metal Management and Charter Hall released initial Reflect RAPs in 2022<sup>17</sup>



**17% portfolio companies with a female chair**, compared to 12% in the ASX Small Ordinaries benchmark<sup>18</sup>



**~A\$810m in social financing initiatives** by portfolio companies<sup>19</sup>

**40:40**<sup>VISION</sup>

**6 portfolio companies** are signatories of the **40:40 Vision**<sup>20</sup>

<sup>15</sup> TLX, SPK, SDF, IMM, BEN, PXA, COH, IPH, JAN, A4N, GSS, FPH, IEL, IPD, MX1, LME

<sup>16</sup> Community donations and contributions by: AEF, AUB, BEN, CHC, CNU, EQT, IDX, IPH, IRE, KMD, LME, MEZ, PXA, SDF, SGM and SIQ. For companies reporting in NZD, an exchange rate of 1 NZD = 0.93298 AUD has been used.

<sup>17</sup> SGM, SIQ, CHC, COH, EQT, SDF, PPT

<sup>18</sup> SPK, IDX, BEN, EQT, LME, PDL, COH, APM

<sup>19</sup> APM A\$810m social loan

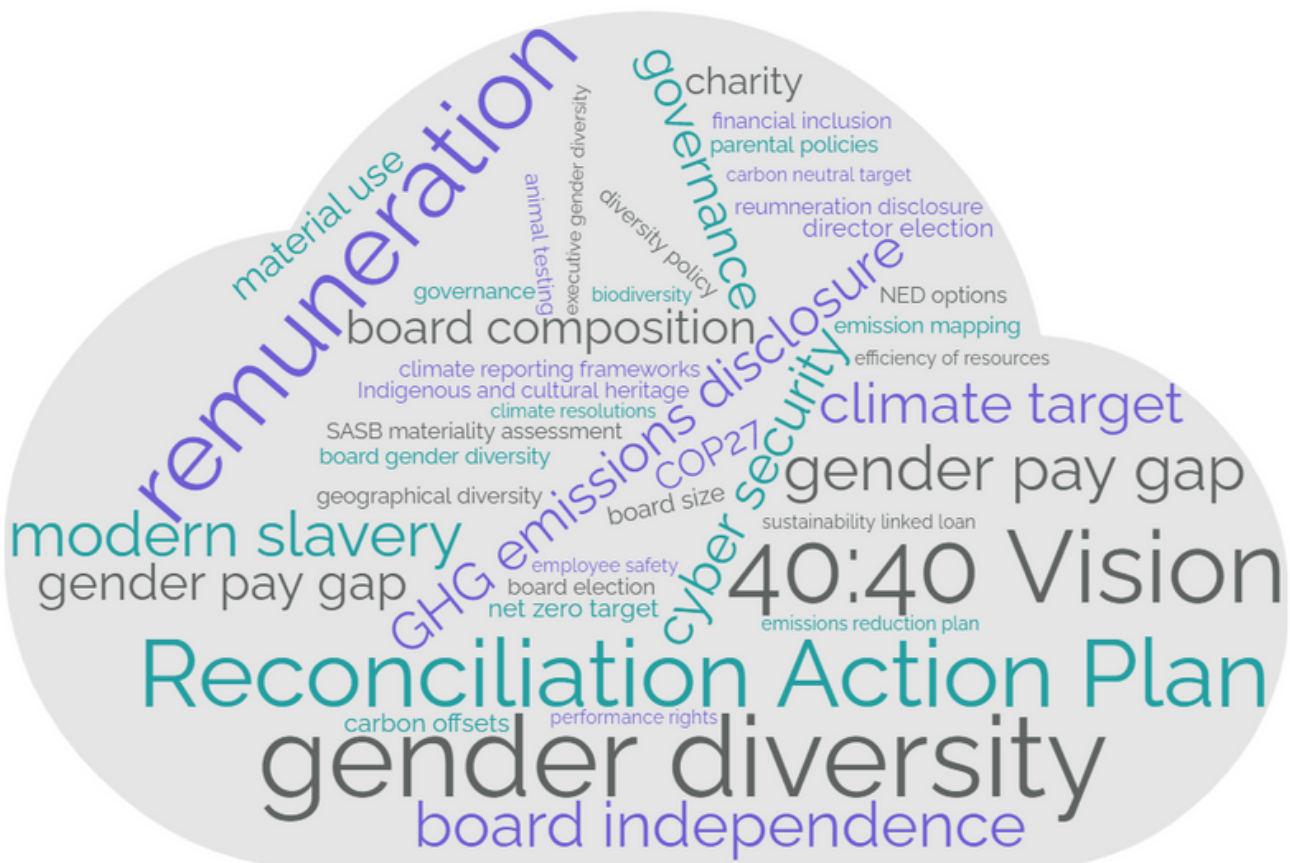
<sup>20</sup> BEN, IEL, IRE, PDL, SGM, SPK. Refer to p.17 for more detail on the 40:40 Vision.



