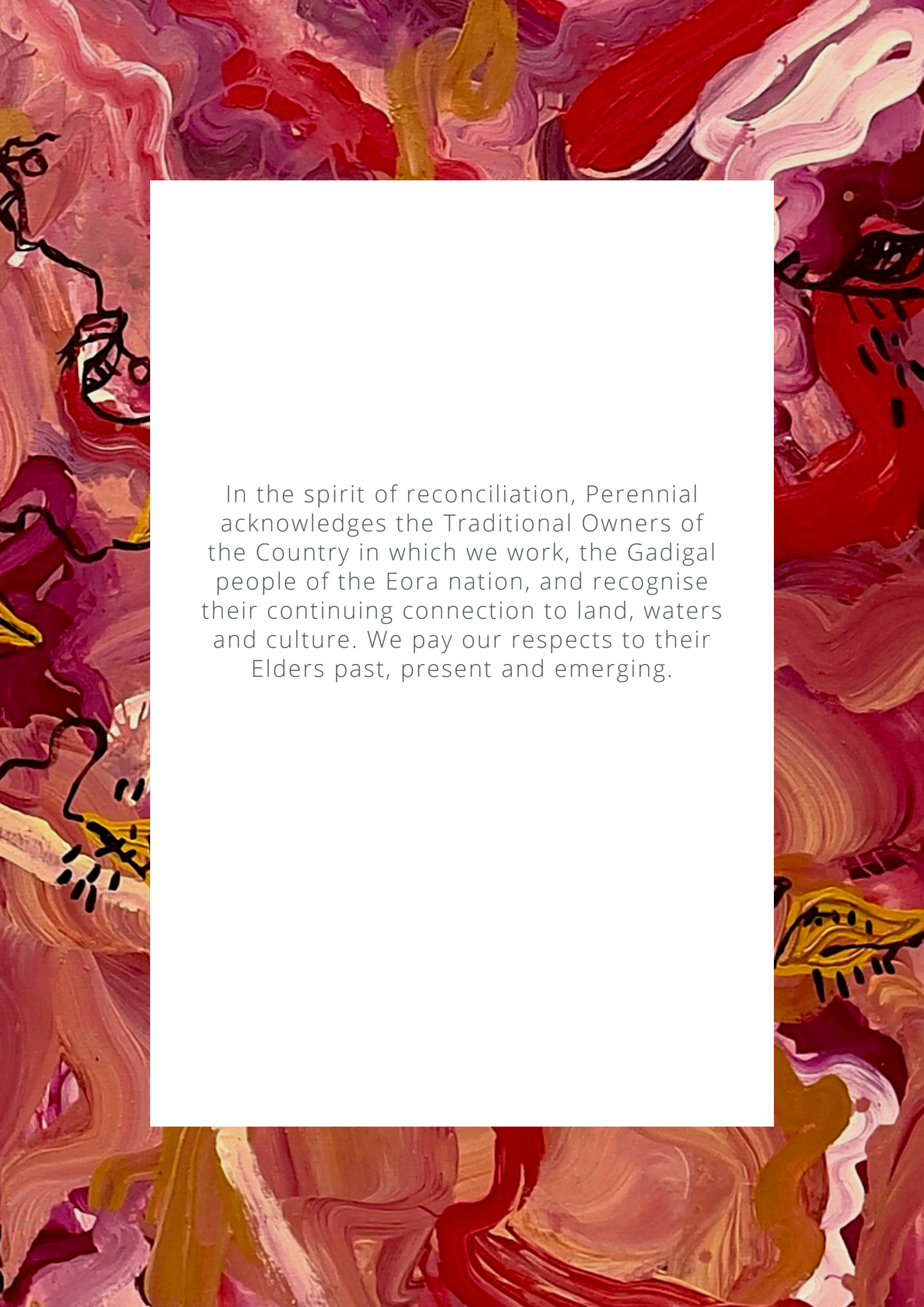


2023  
Perennial  
Better Future  
Impact  
Statement

RELEASED MARCH 2024

An abstract painting with a rich palette of reds, purples, pinks, and yellows. The brushstrokes are thick and expressive, creating a sense of movement and depth. Black outlines and shapes are scattered throughout, adding contrast and structure to the composition. The overall effect is one of vibrant energy and cultural complexity.

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.

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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. We seek to invest in companies making a positive contribution to society and the environment, while pursuing strong, consistent returns for investors.

We seek to 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".



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



Water treatment or remediation; or



Environmental services; or



Improve efficiency of resources; or



Nature-based technologies or solutions; or



Social welfare; or



Healthcare or health outcomes; or



Education services or outcomes (including childcare); or



Leasing of properties to organisations that provide healthcare, education, childcare or social housing purposes.



## 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.



CERTIFIED BY RIAA



<sup>1</sup> As at 31 December 2023. Includes the Perennial Better Future Trust, the Perennial Better Future Fund (Managed Fund) (ASX: IMPQ), and an institutional mandate. For the full inclusions, please read product PDS

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

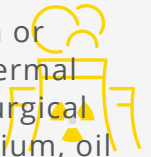
Operations or transportation associated with the live exportation of animals offshore



The manufacture, distribution, or sale of weapons or armaments



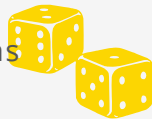
Extraction or sale of thermal or metallurgical coal, uranium, oil or gas (other than recycled oil)



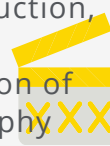
The manufacture or distribution of toxic pesticides



