



Perennial Responsible Investment Policy*

PIML Board Approved
23 October 2023

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Company Secretary

Document Owner: Co-head of ESG & Equities Analyst
Date Issued: March 2023

** For the managed investment schemes noted on page 2 for which Perennial Investment Management Limited acts as responsible entity and which are managed by Perennial Value Management Limited, Perennial Value Smaller Companies Pty Limited, Perennial Solutions Group Pty Limited and Perennial Better Future Pty Limited.*

Perennial Responsible Investment Policy

Purpose	To ensure the Perennial Value Australian Shares Trust, Perennial Value Smaller Companies Trust, Perennial Value Microcap Opportunities Trust, Perennial Concentrated Australian Shares Trust and Perennial Better Future Trust, collectively referred to as, “Perennial” or “We” within this Policy, complies with its undertaking as a signatory to the Principles for Responsible Investment (“The Principles”).
Application	This Policy applies to the abovementioned managed investment schemes for which Perennial Investment Management Limited (“PIML”) acts as responsible entity.
Policy	Perennial will endeavour to comply with undertakings as a signatory to The Principles at all times.
Obligations	Principles for Responsible Investment (see further below)
Procedures / Guidelines/ Checklists	Attachment 1 – Perennial Responsible Investment Policy
Breaches	Any breach of this Policy must be immediately reported to the Co-head of ESG & Equities Analyst, Head of Legal, Risk and Compliance and the relevant Portfolio Manager.
Monitoring	<ul style="list-style-type: none">• Annual attestation by investment team• Company exclusions monitored in Bloomberg• Meet with companies from time to time in accordance with Perennial's normal engagement procedure.

**Reports /
Records**

Public Reports

- PRI Transparency Report (annual)
- Perennial Engagement Report (annual)
- Perennial ESG Report (annual)
- Proxy Voting Record (semi-annual)

Internal Records

- Engagement Register
- Proxy Voting Register
- CGI Glass Lewis Platform
- Company Meetings Register
- Engagement Generator
- ESG Database

**Maintenance and
Amendments**

The Document Owner is responsible for maintaining, reviewing and authorising any changes to the policy in conjunction with Portfolio Managers. Substantive changes must be approved by the Board.

This Policy will be reviewed by the Document Owner and the relevant Portfolio Manager/s every two years or earlier on an 'as needs basis' in response to legislative or other changes.

History

Reviewed by Document Owner and LRC November 2022

Next review by Document Owner July 2023

Last Approved by the Board 9 March 2023

Perennial Responsible Investment Policy

Perennial has been a signatory to the United Nations Principles for Responsible Investment since 2009. The Principles state:

“As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios *(to varying degrees across companies, sectors, regions, asset classes and through time)*.”

We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, We commit to the following:

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which We invest.

Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.

Principle 5: We will work together to enhance our effectiveness in implementing the Principles.

Principle 6: We will each report on our activities and progress towards implementing the Principles.

Through implementation of the Principles, Perennial will seek to analyse and engage companies on their significant governance, environmental and social issues that have the potential to impact on company perception and performance. This leads to a more complete

understanding of a range of issues affecting a company which should lead to increased returns and lower risk for a portfolio.

By incorporating ESG criteria into investment decision making and ownership practices, Perennial will seek to influence companies to improve performance in these areas. This, in turn, contributes to efforts to promote good corporate citizenship and to build a more stable, sustainable and inclusive global economy.

The Principles apply across all of the Perennial investment products and are not designed to be relevant only to socially responsible investment products.

You can find our latest PRI public transparency report by clicking [here](#).

Approach to investing and incorporation of ESG into our investment process

Our approach to integrating ESG in the investment process is based on the following 4 pillars:

1. In-house proprietary ESG&E scoring system;
2. Stewardship – engagement & proxy voting;
3. Exclusions/negative screens; and
4. Portfolio management.