# Engagement

The Better Future team regularly engages with portfolio companies on material ESG issues. Typically, we meet with portfolio companies several times a year to discuss a vast range of ESG issues. Pleasingly, we continue to notice an increasing willingness and proactive approach from corporates to discuss ESG issues and improve ESG practices. Please refer to our separate annual [ESG and Engagement Report](#) for further detail on our company engagements, including engagement outcomes.

## Keywords from 2022 ESG engagements\*



In 2022, the Better Future team approached portfolio companies to discuss material ESG issues in 66 dedicated ESG engagements across 37 Better Future portfolio companies.

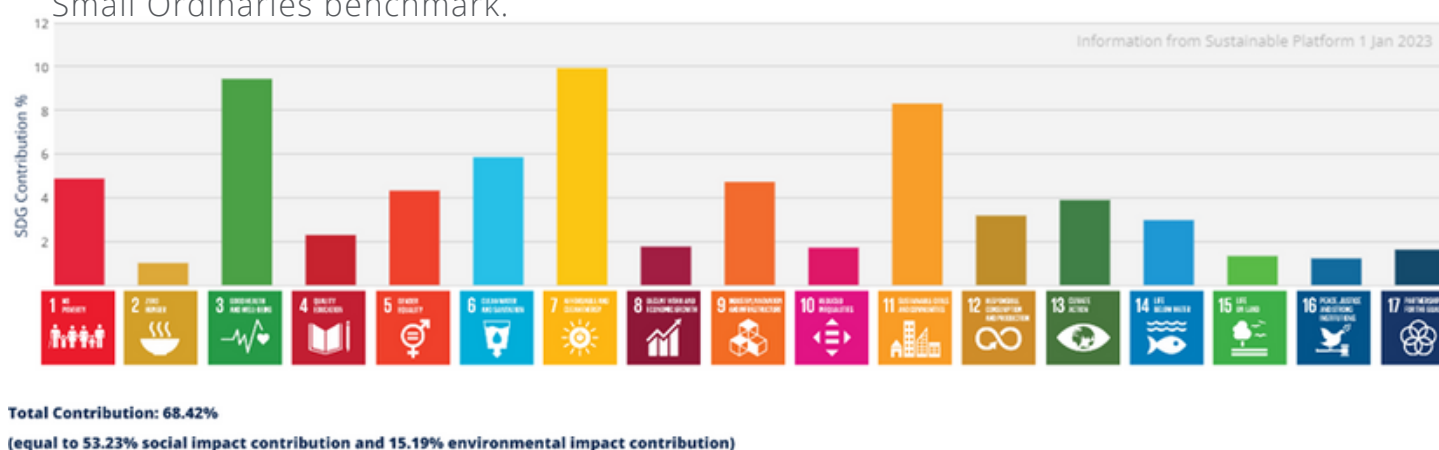
The key topics we discussed in 2022 included Gender Diversity, Greenhouse Gas (GHG) emissions disclosures & alignment with the Paris Agreement and cybersecurity. These topics were identified as the most material ESG issues for corporates in the [Perennial Better Future Survey](#) conducted in 2022.