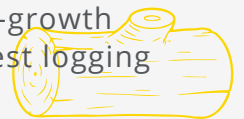
Gambling or betting operations



The production, sale or distribution of pornography



Old-growth forest logging

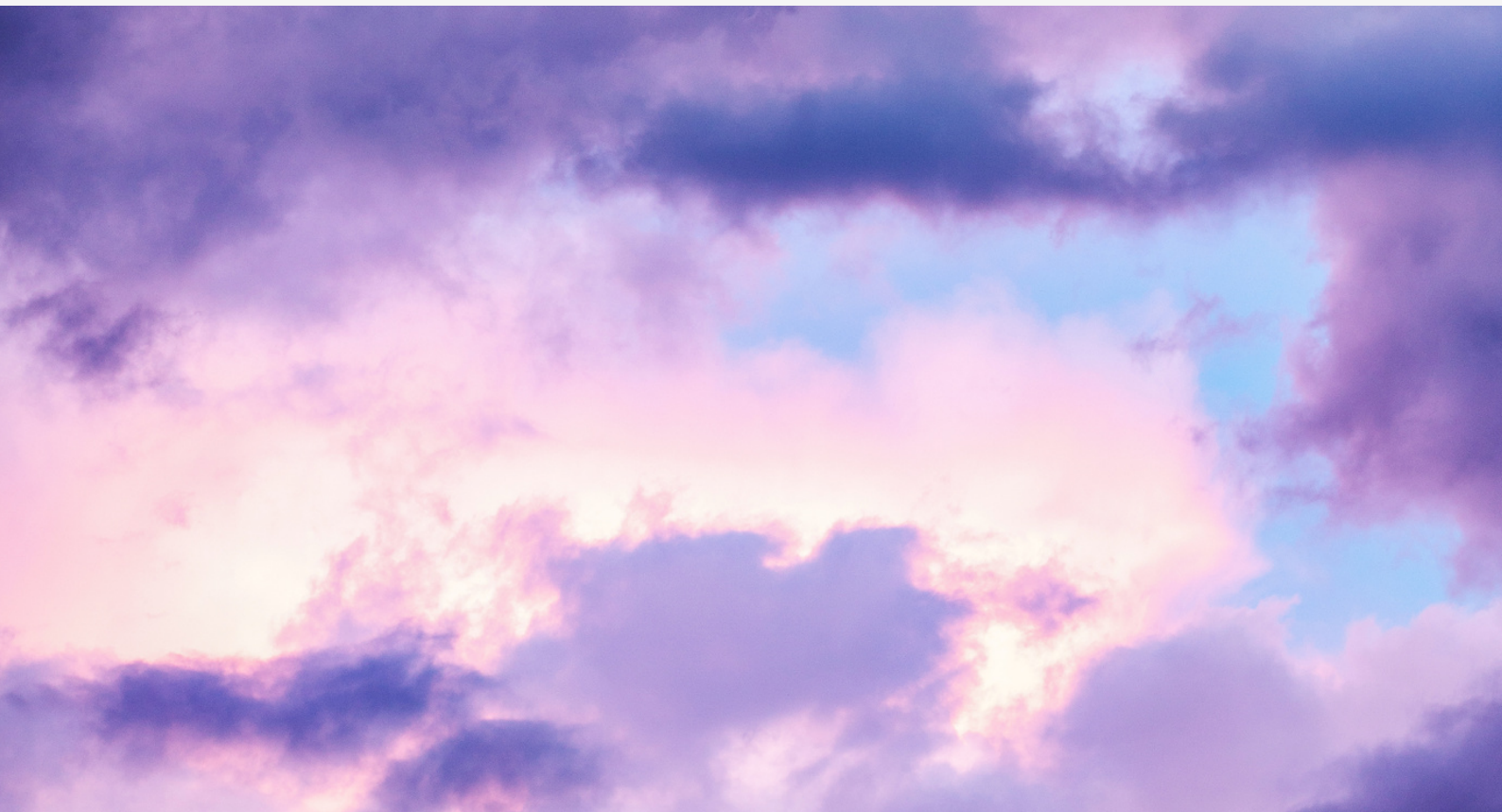


\*see Perennial Better Future PDS available at [www.perennial.net.au](http://www.perennial.net.au) for the full list of exclusions

**The Better Future Strategy is available through the following products:**

The Perennial Better Future Trust: Available direct or through platforms: Netwealth, Hub24, BT Panorama, AMP North, WealthO2, Macquarie Wrap, CFS Edge, Powerwrap, Praemium, Dash and Mason Stevens.

Active ETF quoted on the ASX: Perennial Better Future Fund (Managed Fund) (ASX: IMPQ)



# Better Future Portfolio Impact Highlights



The portfolio is **82.9% LESS carbon intensive** compared to the **ASX Small Ordinaries benchmark** and 84.2% less carbon intensive than the ASX300 (based on Scope 1 and 2 CO<sub>2</sub> emissions)<sup>2 3</sup>

**~13.9K GWH** of renewable energy generated

by portfolio companies, which is equivalent to ~1.9m homes powered for a year<sup>4 5</sup>

**31.0%** of portfolio companies have a **Reconciliation Action Plan**, up from 15% in 2022, compared to 20% of the ASX300 and 10% of the ASX Smalls Ords<sup>6</sup>

**109** dedicated **ESG engagements** with management and boards about material ESG risks and opportunities **across 44 portfolio companies**



**8** **female Directors** appointed to the board **across 7 portfolio companies** during 2023, typically following our engagement with the company, totalling 73 female Directors since the Trust's inception<sup>7</sup>

**18%** of portfolio companies with a **female chair**, compared to 12% in the ASX Small Ordinaries benchmark<sup>8</sup>

<sup>2</sup> Carbon intensity (tCO<sub>2</sub>e per \$ revenue) of Perennial Better Future Investments compared to ASX Small Ordinaries benchmark. Holdings as at 31 December 2023.

<sup>3</sup> Carbon intensity (tCO<sub>2</sub>e per \$ revenue) of Perennial Better Future Investments compared to ASX 300. Holdings as at 31 December 2023.

<sup>4</sup> MEZ company disclosures

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

<sup>6</sup> SGM, GEM, SDF, NHF, EQT, BEN, CHC, SIQ, PPT, CQE, APM, COH, MX1, IRE

<sup>7</sup> PPT, CXL, NHF, NAN, IDX, 4DX, CXL, A4N

<sup>8</sup> CXL, SPK, JAN, EQT, NXS, GEM, COH, APM

# Environmental Highlights



The **weighted carbon intensity (WACI) of the portfolio** is **82.9% less** than the ASX Small Ordinaries benchmark and **84.2% less** than the ASX300 (based on Scope 1 and 2 CO<sub>2</sub> emissions)<sup>9</sup>



**13,900 GWh of renewable energy** generated which is the equivalent to ~1.9m homes powered for a year<sup>10</sup>



**9 portfolio companies** have a **Science Based Target (SBTi)**, with 6 aligned to the Net-Zero Standard. In addition to companies with SBTi targets, 12 portfolio companies have either a carbon neutral or net zero target<sup>11</sup>



**26 portfolio companies** have a **dedicated sustainability or ESG report**, up from 21 portfolio companies in 2022<sup>12</sup>



**~A\$470m in green financing initiatives** by portfolio companies<sup>13</sup>

<sup>9</sup> Carbon intensity (tCO<sub>2</sub>e per \$ revenue) of Perennial Better Future Investments compared to ASX Small Ordinaries benchmark. Holdings as at 31 December 2023.

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

<sup>11</sup> MEZ, NHF, BEN, CNU, SPK, AEF, RMD, FPH, IRE

<sup>12</sup> MEZ, SDF, SGM, AUB, GEM, ARF, NHF, CXL, TLX, IDX, CHC, NWL, BEN, CNU, SPK, SIQ, AEF, IPH, KMD, RMD, PPT, NAN, HLS, COH, IRE, HUB

<sup>13</sup> KMD NZ\$310m sustainability-linked debt refinance, SPK extends NZ\$200m sustainability-linked loan. An exchange rate of 1 NZD = 0.92619 AUD has been used.

# Social & Governance Highlights



**8 female Non-Executive Directors** appointed to the board in 2023 across **7 portfolio companies**, typically following engagement on the importance of gender diversity on the board.<sup>15</sup> Since the Trust's inception, a total of 73 female Directors have been appointed to the portfolio company boards, typically following engagement

**32% representation of women** on portfolio company **management teams** and **39% representation of women** on portfolio company **boards**



**82% of Directors** on portfolio company boards are **independent**<sup>16</sup>



**31% of portfolio companies** have a **Reconciliation Action Plan (RAP)**, up from 15% of portfolio companies in 2022.<sup>17</sup> This compares to 20% of the ASX300 and 10% of the ASX Small Ords



**18% portfolio companies with a female chair**, compared to 12% in the ASX Small Ordinaries benchmark, a slight improvement from 17% in 2022<sup>18</sup>

**40:40** VISION

**5 portfolio companies** are signatories of the **40:40 Vision**<sup>19</sup>



**2 portfolio companies** have achieved **B Corp certification**<sup>20</sup>

<sup>15</sup> PPT, CXL, NHF, NAN, IDX, 4DX, A4N

<sup>16</sup> The majority of the balance is comprised of Managing Directors.