ESG&E Score

The ESG&E Score is a proprietary scoring system established and run in-house by the Perennial sustainability team with input and insight from the sector analysts. Each company is given a score for Environment, Social and Governance performance as well as a score for company Engagement. Each portfolio must have an ESG&E score above the weighted average benchmark score.

Stewardship

Engagement with companies to discuss material ESG issues, risks and opportunities.

As responsible stewards of capital, we use our voting discretion in the best interests for our clients.

Exclusions / Negative Screens

Each portfolio has negative screens, excluding investment in certain industries.

Portfolio Management

The company's ESG performance and characteristics are one of the considerations in portfolio construction. Stocks with ESG&E related concerns are either unlikely to be held or have a lower weight in the portfolio relative to other stocks with similar characteristics.

Approach

Perennial is an investment manager which seeks to generate superior risk adjusted returns for our investors over the medium to long term.

The nature of commercial activities that most listed companies undertake involves the use of resources (including human resources) to create value and opportunities for stakeholders.

Companies should undertake their activities in compliance with the law, in an efficient manner and seek to avoid harm to stakeholders, the environment and society in general.

At Perennial, We believe that a holistic view of a company, including the consideration of ESG factors, promotes a well-rounded approach to investing. We think this provides better risk adjusted returns and superior outcomes for our clients. When making investment decisions, We consider ESG through a multi-lensed approach including a proprietary ESG&E scoring system, publicly available sustainability data and engagement with companies to assist with decision making.

We have developed a dedicated Better Future Strategy which has been deployed in the Perennial Better Future Trust, which forms part of the next generation of authentic ESG investors. As demonstrated within the Perennial Better Future Trust, We are focused on pursuing strong, consistent returns while investing a substantial part of the portfolio in companies that are making a positive contribution to society and the environment. We aim to empower those creating a better future.

Incorporation

The portfolio manager and the analyst with primary responsibility for ESG (“**ESG Team Members**”) are responsible for overall coordination and implementation of our ESG Policy.

We have developed an internal ESG company database that covers each stock in our investment universe and contains data on companies’ key ESG performance metrics.

We have also developed a methodology to allocate an Environmental, Social, Governance & Engagement score (“**ESG&E Score**”) for each stock in our investment universe. 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.

Each analyst is responsible for the ESG&E scoring process and consideration of ESG issues for stocks under their coverage, with support from the ESG team. The ESG team members are

responsible for staying informed of broader ESG issues and relating these to other members of the investment team.

ESG issues are considered at each stage of the investment process, including in stock research reports and the portfolio management process. Portfolio managers take ESG issues into account in the portfolio construction process. This is particularly the case for the Perennial Better Future Strategies. Regarding our responsible investment options, We have developed the Perennial Responsible Investment Screen which seeks to rank stocks on ESG&E Score, valuation, and balance sheet metrics.

Investment Approach for Perennial’s Investment Portfolios

Better Future Portfolios

We manage responsible investment portfolios including the Perennial Better Future Trust and Better Future Fund (Managed Fund) (ASX: IMPQ).

The Trust is an actively managed portfolio of mainly smaller and midcap listed (and unlisted) companies that are considered to be “Better Investments”. For the purpose of this document, “Better Future Investments” are “Better Future Enabler Investments” or “Better Future Leader Investments.” “Better Future Enabler Investments” are defined as companies that at the time of acquisition, conduct businesses that are making a positive contribution to creating a better future, defined as deriving more than 50% of their gross revenue from business operations that:

- are generating renewable energy, improving energy efficiency or seeking to reduce greenhouse gas emissions; or
- are involved in water treatment or remediation; or
- are focused on providing environmental services or otherwise focused on environmental outcomes; or

- involve technology or processes that enable businesses and/or individuals to reduce their resource use or improve the efficiency of their resource use (including by processing materials for recycling); or
- contribute to social welfare outcomes, including improving the safety, health or well-being of workers; or
- relate to health outcomes, including health products and health services; or
- relate to education services or outcomes (including without limitation childcare).