\*includes ESG engagements across all Perennial funds

# Sustainable Development Goals

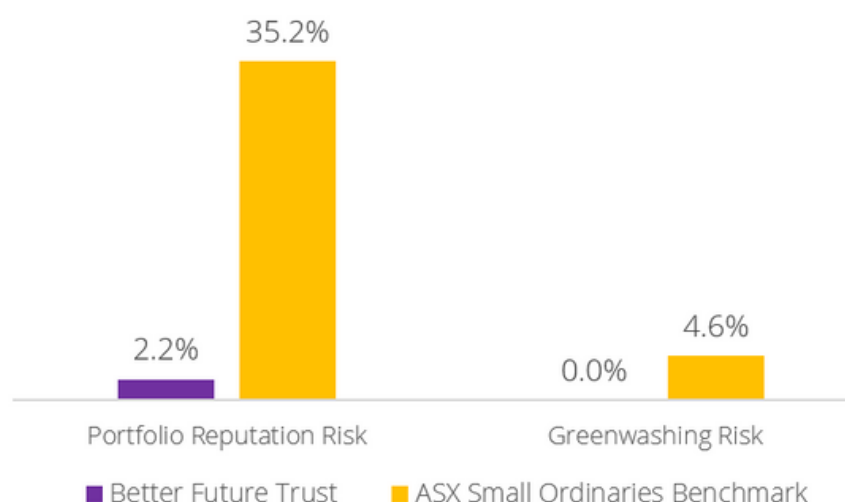
As outlined above, many companies held in the Better Future Strategy contribute positively to a range of SDGs, particularly the Better Future Enabler investments. In partnership with [Sustainable Platform](#), we have been able to determine SDG contributions for the Better Future portfolio, and individual portfolio companies.

According to the Sustainable Platform methodology, **68.4%** of the net revenue of the Better Future portfolio companies relates to SDGs compared to 47.8% of the ASX Small Ordinaries benchmark.



Note: Holdings as at 31 December 2022

Sustainable Platform also examined the Portfolio Reputation Risk and Greenwashing Risk of the Better Future portfolio, compared to the ASX Small Ordinaries benchmark. The Portfolio Reputation Risk and Greenwashing Risk of the Better Future portfolio were significantly lower than the ASX Small Ordinaries benchmark, per the below chart.



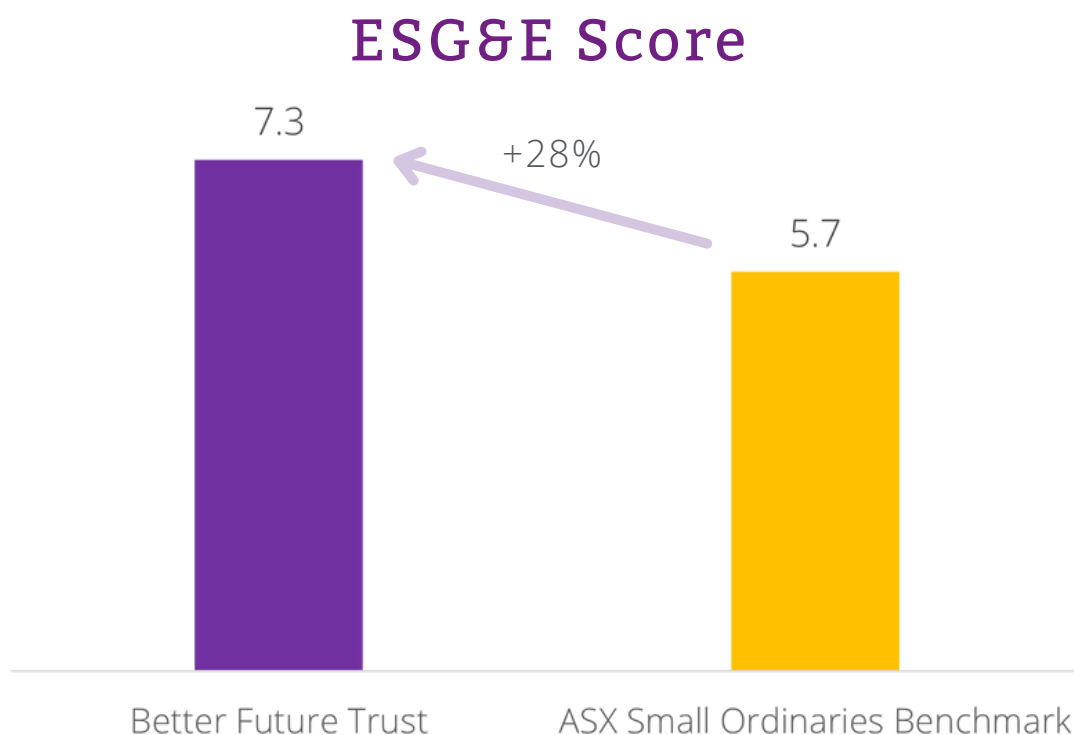
Note: Holdings as at 31 December 2022

# Perennial ESG&E Score

The ESG&E Score is a proprietary scoring system set up and run in-house by the Perennial Better Future team, with input from the sector analysts. Each company is given a score for Environment, Social and Governance performance, as well as a score for company Engagement.