<sup>17</sup> SGM, GEM, SDF, NHF, EQT, BEN, CHC, SIQ, PPT, CQE, APM, COH, MX1, IRE

<sup>18</sup> CXL, SPK, JAN, EQT, NXS, GEM, COH, APM

<sup>19</sup> BEN, IEL, IRE, SGM, SPK. Refer to p.6 for more detail on the 40:40 Vision.

<sup>20</sup> AEF, KMD



# Investment Initiatives



## 40:40 Vision

Perennial has been an active member of the 40:40 Vision since 2022, 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 have been appointed the lead investor for several portfolio companies and have been taking charge of conversations with these corporates on enhancing the representation of women in their executive teams.

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.

## Perennial Diverse Boards Event

In March 2023, Perennial hosted its Inaugural Perennial Diverse Boards Speed Networking Event as a collaborative effort between Perennial Better Future, Perennial Private Investments and Perennial Smaller Companies boutiques. We connected 13 portfolio companies with 16 female Directors. We hope to continue to facilitate valuable connections with the goal of increasing gender diversity on boards.



In March 2024, Anne Anderson was appointed as a Non-Executive Director to the Board of Immutep, a pleasing outcome of the event where Anne was introduced to Company Secretary Deanne Miller.

In 2023, following the event, Dr. Tracey Dodd was also appointed as a Senior Advisor for the environmental contributions strategy of Good Pair Days, a Perennial Private Investments portfolio company.

# Corporate Initiatives



## Climate Active Certification for FY23

Perennial Partners has been certified as carbon neutral for its business operations for the FY23 period by Climate Active. The firm first achieved this government backed standard in FY22, and first achieved operational carbon-neutral status in FY21.

Perennial Partners is committed to reducing its carbon footprint and believes that achieving operational carbon neutrality will help to facilitate a better future and the transition towards a low-carbon economy.

Perennial Partners has purchased Australian Carbon Credit Units (ACCUs) to offset its emissions profile for the FY23 period. The ACCUs are associated with the Biodiverse Carbon Conversation Project in Western Australia. This project establishes permanent plantings of a mix of native tree species on land that was predominantly used for agricultural purposes for at least five years prior to project commencement. The tree species are native to the local area.

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 2023, Perennial was recognised by RIAA as a Responsible Investment Leader for the fourth consecutive year, highlighting our continued commitment to responsible investing. The Perennial Better Future Trust is also certified as a Responsible Investment Product, and in 2024, the Perennial Better Future Fund (Managed Fund) also received RIAA certification.



The Perennial Better Future Trust and the Perennial Better Future Fund (Managed Fund) have 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.responsiblereturns.com.au](http://www.responsiblereturns.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.

## Learnings from our Reflect Reconciliation Action Plan

Perennial is proud to announce the successful completion of our Reflect RAP as of August 2023. Throughout the Reflect RAP period, our team established genuine foundations that we believe will support our ongoing and sustainable journey towards Reconciliation. We seek to launch our Innovate RAP by the end of 2024.

Through implementing the Reflect RAP, we have spent time reflecting on our Reconciliation journey and maturity, developing relationships with a broad range of Aboriginal and Torres Strait Islander stakeholders – from First Nations suppliers to education organisations, and deciding Perennial's vision for Reconciliation – in particular, how we can support Aboriginal and Torres Strait Islander peoples through our sphere of influence.

Some of the highlights from our Reflect RAP journey include engaging with portfolio companies on Reconciliation, providing staff with opportunities to attend NAIDOC week events, including hosting a documentary screening in the Perennial office and partnering with Aboriginal and Torres Strait Islander-owned procurement businesses.

We are pleased to have started work towards our Innovate RAP, the next stage in the Reconciliation journey. The goal of the Innovate RAP is for organisations to deepen their understanding of their sphere of influence and determine the best approach to advance reconciliation over a 24-month period.

We look forward to continuing our Reconciliation journey and sharing our progress.



For National Reconciliation Week 2023, the Perennial Reconciliation Action Plan working group organised a staff visit to the Yiribana Gallery at the Art Gallery of NSW.

The team enjoyed exploring the depth and dynamism of art practice across Indigenous Australia, in addition to learning about our shared history and cultures.

## Tree Planting

In FY23, for the third 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 2023, including our investment boutique partner, Daintree Capital. This initiative will contribute to the revegetation of Marna Banggara, South Australia in Point Pearce, Yorke Peninsula. The site is located on an Indigenous Protected Area (IPA) and managed by Traditional owners of the land, the Narungga people.



## Better Future Enabler Themes

Our Better Future Enabler Investments are companies that have a positive impact on the environment and society, with business operations primarily focused on the below themes:

### 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.

### Social Welfare

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.

### 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 greenhouse gas emissions.

### Resource Efficiency

Our investments in this category are focused on improving the efficiency of resources, aiming 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.

# Better Future Enablers

We provide a company overview of our Better Future Enabler investments, including recent company highlights, as well as how their business operations help to contribute to a better future.



3P Learning is a provider of educational software and eBooks to schools and parents of school-aged students globally. In 2023, 3P Learning released the Writing Legends online platform to teach writing skills to primary school students to supplement existing products Mathletics, Math Seeds and Reading Eggs.



4D Medical has developed software that when used with traditional X-ray or CT scanning provides more sophisticated data on lung function that enables physicians to understand regional airflow in the lungs and identify respiratory deficiencies earlier and with greater sensitivity. Further detail on progress during the year is included in the Better Future Highlights section below.



Alpha HPA

Alpha HPA 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 70% versus traditional processes. Further detail on progress during the year is included in the Better Future Highlights section below.



APM Human Services 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. In 2023, APM supported over 270,000 people with a disability, over 150,000 people with mental health needs and over 43,000 defence personnel and veterans.



Calix has several businesses focused on improving sustainability outcomes globally. These include its "LEILAC" technology to separate carbon dioxide from the cement production process to be used or stored, as well as the Company's Zero Emissions Steel Technology ("ZESTY"). ZESTY has the potential to drive electrification and hydrogen reduction in the processing of iron ore, providing new pathways to green steel. Further detail on progress during the year is included in the Better Future Highlights section below.

**Charter Hall** 

**SOCIAL  
INFRASTRUCTURE  
REIT**

Charter Hall Social Infrastructure REIT is the largest Australian property trust investing in social infrastructure properties within Australia and New Zealand. It has property investments primarily in early learning but also has assets across transport, government and health.

**CleanSpace**<sup>®</sup>  
R E S P I R A T O R S

CleanSpace is a designer and manufacturer of respiratory protection equipment. The company's products help to minimise the risk of airborne contaminants for industrial and healthcare workers, including in relation to viruses and silicosis.

 **G8 Education**<sup>ltd</sup>

G8 Education is a provider of developmental and educational child care services, with a range of trusted brands and more than 430 centres across Australia. The company now has solar power installed in 45 centres, saving approximately ~\$330k in energy costs p.a. In 2023, the company also received approval for its Reflect RAP.

 **Genetic Signatures**  
Transforming Molecular Diagnostics

Genetic Signatures produces Detection Kits to identify viral pathogen targets including influenza and gastrointestinal parasites more quickly and efficiently than other methods. In 2023, Genetic Signatures submitted its EasyScreen Gastrointestinal Parasite Detection Kit to the FDA for sales clearance.