“Better Future Leader Investments” are companies that, at the time of acquisition, have a Perennial-derived Environmental, Social, Governance and Engagement Score (ESG&E Score) which exceeds the ESG&E score of the benchmark index and does not satisfy the Better Future Enabler Investments definition.

The ESG&E Score is a proprietary scoring system that has been developed by Perennial. Perennial uses the ESG&E Score to evaluate a company’s Environmental, Social and Governance (ESG) performance. As part of the ESG&E Score, Perennial undertakes an assessment on each individual ESG component and considers relevant factors as part of its assessment. These factors include, but are not limited to:

- Environmental – greenhouse gas emission disclosures, alignment with the Paris Agreement and environmental impact of operations.
- Social – executive diversity, occupational health and safety and modern slavery risks in supply chains.
- Governance – Board independence, board expertise and skill mix, and remuneration policies.

The ESG&E Score also assesses the company’s ‘Engagement’ on ESG related issues and subjectively assesses to what extent the company is engaged with improving ESG and sustainability outcomes within the business. The ESG&E methodology applies a 20% weighting to each ‘Environmental’, ‘Social’ and ‘Governance’ component and applies a 40% weighting to ‘Engagement’. This provides a total weighted score out of 10, which is then compared with the benchmark’s weighted average ESG&E Score. Factors such as the outcome of Perennial’s

engagement with company management and directors will also be considered as part of the company's assessment. Perennial may also take into account external information such as publicly available data, financial disclosures, annual reports, sustainability reports, the company's website, stockbroker research and external data sources.

The Trust does not invest in companies that, to the best of our knowledge, receive any revenue from:

- the manufacture, distribution or sale of tobacco or alcohol products; including Electronic nicotine delivery systems (ENDS) as defined by the US Food and Drug Administration (e.g. 'vaping' devices, e-cigarettes) alternatively described as nicotine vaping products (NVP)
- the manufacture, distribution or sale of weapons or armaments;
- extraction or sale of thermal coal, metallurgical coal, uranium, oil or gas (other than recycled oil);
- gambling or betting operations;
- the production, sale or distribution of pornography;
- the manufacture or distribution of toxic pesticides;
- old growth forest logging; or
- operations or transportation associated with the live exportation of animals offshore.

Typically, no less than 35% of the portfolio will be held in Better Future Enabler Investments.

Perennial's exclusions for the broader funds are outlined below.

Perennial Value Smaller Companies Trust and the Perennial Value Microcaps Opportunities Trust

Exclusions for Perennial Value Smaller Companies Trust and the Perennial Value Microcaps Opportunities Trust

The Perennial Value Smaller Companies Trust and the Perennial Value Microcaps Opportunities Trust excludes companies in its investable universe that receive any revenue from:

- the development and production of biological and chemical weapons, depleted uranium ammunition/armour, anti-personnel mines or cluster munitions/submunitions and their key components;
- the production of tobacco and tobacco-based products; or
- the production of thermal coal.

Perennial Value Australian Shares Trust and the Perennial Concentrated Australian Shares Trust

Exclusions for Perennial Value Australian Shares Trust and the Perennial Concentrated Australian Shares Trust*

The Perennial Value Australian Shares Trust and the Perennial Concentrated Australian Shares Trust excludes companies in its investable universe that receive revenue from:

- the production of tobacco and tobacco-based products;
- the development or production of weapons; and
- >5% revenue from the production of thermal coal.

*Exceptions can be applied to exclusionary screens in extraordinary circumstances. For instance, BHP's proportion of revenue derived from thermal coal was slightly above our 5% threshold in 2022 due to the significant increase in price, however we maintain a holding in BHP due to their pledge to exit thermal coal in a responsible manner, aligned with the Paris Agreement. Post the sale of Cerrejon, the remaining thermal coal asset in their portfolio is the Mt Arthur mine which BHP will manage through to its closure in 2030 having failed to find a buyer who had the capabilities to wind down and remediate the asset while also providing a

suitable transition plan for the workers. While coal prices may remain elevated in the short term, we ultimately expect them to lower back towards their long term average bringing BHP's revenue proportion from thermal coal back below our 5% threshold. In the meantime, we remain committed to engaging with BHP on their environmental outcomes and encouraging practices in line with the Paris Agreement.