Environment, Social and Governance are each weighted 20%, while Engagement has a 40% weighting. This provides a total score out of 10, which is then compared to the benchmark.

The Perennial Better Future Trust ESG&E score has consistently outperformed its benchmark (ASX Small Ordinaries benchmark ESG&E score) since the fund's inception and is currently 28% premium to the benchmark.



# 2022 Better Future Survey

In November 2022, we conducted our annual Perennial Better Survey. The Survey was sent to approximately 200 ASX-listed corporates and designed to take the "ESG pulse" of respondents. The responses came from a diverse range of industries and a cross-section of company sizes.

Findings from the survey allow us to determine our ESG engagement areas of focus for the upcoming year.

## Survey Highlights

### Sustainability Focus Areas

Even though ESG priorities have moved around from year to year, generally Greenhouse Gas (GHG) Emissions, Diversity, Governance and Modern Slavery are considered the most important to ASX-listed corporates. However, in 2022, Cybersecurity emerged as the most important theme.

ESG and sustainability is set to remain crucially important to corporates in the medium term. On a scale of 1 least important to 10 most important, on average, respondents indicated ESG and sustainability as a 7.7 out of 10 on a scale of importance in the next 5 - 10 years.

**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?**

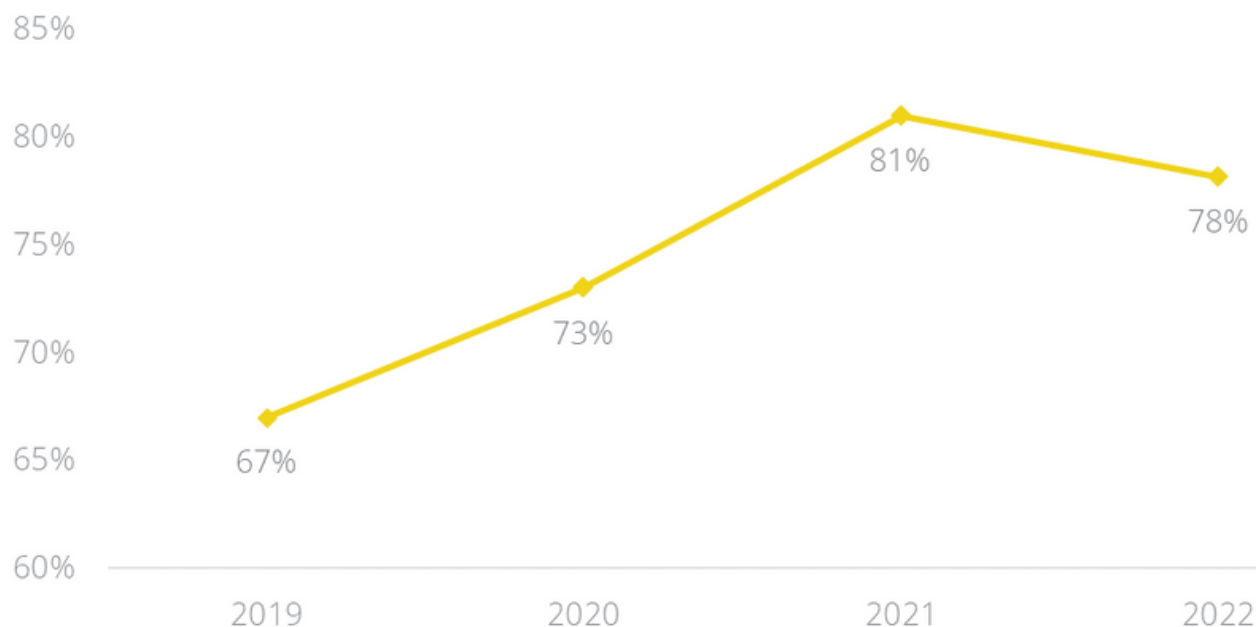
2019	2020	2021	2022
Diversity	GHG Emissions	GHG Emissions	Cybersecurity
Safety	Modern Slavery	Diversity	GHG Emissions
Governance	Safety	Modern Slavery	Diversity
	Governance	Cybersecurity	