**immunetep**<sup>®</sup>  
LAG-3 IMMUNOTHERAPY

Immutep is developing immunotherapies for the treatment of cancer and autoimmune diseases. Its lead product "efti" is designed to improve the effectiveness of existing cancer treatments. "Efti" stimulates the immune system and when used in conjunction with other cancer therapies has been shown to improve patient outcomes. Further detail on progress during the year is included in the Better Future Highlights section below.

 **idp**

IDP Education is a provider of international education services and supports students globally through its key tertiary student placement and English language testing (IELTS) divisions.

The logo for ImpediMed, featuring the word "impedimed" in a lowercase, sans-serif font. The "i" and "m" are in a dark blue color, while the "e" and "d" are in a lighter blue color.

ImpediMed's bioimpedance spectroscopy (BIS) systems accurately and noninvasively aid in the early detection of lymphoedema in breast cancer and other cancer patients. In 2023, approximately 220,000 tests were conducted to measure lymphoedema risk in patients in Australia and the US. Further detail on progress during the year is included in the Better Future Highlights section below.

The logo for Janison, featuring the word "Janison." in a bold, green, sans-serif font.

Janison's 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. In 2023, Janison delivered ~3.4 million online exams to students. Further detail on progress during the year is included in the Better Future Highlights section below.

The logo for Meridian, featuring a stylized blue sunburst icon above the word "Meridian." in a bold, blue, sans-serif font.

Meridian is a leading NZ energy provider that only generates electricity from 100% renewable sources, with assets across wind and hydro. It is New Zealand's largest renewable generator. In 2023, Meridian generated 13,637 GWh of renewable energy.

The logo for Micro-X, featuring the word "MICRO-X" in a bold, sans-serif font. "MICRO" is in black and "X" is in green.

Micro-X is the producer of an ultra-lightweight, highly mobile medical x-ray machine, that delivers easier and simpler x-ray imaging for patients and faster workflow for radiographers. It enables bedside imaging which provides better and more effective care for patients and is only 95kg compared to traditional models at 350-600kg. This means that the device can, for example, be more easily manoeuvred through hospital corridors to a patient's bedside in a crowded ICU, and more easily and safely positioned by radiographers.

The logo for Neuren Pharmaceuticals, featuring the word "neuren" in a white, lowercase, sans-serif font inside a dark blue rounded rectangle, with the word "pharmaceuticals" in a smaller, lowercase, sans-serif font below it.

Neuren Pharmaceuticals is a biopharmaceutical company developing therapies for neurodevelopmental diseases including Rett Syndrome, Fragile-X syndrome, Phelan McDermid Syndrome and Pitt Hopkins Syndrome. As at December 2023, 900 Rett Syndrome patients in the US were taking Neuren's DAYBUE, the only FDA approved treatment for Rett Syndrome. Further detail on progress during the year is included in the Better Future Highlights section below.



Nib is a provider of health insurance in Australia and New Zealand. The Company provides health and medical insurance to over 1.7 million Australian and New Zealand residents, and over 180,000 international students and workers in Australia. nib Thrive, nib's NDIS business, is focused on supporting people with disability and long-term health needs to overcome their challenges.



Next Science's xPerience product improves patient outcomes by reducing the risk of infection during surgery compared to traditional infection-prevention methods.



Opthea is developing a therapeutic drug to improve the vision of wet age-related macular degeneration (AMD) and diabetic macular edema (DME) patients. Wet AMD is a progressive, chronic disease of the central retina and the leading cause of visual impairment in the elderly. Progressive vision loss associated with the disease contributes to significant healthcare and economic costs globally, and greatly impacts the ability to perform routine daily activities.



PolyNovo has developed the NovoSorb biodegradable polymer matrix that is being used by 861 hospitals globally to improve complex wound outcomes for patients. The product is available in 37 countries and has been used in over 37,000 patients. The product, in effect, organises a large wound into a series of small wounds that the body is more easily able to heal. NovoSorb is synthetic compared to existing competitive "biologic" products that are animal based and carry greater risk of infection. The product is typically used in patients with burns or complex wounds. Novosorb has been used recently in conflict zones to improve outcomes for patients impacted by the conflicts in Ukraine and the Middle East.



Sims is a global metal recycling company and providing circular solutions for technology. Recycling aluminium saves up to 90% of GHG emissions produced in the primary production process with up to 80% saved for copper. Using scrap metal as part of an electric-arc furnace can reduce emissions in steel production by approximately 50%.



Telix's prostate imaging product, Illucix, has been a game-changer for helping urologists detect and manage prostate cancer with approximately 90,000 scans conducted in the United States and Australia during 2023. Telix is also developing a prostate cancer therapeutic product and the Zircon renal cancer imaging product. Further detail on progress during the year is included in the Better Future Highlights section below.



# Better Future Highlights in 2023

We provide an overview of the Better Future Highlights from each month of 2023. Better Future Highlights are typically key milestones or positive updates from Better Future Enabler investments.

## January 2023 - Calix (ASX:CXL)

Calix announced that the Solar Methanol Project of which it is a consortium member was awarded approximately \$40m funding from the Australian Renewable Energy Agency and Germany's Federal Ministry of Education and Research to develop the production of sustainable fuels from captured carbon dioxide emissions. Part of the project involves Calix working with Adbri to make zero emissions lime with electrification and the capture of unavoidable carbon dioxide emissions as part of the production process using Calix technology. The green methanol produced by the Project will be developed into sustainable fuels for the maritime and aviation sectors, two of the hardest-to-abate transport sectors responsible for 4.3% of global carbon dioxide emissions. The funding from the German government for the project highlights the potential to use Australian renewable energy to assist with the decarbonisation of global industry with the demonstration plant to be constructed in Port Augusta, South Australia.

## February 2023 - Telix Pharmaceuticals (ASX:TLX)

The first time analysis of the primary and secondary endpoints of Telix's Phase III Zircon trial, that examined the utility of Telix's imaging product in detecting renal cancer, was delivered to the 2023 American Society of Clinical Oncology Genitourinary Cancers Symposium in San Francisco. The endpoints of the trial were met and exceeded, positioning the Zircon product to obtain US FDA approval early in 2024, with the product launch expected soon after this. Existing imaging cannot reliably distinguish between benign or malignant renal masses. Telix's Zircon product is designed to address this and help physicians manage renal cancer. The current method of determining whether a renal mass is malignant is to conduct an invasive biopsy on the patient.

## March 2023 - Impedimed (ASX:IPD)

Impedimed announced that the US National Comprehensive Cancer Network Clinical Practice Guidelines in Oncology were revised to recommend objective measurement and routine screening for lymphoedema assessment in cancer patients. Lymphoedema is a chronic and often significant swelling in a limb that can occur as a side effect of cancer treatment when lymph nodes have been removed or damaged. While the recommendation applies to all cancer patients, this condition is most common in breast cancer patients. The guidelines now specifically name bioimpedance spectroscopy ("BIS") as a screening tool for lymphoedema and Impedimed's SOZO platform is the only FDA-cleared BIS technology for the assessment of lymphoedema. This decision was unanimous by the committee that oversees the process. While this is a positive for the company, it is also a positive for cancer survivors who are at risk of suffering from lymphoedema as the SOZO technology is more likely to detect lymphoedema before the symptoms become significant than is currently the case.