ESG Factors

We take a vast consideration of ESG factors into account and focus on materiality for the company, including:

Environment	Social	Corporate Governance
<p>Environmental impact of operations generally.</p> <p>Greenhouse gas emissions, electricity and water use, waste generated together with policies and targets in relation to these issues.</p> <p>Alignment with the Paris Agreement.</p>	<p>Occupational health and safety.</p> <p>Workforce diversity, inclusion and culture.</p> <p>Employee retention and development.</p> <p>Supply chain risks including modern slavery and human rights.</p> <p>Community engagement.</p> <p>Cyber security.</p>	<p>Board and committee structure, independence and diversity.</p> <p>Corporate governance policies generally.</p> <p>Remuneration practices.</p> <p>Business ethics and competitive behaviour.</p> <p>We also take into account the extent to which a company is engaged in adopting ESG principles in the management of its business and improving ESG outcomes in its business.</p>

Roles and Responsibilities



Engagement

As an investor, We seek to engage on ESG and other issues with companies in which We invest as well as companies within our investment universe that We do not hold from time to time.

The ESG Team Members are responsible for overall co-ordination and implementation of our ESG engagement policy.

We typically meet with companies several times a year, both in meetings post each six-month reporting period and at other times during the year. At these meetings We seek to engage with the company on relevant issues, including issues relating to ESG.

We will also engage with companies on ESG issues when a specific ESG issue arises in relation to a company or where a broader ESG issue impacts a company. We have developed a proprietary Engagement Generator tool. The tool provides analysts with engagement topics and questions specific to a company or sector.

We may also participate in industry or investor collaborative engagement projects from time to time.

When a company-specific ESG issue arises We will typically seek to engage with Company management on the issue. If We have significant unresolved concerns in relation to the issue We will seek to escalate the issue by one or a combination of the following:

- writing to Company management;
- meeting with the Chairperson or Lead Independent Director; or
- writing a formal letter to the Board of Directors.

If the issue remains unresolved, We will consider divesting our holding in the Company.

In engaging with companies We recognise that the information that may be able to be disclosed to us may be limited due to implications under insider information legislation and We will remain conscious of our obligations in relation to such legislation during the course of any engagement.

Collaboration

We collaboratively engage and participate with a number of industry bodies including the Responsible Investment Association Australasia (**RIAA**), Climate action 100+ (**CA100+**), Investors Against Slavery and Trafficking APAC (**IAST APAC**) and 40:40 Vision.

- **RIAA**

We are a member of RIAA, sponsor of the 2020 RIAA conference, speaker at the 2021 RIAA conference and the Perennial Better Future Trust is certified as a Responsible Investment Product. Perennial was recognised by RIAA as a Responsible Investment Leader in 2020,2021 and 2022.

- **CA100+**

We are an active member of CA100+ and participant in two working groups.

- **IAST APAC**

We are a signatory and participant in workstream 1 and 2 of the IAST APAC initiative.

- **40:40 Vision**

Perennial is a signatory to the 40:40 Vision and will lead the engagement efforts for three companies.

Climate Change

We acknowledge that climate change is a significant risk to the planet and the global economy. Accordingly, it is likely that significant parts of the international community will seek to move towards a lower-carbon economy (transitional risk) over time for the benefit and sustainability of the planet, society and the economy. As of June 2022, over 130 countries have made net-zero commitments, representing approximately 90% of global GDP.¹ The net-zero transition will have impacts on our investments and We will seek to understand and engage with companies on the impacts of both climate change and a move towards a lower-carbon economy on their businesses, including the introduction of low carbon technology, GHG emission disclosure and reduction targets and alignment with the Paris Agreement.