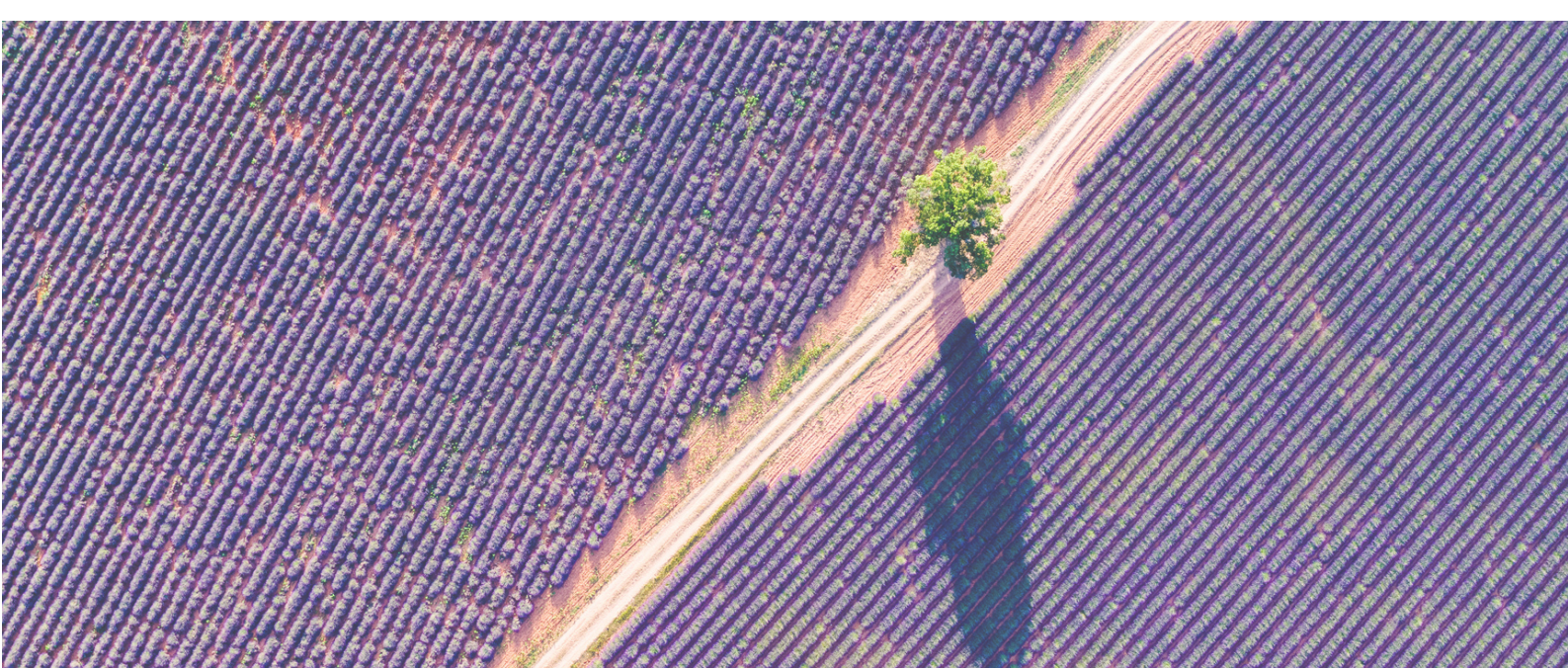
## Does your business strategy specifically reference ESG and sustainability? (% yes)

For a company to demonstrate meaningful ESG performance and change, we expect to see it integrated into the business strategy and have dedicated senior accountability (including at the board level). Focusing on ESG & Sustainability generally leads to improved performance, and investors play a critical role in driving positive change.<sup>21</sup>

78% of corporates in 2022 referenced ESG and sustainability in their business strategy, a similar proportion to 2021. However, there is still a larger company skew, with 82% of larger companies versus 74% of smaller companies referencing ESG and sustainability in their strategy.