## April 2023 - Janison Education (ASX:JAN)

Janison announced that it had successfully delivered the nationwide NAPLAN ("National Assessment Program - Literacy & Numeracy") assessment. The assessment was delivered fully online across 9,300 participating primary and high schools across Australia. Janison has developed the online assessment platform for NAPLAN over the last seven years in partnership with Education Services Australia and Microsoft. Janison's platform delivered 4.4 million tests for 1.3 million students over a week.

Janison also announced that it had been awarded a global agreement with Oxford University Press ("OUP") to develop and deliver a range of new and existing assessment products globally. OUP is the education publishing arm of Oxford University. The products will be rolled out from 2024 and include tests for years 6 and 9 globally and use the same core Janison technology that has delivered NAPLAN.

## May 2023 - Immutep (ASX:IMM)

Immutep made a number of interesting announcements in May 2023. Immutep's "efti" immunotherapy product stimulates the immune system and when used in conjunction with other cancer therapies has been shown to improve patient outcomes. The announcements during May included:

- The first patient commenced treatment in the Company's integrated Phase II/III trial in metastatic breast cancer
- Promising initial clinical data in a Phase I trial being undertaken in Germany using efti together with existing standard of care (including chemotherapy) for non-small cell lung cancer (NSCLC)
- Promising initial data in the Company's Phase II trial that suggested meaningfully improved long-term survival in NSCLC patients, particularly in patients that traditionally do not respond well to existing treatments. It was significant that this was achieved without using chemotherapy. The Company also announced that the US Food and Drug Administration ("FDA") was supportive of a Phase III trial to further evaluate the product in this indication
- A new Phase I study jointly funded with Merck Group headquartered in Germany to evaluate Immutep's efti product when used with existing treatments for metastatic urothelial bladder cancer
- Abstracts of new data to be presented at the American Society of Clinical Oncology (ASCO) from the Phase II trial evaluating efti in 2nd line head and neck cancer indicated a promising response rate, particularly in patients who typically do not respond to traditional treatments

## June 2023 - Alpha HPA (ASX:A4N)

In March 2023, Alpha HPA announced that it had reached an agreement with global industrial company Ebner Industrieofenbau to enable Alpha to produce synthetic sapphire glass which is a downstream product of the company's high-purity alumina ("HPA") production process. Sapphire glass is used in LED lighting, optics and consumer electronics. Ebner has developed an advanced sapphire glass production technology and selected Alpha as a partner after testing Alpha's products since mid-2022.

During June, Alpha HPA announced that following discussions with potential customers and renewable energy providers, the original agreement for up to 100 synthetic sapphire production units had been scaled up significantly, contemplating an additional 1,000 units. The agreement resulted in the production of value-added product in Australia at the company's Gladstone, Queensland production facility using Ebner's low-energy technology and Alpha's high-purity alumina.

## July 2023 - Neuren Pharmaceuticals (ASX:NEU)

During 2023 we added Neuren Pharmaceuticals to the portfolio. Earlier in the year the pharmaceutical DAYBUE, which Neuren developed, achieved US Food & Drug Administration ("FDA") approval for the treatment of Rett Syndrome ("Rett's") in adult and paediatric patients. This is the only treatment currently approved for Rett's. Rett's is a seriously debilitating neurodevelopment disease that occurs almost exclusively in females following apparently normal development for the first six months of life. Most patients require life-long medical care and DAYBUE has been shown to improve outcomes for patients. Neuren has granted a worldwide licence of the drug to NASDAQ listed Acadia Pharmaceuticals and will receive royalties for sales. Initial sales came in ahead of expectations, expected to generate significant cashflows for Neuren in the form of royalties, sales milestones and other amounts payable by Acadia.

## August 2023 - Calix (ASX:CXL)

Calix announced that the final investment decision ("FID") had been made for the construction and operation of a Mid-Stream Demonstration Plant ("Project") in a joint venture with Pilbara Minerals. The Project aims to demonstrate the benefits of producing a mid-stream lithium enriched product using Calix's electric kiln technology. Independent studies estimate that converting spodumene using electric calcination when using 100% renewable energy has the potential to reduce calcination emissions intensity by greater than 80% which materially reduces carbon emissions in one of the most energy intensive steps of the lithium battery materials production process. It is expected this will contribute up to 25% reduction in the carbon intensity of the total lithium hydroxide process.

Calix will contribute 21% of the \$104.9m cost of construction and will have a 45% holding in the Project.

This is a significant milestone for the application of Calix's technology to the lithium processing industry. The Project is expected to generate 3,000 tonnes per annum of lithium phosphate and generate meaningful cashflows when the Project commences production in early 2026, with the potential to licence the technology globally.

## September 2023 - Calix (ASX:CXL)

One of the more recent applications of Calix's technology is in relation to direct air capture ("DAC") of carbon dioxide.

Calix's technology is a key part of Heirloom Carbon's direct air capture technology. Heirloom is part of Project Cypress which was recently awarded up to US\$600m contribution towards the development of a DAC Hub in Louisiana, USA. In September 2023, Heirloom announced that it had signed a long term contract with Microsoft under which Microsoft will pay for carbon dioxide removal by DAC. Microsoft's Senior Director of Energy and Carbon said "Microsoft's agreement with Heirloom is another important step in helping build the market for high-quality carbon removal and supports our path to become carbon negative by 2030. As an investor in and customer of Heirloom, we believe that Heirloom's technical approach and plan are designed for rapid iteration to help drive down the cost of large-scale DAC at the urgent pace needed to meet the goals of the Paris Agreement."

## October 2023 - Immutep (ASX:IMM)

In October 2023, Immutep announced very positive data from the company's Phase II trial using the company's "efti" product in conjunction with Merck & Co's immunotherapy cancer treatment, Keytruda, in patients with non-small cell lung cancer ("NSCLC"). In the trial, patients who have cancers that are more likely to respond to immunotherapy experienced a median overall survival (mOS) of 35.5 months, which is significantly greater than previous trials using just Keytruda where the mOS was 16.4 months. It was also higher than in trials where Keytruda has been used in combination with chemotherapy (23.3 months). Importantly, the efti + Keytruda combination which does not involve chemotherapy had a better patient safety profile that resulted in around half the number of patients having to drop out of the treatment due to adverse side effects compared to trials where chemotherapy was involved. If confirmed in future trials, these results bode well for the company given the estimated US\$10bn market size for efti + Keytruda in NSCLC. Efti has also demonstrated promising results in trials for head and neck squamous cell carcinoma which is another significant market.

## November 2023 - 4D Medical (ASX:4DX)

4D Medical made a number of significant announcements during November 2023. The announcements included that the US Centers for Medicare and Medicaid Services (CMS) confirmed reimbursement for scans using 4D Medical's technology in outpatient settings. This is a significant development as it allows healthcare providers to be reimbursed for scans of US Medicare patients. Subsequent to this, the company announced that it has signed agreements with radiology practices in Detroit and Memphis to use the technology which are the first non-hospital clinics to adopt the product in the US.

Later in the month, the company announced that it had signed a memorandum of understanding with leading global healthcare company Philips for commercial expansion of the company's technology. The initial focus of the agreement is on the US Veterans Health Administration (VA) and a pilot to evaluate Veterans for deployment related "burn-pit" respiratory disease. This MOU will make it easier for the Company to deploy its products in the VA.