Physical climate change risk includes damage or destruction to physical assets and the implication of stranded assets. As part of the investment process, We consider physical risks including the geographical location of our holding companies' assets or asset exposure in climate prone regions, including coastlines.

The Perennial Board acknowledges climate change in their assessment of business and investment risks and opportunities.

We became members of Climate Action 100+ in 2019, which is an investor initiative to ensure the world's largest corporate GHG emitters take the necessary action on climate change. As signatories, We agree to sign on the following statement:

We, the institutional investors that are signatories to this statement, are aware of the risks climate change presents to our portfolios and asset values in the short, medium and long term. We therefore support the Paris Agreement and the need for the world to transition to a

¹ Source: "Towards a Global Baseline for Net-zero Transition Planning", Glasgow Financial Alliance for Net Zero (GFANZ), 2022

lower carbon economy consistent with a goal of keeping the increase in global average temperature to well below 2 degrees Celsius above pre-industrial levels.

Gender Diversity

As members of the 30% Club, We advocate our portfolio companies for a minimum 30% representation of women on ASX-listed boards, and equal representation where possible. We engage with companies that fail to meet this target and may vote against management in instances they are not progressing on targets. We believe that 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.

Perennial is also a signatory to 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. Perennial will lead engagement efforts for three companies on enhancing the representation of women in their executive teams.

Modern Slavery and Supply Chain Risks

Investment analysts engage with companies on supply chain and modern slavery, and assess modern slavery statements in line with the *Commonwealth Modern Slavery Act 2018*. It also forms part of our ESG&E score for each company. As referred to above, We are also members of Investors Against Slavery and Trafficking Asia Pacific (IAST APAC) and as part of the initiative, We have signed the investor statement which says:

As investors, We see modern slavery, human trafficking and labour exploitation as something that goes beyond ethics. Business models and value chains that rely on underpaid workers, weak regulation or illegal activities such as forced labour and other forms of modern slavery drive

unsustainable earnings. Companies are exposed to significant compliance and brand risk, which can be costly and time-consuming to address... As investors We expect companies to meet their reporting and compliance obligations and in doing so encourage companies to examine broader risks of labour exploitation as a leading indicator of modern slavery.

Voting

Introduction

Proxy voting forms an important component of the investment processes. It allows us to provide feedback to management and to ensure they are conducting business aligned with the interest of long term shareholders. Voting rights are a valuable asset which should be managed with the same care and diligence as any other asset.

Perennial should vote on all company resolutions considered at general meetings where it has the voting authority and responsibility to do so, regardless of the materiality of the resolution. All votes must be made in the best interest of the unit holders and clients.

Ultimately, shareholders' ability to influence management depends on shareholders' willingness to exercise those rights.

Perennial analysts are responsible for making the voting decision on their stocks, with oversight from the ESG Team.

Role of Proxy Adviser

We supplement our voting research with research from our proxy adviser, CGI Glass Lewis. Although analysts are not bound to vote aligned with our proxy adviser, all votes against proxy adviser recommendations are required to be supplemented with reasoning from the analyst. CGI Glass Lewis manages our lodgement activity.

Voting Against Management

If Perennial intends to vote against management's recommendation on a resolution, it must typically contact the company prior to voting to inform the company of Perennial's view and,

where appropriate, seek to resolve the concern. All votes against management are required to be supplemented with reasoning from the analyst. Instances where We may vote against management recommendations:

- Proposal is not aligned with shareholder best interests;
- Proposal is not aligned with Perennial's voting principles as referred below;
- Lack of progress on previously engaged issues; or
- It is otherwise not considered appropriate to vote in favour having regard to the circumstances of the proposal.