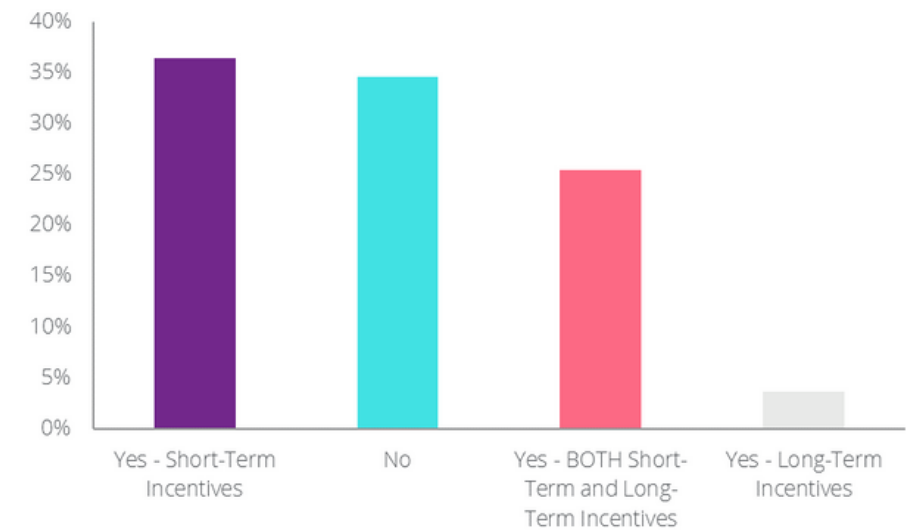
21 The RIAA Benchmark Report Australia 2022 notes that responsible investment products continue to outperform the overall market in the domestic equity category on all time frames. RIAA Responsible Investment Benchmark Report, Responsible Investment Association Australasia





Is Sustainability or ESG a specific KPI as part of executive remuneration?

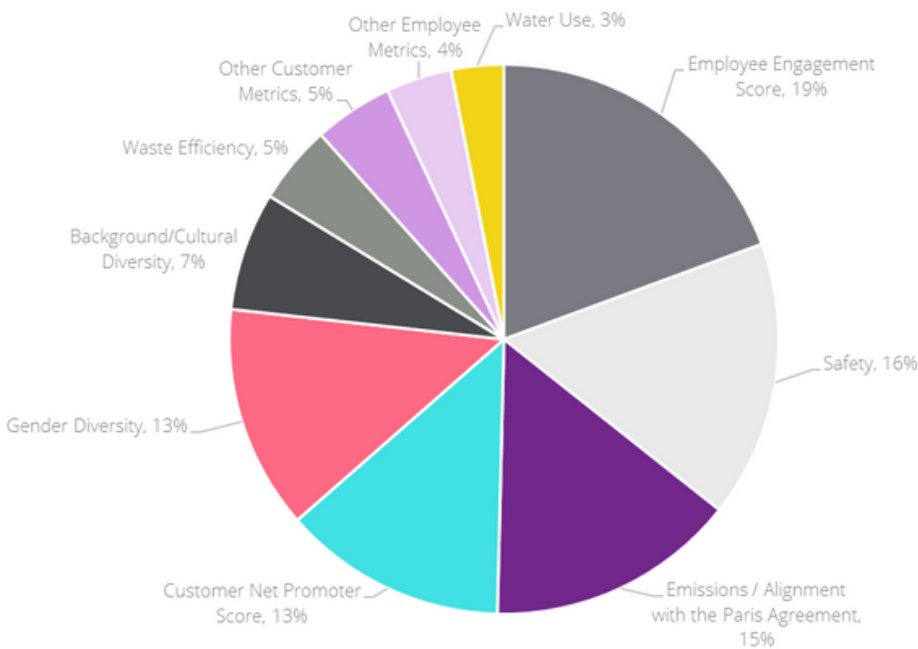
Tying ESG/Sustainability outcomes to remuneration is a key way to hold management to account for ESG performance.



Pleasingly, 65% of companies have ESG or sustainability as a specific KPI versus 45% in 2021, although long-term incentives as part of the remuneration policy continue to lag. There is a significant size effect in the data, with 48% of smaller companies indicating that they do not have remuneration associated with ESG as a KPI, compared with 21% of larger companies.

