



Company	Perpetual Limited
Code	PPT
Meeting	AGM
Date	17 October 2019
Venue	Level 18, Angel Place, 123 Pitt St, Sydney 2000
Monitor	Richard Williams assisted by David Jackson

Number attendees at meeting	42 Shareholders, 7 Proxyholders, 5 Non-voting shareholders 26 Visitors. Total: 80
Number of holdings represented by ASA	n/a
Value of proxies	\$8.091m
Number of shares represented by ASA	227,021 (vs 255,016 last yr) equivalent to 12th largest holder in Top 20
Market capitalisation	\$1.967 billion
Were proxies voted?	Yes, on a poll
Pre AGM Meeting?	Yes, with chair Tony D'Aloisio

Despite funds under management outflow, Perpetual stays true to value investing

The Chair and the CEO/MD's addresses along with the voting results can be accessed via the following link:

<https://www.perpetual.com.au/about/shareholders/asx-announcements>

The meeting was again conducted in an orderly fashion and ran for 2.5 hours.

Company strategy

The CEO/MD (who has been in the role for 12 months) outlined the measures that he has undertaken to implement his strategy for the company as announced at last year's AGM:

- The elevation of risk management within the company by appointing a Chief Risk Officer reporting to the CEO
- The appointment of the Perpetual Investments Group Executive to a mergers and acquisitions role (M & A) role (PPT has evaluated a number of inorganic opportunities across all three businesses, as well as developed a pipeline of further prospects)

- Involvement of the CEO in leading Perpetual Investments
- The appointment of a distribution manager (a non-executive role) to take effect in December 2019
- The announcement of an executive search for a Chief Operating Officer (COO) with the aim of centralising the key functions of Product, IT and Operations to “seek synergies across PPT’s three business as we take an enterprise-wide view of these critical areas”.
- Marketing & Communications and People & Culture functions will no longer be Executive Committee level roles

The new structure is aimed at empowering people more, enabling quicker decision-making within an enhanced governance framework.

The ASA comments that the appointment of a COO appears to be a reversion to the previous company structure which was costly to unwind some years ago. The COO position also seems to be at odds with “empowering” people, while also raising the question of how the position’s expenses will be costed (distributed between the three divisions or as part of corporate overhead).

The ASA asked the CEO/MD if senior executive positions were likely to be settled in 2020. The answer was yes, but the option was left open for further change if necessary.

The ASA, in expressing alarm at the \$1.1 billion net funds under management (FUM) outflows for the first quarter of the 2020 financial year (FY20), asked the CEO/MD if there was a timeframe for the new company strategy to reverse the negative FUM flows. The CEO/MD replied that it was impossible to predict FUM flows and hence could not provide a timeframe. It was pointed out that negative fund flows were being experienced by all “value” fund managers.

The CEO/MD outlined that the \$18 - \$20m in cost savings slated for the next three years would largely be achieved via staff reductions and to a lesser extent technology improvements.

Remuneration report address – Sylvia Falzon, chair of the People and Remuneration Committee

This was the last remuneration report address for Ms Falzon who resigned as of the 2019 AGM date. The Chair announced that Ms Nancy Fox had been appointed the new chair of the People and Remuneration Committee.

David Jackson representing himself as a shareholder queried the Key Audit Matter concerning the “largely manual calculation of equity remuneration expenses which increases the risk of error”, which required significant audit effort. David suggested that this finding alone was reason enough to simplify key management personnel remuneration. The auditor replied that because remuneration was the major expense at PPT this always requires significant audit effort. Ms Falzon advised that it was planned to automate the manual calculations in order to simplify the process.

The ASA thanked Ms Falzon for her willingness to engage with the ASA regarding remuneration matters in her time as chair of the People and Remuneration Committee.

The ASA advised that it would be voting undirected proxies against the remuneration report for the reasons provided in the ASA voting intentions. The ASA affirmed that a long-term incentive (LTI) hurdle should be measured over a minimum of four years with at least two metrics taken into account (eg total shareholder return (TSR) and earnings per share growth), not just one – TSR as in the current scheme.

In asking if the Board had considered amendments to PPT's executive remuneration arrangements to better reflect long-term company performance, the Chair replied that he considered the current arrangements adequately reflect company performance – citing the fact that this year the variable incentive outcomes were on average 43% below the financial year's target.

The proportion of votes against the adoption of the remuneration report was 6.59% (compared to 9.12% against last year).

Approval of the CEO/MD's variable incentive equity grant

The ASA advised that while the ASA is in favour of the CEO being able to participate in the award of share rights and performance rights, for the same reason the ASA is voting un-directed proxies against the remuneration report the ASA will vote undirected proxies against this resolution.

The proportion of votes against this resolution was 4.73%

Board changes

Newly appointed non-executive director (NED) Mr Greg Cooper was re-appointed with 99.58% of votes in favour.

The chair advised that the remaining vacant board NED position had been offered to a woman, but this offer was yet to be confirmed.

Questions from other shareholders related to:

- Personal grievances with PPT services, with at least three parties outlining their issues with PPT to the meeting. In all cases the Chair offered meetings with relevant staff in an endeavour to resolve the issues
- The sudden rise in the PPT share price in late February/early March 2019 – the CEO advised that a Black Rock dividend focused equity fund had acquired 12% of PPT's equity in a short space of time
- The use of the client satisfaction measure by another ASA member – Net Promoter Score (NPS). The target was 32 in FY2019 vs 37 in FY2018 with the actual score being the same in both years (39). This was because of "re-basing" – PPT advised that it will improve reporting surrounding this metric in future Annual Reports
- One shareholder and PPT fund investor expressed great satisfaction with the performance of PPT as a company and his PPT fund.