Controversial Resolutions

When controversial resolutions occur, the analyst should consult with Perennial's ESG Team and portfolio manager(s). This includes activist proposals, climate resolutions or votes regarding other social issues. We will decide on our voting direction on a case-by-case basis after considering the reasoning put forward by the proponents and those against the proposal, including potentially undertaking engagement meetings with the company, the proponents, our proxy adviser, and/or other stakeholders.

Abstain From Voting

Perennial may abstain from voting on proposals in the following circumstances:

- where it is unable to support the resolution but where it believes that it would be against investors' interests to oppose publicly;
- the ratification placement of securities in which we have participated in the raise;
- where exclusions may arise from the Corporations Act or any conflict of interest; and
- where Perennial has already made a decision to dispose of the securities.

The analyst must outline the reason for abstaining in our voting notes.

Our Engagement & Stewardship in Proxy Voting

Perennial uses engagement and stewardship in the proxy voting process. We believe that we can influence change by using our proxy voting to improve business outcomes. For example, Perennial may use its voting power to show dissatisfaction with management by voting against the election of a director or the remuneration report as an escalation technique. This may include instances where progress against ESG initiatives has not been aligned with expectations following a period of engagement. As another example, Perennial analysts may decide to vote against the re-election of a director where gender diversity progress on the board has not been sufficient.

Our engagement and stewardship activities related to proxy voting are documented in our ESG Engagement Register.

Voting Principles

Perennial typically prefers companies to have:

- adequate disclosures to allow shareholders to assess the company;
- a board with the appropriate mix of skills for the direction of the company;
- diversity of gender and other forms of diversity:
 - o We typically expect companies to have at least 30% representation of female directors on the board and to strive for 40% representation under the 40:40:20 principle
- majority independent board
- an independent Chairperson
- an independent Chair of the audit committee with an appropriate financial/accounting background. The audit committee should also be majority independent
- board members who are not overcommitted and able to fulfil the duty of their role adequately

- a say-on-pay vote annually to shareholders
- executive remuneration with the appropriate mix of base salary and at-risk remuneration, appropriate mix of short and long-term incentives including appropriate mix of financial and non-financial metrics with clawbacks and malus provisions.
- no “poison pill” or other anti-takeover provisions
- made appropriate progress towards climate related initiatives and greenhouse gas reduction commitments;

Other considerations when applying voting principles

In some instances, flexibility on the voting principles referred to above may be provided for companies if:

- management has indicated that it intends to address the issue in the coming year or period and there are reasonable grounds to expect that it will do so;
- the directors and associates have a majority interest in the company;
- the company is recently listed or is a small company that requires time to develop procedures aligned with Perennial Voting Principles

Disclosures

We publish our 12 month voting record (semi-annually) on the Perennial “Corporate Social Responsibility & ESG” webpage. The annual Perennial ESG & Engagement Report highlights key engagement on proxy voting and voting outcomes.

Policy Makers Engagement, Political Activities and Advocacy

Where We deem it necessary, We may undertake advocacy activities to enhance social, environmental and governance goals to support a sustainable financial system. These activities may include:

- engaging with policymakers to encourage change;

- contribute to policy consultations or voice our positions; and
- submitting or supporting shareholder proposals in line with our environmental, social or governance goals.

First Nations Heritage Issues and Reconciliation Action Plan

Perennial recognises the Traditional Owners of the Country on which We work, and recognise their continuing connection to land, waters and culture. We pay our respects to their Elders past, present and emerging.

We are committed to taking actions to contribute to the National Reconciliation Movement. Perennial released its first Reflect Reconciliation Action Plan (RAP) in August 2022 and is beginning the process of engaging on First Nations issues with portfolio companies.

Internal and External Training

All employees in the business are required to undertake ESG training annually. This can be through internal or external providers. The ESG Team provides interactive annual training for all staff on topical ESG issues, Perennial's integration process and our own corporate ESG initiatives.

Externally, the ESG Team contribute to panel discussions, media exposure, webinar sessions, podcasts and surveys to educate the community on environmental, social and governance investing.