Interestingly, 69% of companies that have a dedicated ESG executive member had ESG or sustainability as a specific KPI as part of executive remuneration. This is also compared with 56% of companies that do not have a dedicated executive member.

If yes, what sustainability or ESG KPIs do you include as part of executive remuneration? Or if you intend to in the future, which metrics would you consider?



# Corporate Initiatives



## Climate Active Certification for FY22

Perennial is proud to share that it has been certified as operationally carbon neutral for the FY22 period by Climate Active.

Climate Active certification is an Australian government-backed standard and is awarded to businesses and organisations that have reached carbon neutrality. Although this year is our first of being certified by Climate Active, Perennial had first achieved carbon-neutral status for its FY21 operations in October 2021, through partnering with Path Zero.

Perennial has purchased Australian Carbon Credit Units (ACCUs) to offset its emissions profile for the FY22 period. The ACCUs are associated with the Byzantium Induced Regeneration of Native Forest Human-Induced Regeneration Project.

Based on current emissions calculation methodology and stable business outcomes, Perennial will target a 40% reduction in total emissions across the value chain (scopes 1, 2 and 3) by 2030, from a 2021 base year.

Read further detail about our emissions strategy in Perennial's Climate Active Public Disclosure statement [here](#).



## Responsible Investment Association Australasia (RIAA)

Perennial is a member of the Responsible Investment Association Australasia (RIAA). RIAA champions responsible investing and a sustainable financial system in Australia and New Zealand. In 2022, Perennial was recognised by RIAA as a Responsible Investment Leader for the third consecutive year and ranked among the top 10 Responsible Investment Leaders. The Perennial Better Future Trust is also certified as a Responsible Investment Product.

The Perennial Better Future Trust has been certified by the Responsible Investment Association Australasia according to the strict operational and disclosure practices required under the Responsible Investment Certification Program. See [www.responsibleinvestments.com.au](http://www.responsibleinvestments.com.au) for details. The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.

# Corporate Initiatives (cont.)



## Reflect Reconciliation Action Plan

Perennial is proud to have launched its first Reconciliation Action Plan in August 2022 – our Reflect RAP – the first stage of Reconciliation Australia’s RAP framework – and see this as a demonstration of our commitment and respect for the Traditional Owners of Australia.

The Perennial RAP Working Group is looking forward to achieving tangible progress against our deliverables. It is pleasing to see progress made by the RAP Working Group so far, for example, Perennial is currently engaging with an Indigenous education organisation to develop First Nations internship opportunities at Perennial.

Looking ahead, the Perennial team looks forward to engaging with companies on Reconciliation Action Plans, as well as what actions they are taking to support Indigenous employment, inclusion and procurement. We look forward to sharing our reconciliation journey with the broader community to grow awareness and support of the national reconciliation movement.



Artwork by Lisa Khan, 169-22AS, 300 x 120 cm acrylic on Belgian linen, 2022

## Corporate Initiatives (cont.)



### Tree Planting

In FY22, for the second consecutive year, in partnership with One Tree Planted, a tree was planted in Australia for every incremental direct client of Perennial as at 30 June 2022, including our investment boutique partner, Daintree Capital. This initiative contributed thousands of trees in bushfire-affected regions across Australia, to facilitate land restoration and protect biodiversity.

## Investment Initiatives



### 40:40 Vision

In 2022, Perennial joined the 40:40 Vision, an investor-led initiative working towards gender-balanced executive teams by 2030. The Vision seeks to bring transparency and accountability to companies' commitments to gender diversity in senior leadership and calls for at least 40% women in executive teams by 2030. 40:40 stands for 40% women, 40% men and 20% any gender.

We are pleased to have joined as the lead investor for 3 portfolio companies and are taking charge of conversations with these corporates on enhancing the representation of women in their executive teams. The Better Future team has appointed itself as the lead investor for Chorus (ASX/NZX: CNU), a Better Future portfolio company, and is engaging with the company on joining the Vision.

We believe the collective support of the ASX300 and investors is critical to achieving gender-balanced executive teams that will help strengthen corporate governance and performance for shareholders. We encourage other investors and ASX300 companies to join the pledge to achieve the 40:40:20 gender balance target in executive leadership by 2030, to bring about tangible, structural change.