During the month, 4D Medical also announced that US FDA clearance had been extended to the CT-based version of the Company's ventilation reports in addition to the X-ray version of the reports.

## December 2023 - Neuren Pharmaceuticals (ASX:NEU)

In December 2023, Neuren Pharmaceuticals announced positive Phase 2 clinical trial results for the company's drug NNZ-2591 in Phelan-McDermid syndrome. Phelan-McDermid syndrome is a neurodevelopmental condition that has severe quality of life impacts for those living with it, as well as their families and carers. The most common characteristics include moderate to severe developmental and intellectual impairment and developmental delay, delayed or absent speech and mild to severe epilepsy. There are currently no approved treatments for the condition.

During the Phase 2 trial, significant improvements were consistently observed by clinicians and caregivers from treatment, across many of the core Phelan-McDermid characteristics including communication, cognition, learning, socialisation and behaviour.

Neuren already has a product approved by the FDA for the treatment of Rett syndrome and is developing NNZ-2591 to treat other neurodevelopmental disorders. The outcome of the Phase II trial bodes well for the further development of NNZ-2591 in both Phelan-McDermid syndrome and other neurodevelopmental conditions.

# 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 2023 ESG engagements\*



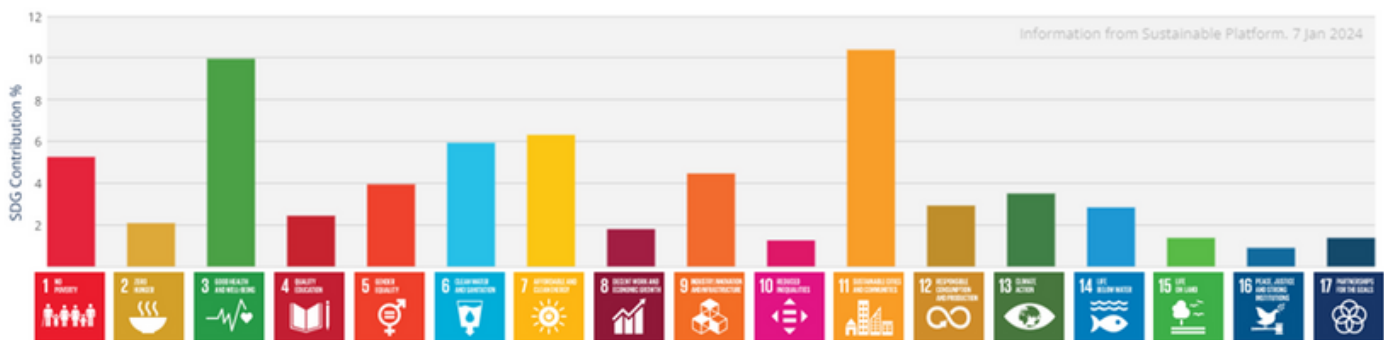
In 2023, the Better Future Team approached portfolio companies to discuss material ESG issues in **109 dedicated ESG engagements across 44 Better Future portfolio companies**.

The key topics we discussed in 2023 included Cyber Security, Gender Diversity, Greenhouse Gas (GHG) emissions disclosures & alignment with the Paris Agreement and Modern Slavery & Ethical Supply Chain. GHG Emissions and Cyber Security were identified as focus areas for corporates in the [Perennial Better Future Survey](#) conducted in 2023.

\*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. According to the Sustainable Platform methodology, 66.7% of the net revenue of the Better Future portfolio companies relates to SDGs compared to 49.7% of the ASX Small Ordinaries benchmark.



**Total Contribution: 66.68%**

**(equal to 53.33% social impact contribution and 13.35% environmental impact contribution)**

Note: Holdings as at 31 December 2023

## 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 as at 31 December 2023 was 7.4, a 30% premium to the ASX Small Ordinaries benchmark.



# 2023 Better Future Survey

In November 2023, we conducted our annual [Perennial Better Future 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

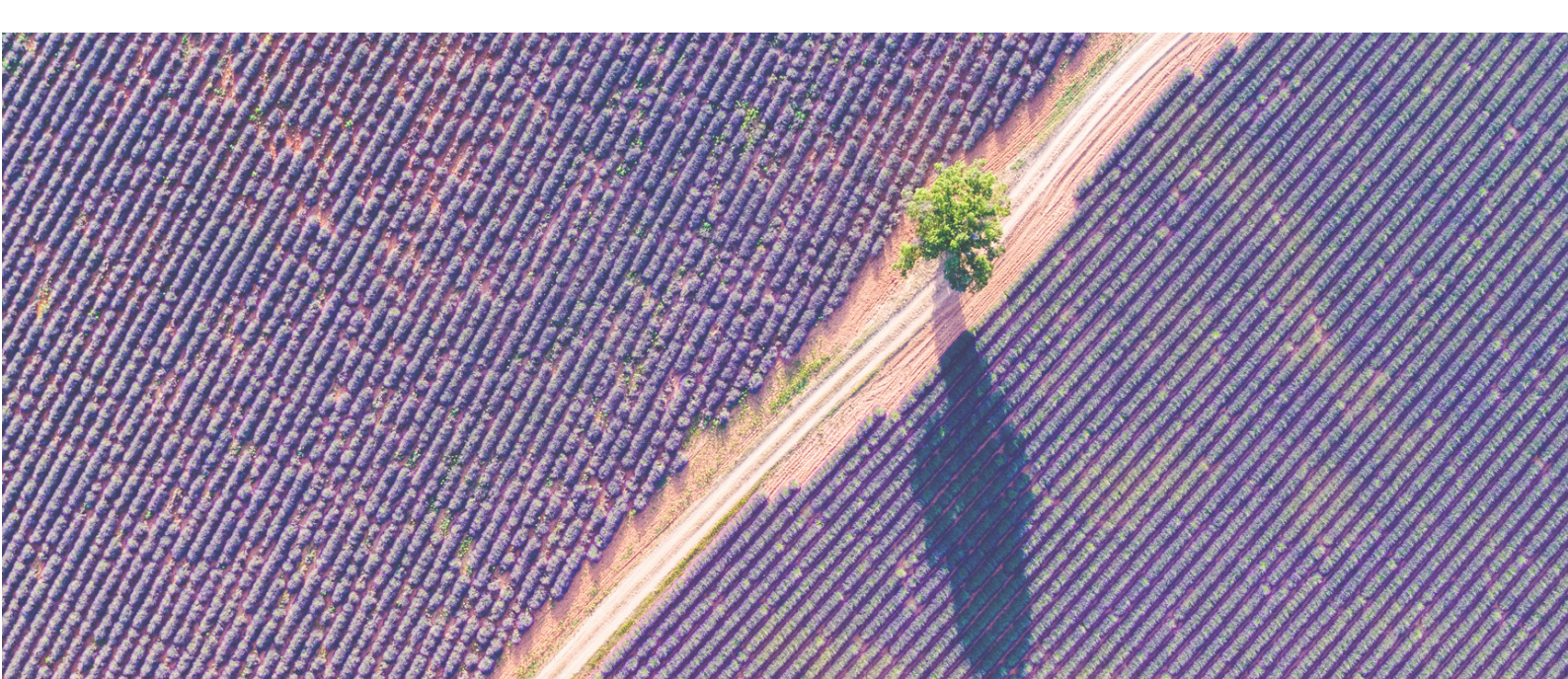
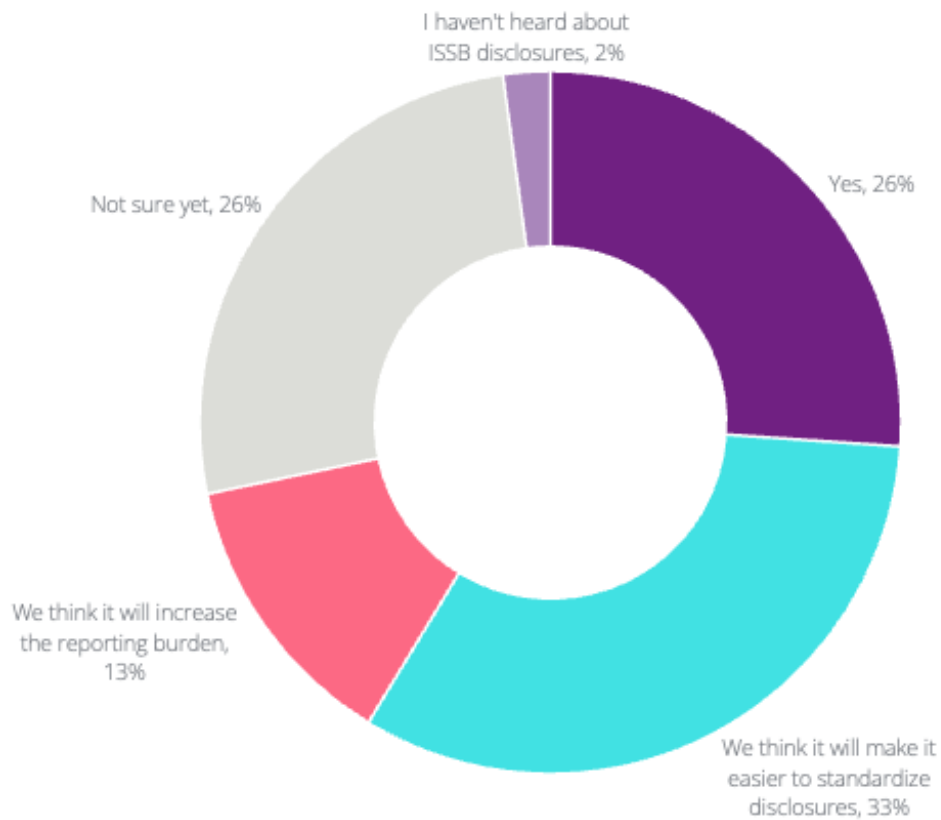
**What 3 areas of ESG are becoming more important or material to your business and will be of focus in the next 12 - 18 months?**