# 2023 Areas of Focus

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## Cybersecurity

All companies are vulnerable to data breaches and should ensure they maintain robust cybersecurity policies and risk management plans accordingly. We also expect the current review of The Privacy Act 1988 to heighten cybersecurity regulation in Australia and lead to the adoption of measures like the European Union's General Data Protection Regulation (GDPR).

In 2022, we developed a cybersecurity risk and resilience measure to assess those companies in our portfolio that we believe are most at risk of a cyber-attack. We asked corporates a number of questions related to the nature of the information held, risk management practices, governance and preparedness. This allowed us to score companies based on two dimensions of risk and materiality.

In 2023, the Better Future team is engaging with portfolio companies to understand their approach to cybersecurity, particularly those within sectors most exposed to cyber risk. This includes the nature and sensitivity of the data held, how the company's cyber strategy is proactively overseen and the company's preparedness for a cybersecurity incident.

Notably, cybersecurity significantly moved up the priority list for corporates in our 2022 Better Future Survey available [here](#). We discuss cybersecurity in this article published by FS Sustainability [here](#).

## Reconciliation

The Perennial investment team has had engagement on cultural heritage issues and Indigenous rights protections with relevant companies in our investment universe. We believe Indigenous relations are extremely important for companies to ensure the empowerment of traditional owners and to maintain their social license to operate. Having launched Perennial's first Reflect Reconciliation Action Plan (RAP) in August 2022, demonstrating Perennial's commitment to Reconciliation as a corporate, looking ahead, the Perennial investment team will be encouraging RAP development amongst companies in our investment universe.

In the Perennial Better Future Survey 2022, 24% of companies indicated they had a RAP in place with a further 25% intending to launch their first rap in the next 12 – 18 months. 7 portfolio companies in the Perennial Better Future fund have developed a RAP.



# 2023 Areas of Focus (cont.)

## Executive Team Gender Diversity

The Perennial investment team regularly engages with portfolio companies on improving gender diversity, at both executive and board levels. As a signatory of the 40:40 Vision, in 2023, we look forward to continuing our engagement with companies on enhancing executive gender diversity, as well as representation of women in line-management roles. Line-management roles are roles that have profit and loss accountability, typically in the pipeline for executive positions.

## Climate Change

Typically, companies that are held in the Better Future strategies have a relatively low emissions footprint.

In line with our goal, as per the 2021 Better Future impact statement, we continue to target portfolio companies to report Scope 1 and 2 CO2 emissions by 2024 and put in place targets to align with the Paris Agreement by 2025. This target applies to any company that we have been holding for an extended period, to ensure we have been able to directly engage with the company.

### Notable progress by portfolio companies, typically following our engagement:



**G8 Education (ASX: GEM)** reported its Scope 1 and 2 emissions in the company's CY21 annual report released in February 2022. Additionally, the company advised that measuring Scope 3 emissions is an existing priority for the business and there is an intention to report these emissions once the more complex process has been completed.



**Steadfast (ASX: SDF)** released its Carbon Neutral Transition Plan in December 2022.

# Perennial Better Future

Awarded Best Responsible Investment Product (Growth) by Zenith



Perennial Better Future is pleased to have won the “Sustainable and Responsible Investments – Growth” category at the annual Zenith Fund Awards held in October 2022.

The annual awards recognise excellence in funds management across major asset classes and disciplines. Recognising excellence in funds management is crucial to lifting the standard of funds management in the industry for the ultimate benefit of investors. Zenith notes “It also encourages innovation, pushing the boundaries of investment thinking and attracts new talent to the industry.”

Zenith also considers quantitative aspects of funds’ longer-term returns to investors. This achievement provides recognition for the authentic ESG investing approach of the Perennial Better Future Strategy and the Better Future team’s belief that investors can shape a better future while pursuing strong and consistent returns.



## The Perennial Better Future Team

L to R: George Whiting, Head of Institutional and Retail Business Development – Perennial Better Future, Emilie O'Neill, Co-Head of ESG and Equities Analyst, Damian Cottier, Portfolio Manager, and Madeleine Huynh, ESG Analyst & Assistant Equities Analyst.

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# Talented teams, great opportunities.

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