2019	2020	2021	2022	2023
Diversity	GHG Emissions	GHG Emissions	Cyber Security	GHG Emissions
Safety	Modern Slavery	Diversity	GHG Emissions	Cyber Security
Governance	Safety	Modern Slavery	Diversity	Diversity & Inclusion
	Governance	Cyber Security		

In 2023, corporates are again focused on GHG emissions and alignment with the Paris Agreement as the key priority going forward, with almost half of participants selecting it as a top 3 issue. This is after Cyber Security was the top forward looking priority in 2022. This may represent the increasing national focus on environmental concerns as well as global reporting standards increasingly prioritising environmental reporting.

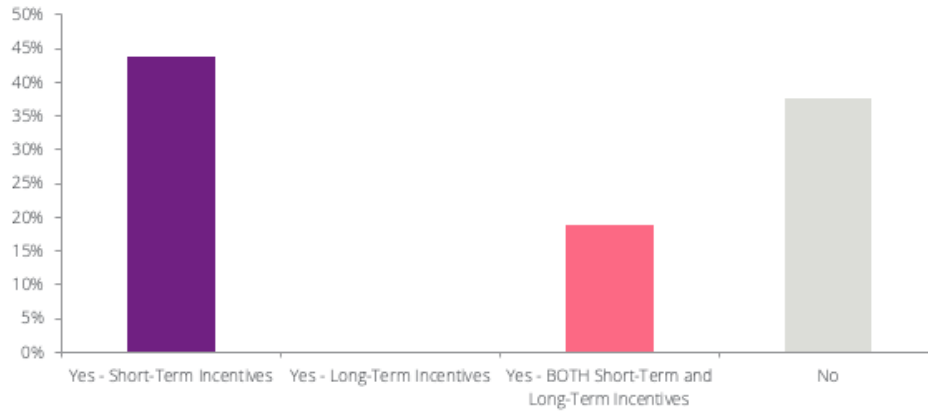
## Do you think ISSB reporting will help ESG & Sustainability disclosures? (% yes)

For the first time, we asked about the impact of ISSB reporting. Majority of respondents identified that ISSB will help to standardise ESG disclosures, while 13% think it will increase the reporting burden for corporates. Additionally, 44% of companies agreed or strongly agreed that sustainability reporting has become burdensome which is up from 33% in 2022 and 2021.

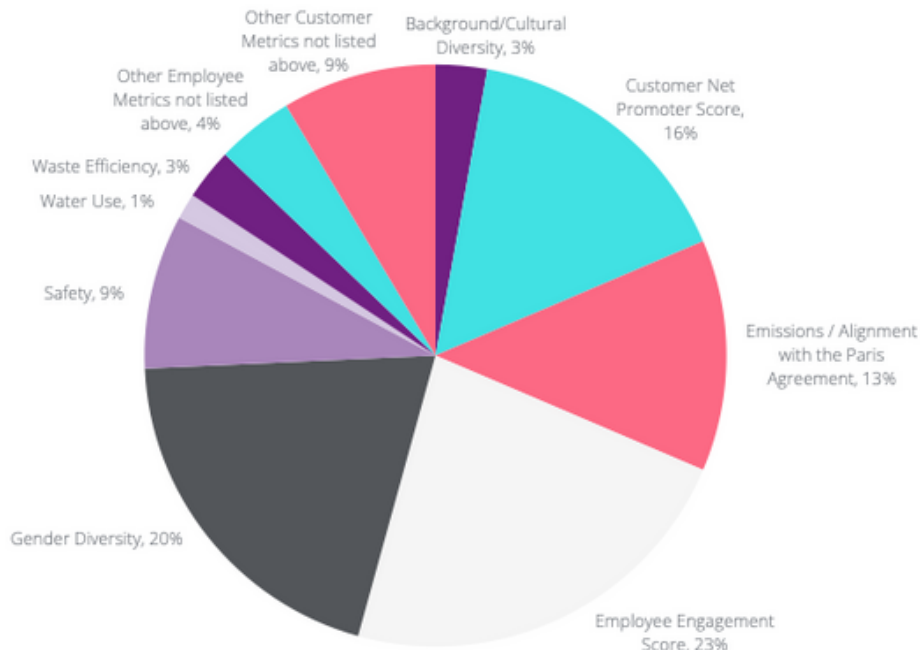


## Is Sustainability or ESG a specific KPI as part of executive remuneration?

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



## 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?



Pleasingly, 62% of companies have ESG or sustainability as a specific KPI versus 45% in 2022, although long-term incentives as part of the remuneration policy continue to lag. There is a significant size effect in the data, with 63% of smaller companies indicating that they do not have remuneration associated with ESG as a KPI, compared with 24% of larger companies.

Interestingly, companies that have board accountability for ESG and sustainability, are 22% more likely to have ESG KPIs.

Key KPIs included employee engagement score, gender diversity, customer net promoter score and emissions / alignment with the Paris agreement which was consistent with 2022. However last year, safety ranked higher.

# 2024 Areas of Focus

## Cyber Security

Cyber Security has emerged as an important and material ESG risk in the context of the increasing frequency and severity of cyber attacks and a number of high profile data privacy concerns in Australia. We engaged with companies across our portfolios at high risk of a Cyber Security attack.

The Better Future Team emailed all companies identified as high risk of cyber attacks and asked a series of questions related to:

- the nature of the customer personal data held;
- the extent Cyber Security is embedded within risk management practice;
- how cyber strategy is proactively overseen and reviewed and the teams/individuals responsible; and
- preparedness for a significant Cyber Security incident.

## 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. In August 2023, Perennial achieved the deliverables of its first Reflect Reconciliation Action Plan (RAP), 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 2023, 50% of companies indicated they had a RAP in place, up from 24% in 2022, with a further 28% intending to launch their first rap in the next 12 – 18 months. 15 portfolio companies in the Perennial Better Future Trust have developed a RAP.



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

## Modern Slavery & Ethical Supply Chain

Given the implications of modern slavery in Australian supply chains, there has been an increasing focus on finding, remediating and preventing modern slavery issues by investors, companies and regulators. From an investor perspective, modern slavery presents a significant reputational and financial risk in our portfolios. For example, the US has prevented the importing of goods with forced labour. In Australia, there are increasing reporting requirements including the Australian Commonwealth Modern Slavery Act 2018. The UK also has a similar Modern Slavery Act, as well as Canada and New Zealand. Additionally, the cost of remediation can be significant, and consumers can be vocal when they do not believe businesses are adequately seeking to minimise modern slavery risks in their supply chain. Failure to prevent instances of modern slavery can result in reputational damage, business disruption and earnings volatility. Typically, better conditions for workers drive higher productivity within businesses.

Recognising the significance of modern slavery considerations in the investment process, the Perennial Better Future strategy has taken a proactive approach by undertaking an assessment of portfolio companies by applying a proprietary Human Rights & Modern Slavery Due Diligence Framework.

The creation of the framework has provided our team with a tool to identify companies most at risk of human rights and modern slavery issues in their supply chain and subsequently, develop an engagement plan for these investee companies. We believe all companies in our portfolio

should be assessing their supply chain for modern slavery risks and should have a remediation framework established, even if they do not meet the regulatory minimum revenue threshold for modern slavery reporting. Since all companies form a part of an upstream and downstream supply chain, with the increasing reporting pressure, we expect that all companies are going to be increasingly asked to disclose their approach to identifying, managing, mitigating and remediating issues in their supply chain.



## 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 2024, 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

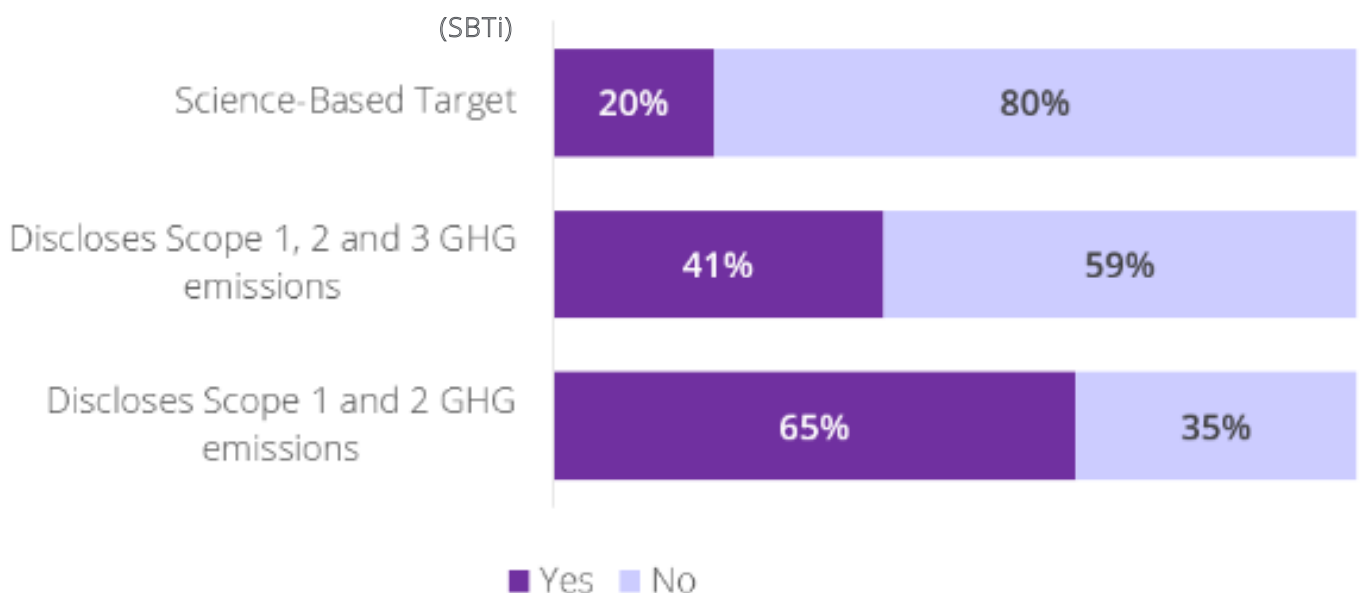
Typically, companies that are held in the Better Future strategies have a relatively low emissions footprint. In line with our goal, as per the 2021 Better Future Impact Statement, we continue to target portfolio companies to report Scope 1 and 2 CO<sub>2</sub> emissions by the end of 2024 and put in place targets to align with the Paris Agreement by the end of 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. In 2023, 3 portfolio companies disclosed their Scope 1 and 2 CO<sub>2</sub> emissions for the first time, and several noted they intend to publish disclosures in 2024.

Climate change and alignment with the Paris Agreement’s objective to limit global warming to 1.5 degrees Celsius are key environmental concerns for investors. Alignment with the Paris Agreement initially requires corporates to disclose their greenhouse gas emissions. This is considered important even for companies with a relatively small emissions profile. Transparent greenhouse gas emissions disclosures are critical not only for companies to track and minimise their emissions profile, but also for investors to understand their exposure to climate transition risks and for policymakers to implement climate policies and sustainable emissions reduction strategies.

The Australian Accounting Standards Board (AASB) is actively considering releasing the International Sustainability Standards Board (ISSB) standards in Australia. ASIC has also recommended that Australian-listed companies adopt the Taskforce for Climate-Related Disclosures (TCFD) Recommendations in preparing for the potential transition to ISSB Standards, which includes disclosing greenhouse gas emissions.

Our engagement has progressed in 2023 from disclosure of greenhouse gas emissions; to targets aligned with the Paris Agreement, integrating performance against these targets into management KPIs, setting short, medium and long term targets, assessing feasibility of targets, capital expenditure to meet decarbonisation objectives and Scope 3 disclosures.

### BFT Climate Progress Tracker



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# Talented teams, great opportunities.

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