

Basis of preparation – FY24 financed emissions reporting

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1.0 Financed emissions reporting approach

1.1 Alignment of reporting

Perpetual Group's financed emissions metrics have been prepared with reference to the following recommendations:

- Taskforce for Climate-related Financial Disclosures (TCFD)¹
- Greenhouse Gas Protocol (GHG Protocol) Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Scope 3 Standard) (World Resources Institute (WRI)/ World Business Council for Sustainable Development (WBCSD), 2011)²

The TCFD recommends disclosure of metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.³

Analysis is in line with the GHG Protocol's 'Operational Control' approach. Equity investments are not included in Perpetual Group's Scope 1 and Scope 2 inventories. We account for proportional Scope 1 and Scope 2 emissions of equity investments that occur in the reporting year in Scope 3, category 15 (Investments) as per GHG Protocol guidance.⁴

Consideration will be given in the future on whether to align our metrics and our reporting on data quality to the Partnership for Carbon Accounting Financials (PCAF) Standard.

We will assess whether there are any additional reporting requirements under the Australian Sustainability Reporting Standards (ASRS) once those standards are implemented by the Australian Government.

1.2 Operating segments and principal activities

Perpetual Group has three client-facing businesses:⁵

- **Asset Management** is a global multi-boutique Asset Management business that provides an extensive range of specialist investment capabilities through its boutique businesses across key regions globally. These brands consist of Barrow Hanley, J O Hambro, Perpetual, Pental, Regnan⁶, Trillium and TSW.
- **Wealth Management** consists of Perpetual Private and three other distinct specialist businesses (Fordham, Priority Life and Jacaranda), offering a unique mix of wealth management, advice and trustee services.
- **Corporate Trust** is a leading provider of debt market, managed funds, and digital solutions to the banking and financial services industry in Australia and Singapore.

Financed emissions reporting as disclosed within this Basis of Preparation only covers the Asset Management and Wealth Management businesses.

It should be noted that this information is for aggregated disclosure purposes only and does not influence investment decision making within the Asset Management and Wealth Management businesses in Perpetual Group.

¹ It is noted that TCFD has been superseded by International Sustainability Standards Board (ISSB) and Perpetual Group will be required to report under the incoming ASRS. Perpetual Group supports the ISSB's aim to encourage more comprehensive, globally consistent sustainability disclosures.

² GHG Protocol, [Corporate Value Chain \(Scope 3\) Accounting and Reporting Standard](#)

³ Perpetual Group has yet to define what is material for climate risk and opportunities within equity investments.

⁴ Page 137, [Chapter15.pdf \(ghgprotocol.org\)](#)

⁵ On 8 May 2024, Perpetual announced the completion of a comprehensive strategic review and that it had entered into a Scheme Implementation Deed with an affiliate of Kohlberg Kravis Roberts & Co. L.P. (together with its affiliates, "KKR") who will acquire 100% of Perpetual's Wealth Management and Corporate Trust businesses via a Scheme of Arrangement (Scheme). If the Scheme is approved, Perpetual will become a standalone, multi-boutique, global asset management business. The Scheme is subject to shareholder approval and other regulatory and legal conditions and approvals, with completion expected early in the 2025 calendar year. For further information on the Scheme please visit our website here: perpetual.com.au/shareholders/scheme-information/.

⁶ Regnan branded funds are distributed under Pental and JO Hambro.

1.3 Boundary setting

Our reporting adheres to the GHG Protocol 'Operational Control' approach in line with our operational GHG emissions reporting approach. As per GHG Protocol guidance, equity investments are not included in Perpetual Group's Scope 1 and Scope 2 inventories. We account for the Scope 1 and Scope 2 emissions of equity investments that occur in the reporting year, proportionate to our investment, in our Scope 3, category 15 (Investments).⁷

TABLE 1: GHG PROTOCOL CONSOLIDATION APPROACHES

Approach	Description
Operational control	Under the operational control approach, a company accounts for 100% of the emissions from operations over which it or one of its subsidiaries has operational control.
Financial control	Under the financial control approach, a company accounts for 100% of the emissions from operations over which it, or one of its subsidiaries, has financial control (i.e., >50%).
Equity share	Under the equity share approach, a company accounts for GHG emissions from operations according to its share of equity in the operation.

We have determined a boundary that adheres to the 'managed investments and client services' activity within the GHG Protocol Corporate Value Chain Accounting and Reporting Standard where investments are managed by our businesses on behalf of clients (using clients' capital) or services provided by the reporting company to clients, including: Investment and asset management (equity or fixed income funds managed on behalf of clients, using clients' capital).⁸

This includes funds under management (FUM), where an investment asset is managed by our business directly on behalf of our clients, or where we instruct a third-party investment manager to manage assets on behalf of our clients.

It does not include funds under advice (FUA), where we advise clients but where we do not manage their funds or have discretion over their investment decisions. Further, it does not include funds under administration, where we act as trustee for other funds or financial services.

Asset class boundary

An asset class boundary setting assessment has been conducted based on GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (Scope 3 Standard) (World Resources Institute (WRI)/ World Business Council for Sustainable Development (WBCSD), 2011)⁹ for our Scope 3 emissions category 15 (Investments). This determined that equity investments are currently the most appropriate to report at this time based on the current level of consistency, transparency, completeness, accuracy, and relevance of available data.

As such, Perpetual Group's financed emissions disclosure includes emissions relating to equity holdings only. Equity investments are the most complete, consistent and least estimated data set available from third-party environment, social and governance (ESG) data providers. Also, equity investments are a majority of Perpetual Group's total FUM.

We will continue to assess asset class suitability for inclusion in our Scope 3 emissions category 15 (Investments) inventory over time as data consistency and accuracy improves over time.

⁷ Page 137, [Chapter15.pdf \(ghgprotocol.org\)](#)

⁸ Page 54, table 5.10, [Corporate Value Chain Accounting Reporting Standard](#)

⁹ Page 23, [Corporate Value Chain \(Scope 3\) Accounting and Reporting Standard](#)

Please see Table 2 for further information on asset class boundary.

TABLE 2: ASSET CLASS BOUNDARY

Asset class	Consistency	Transparency	Completeness	Accuracy	Relevance ¹⁰	Included
Equities	Equity holdings include common stocks only	Consistent and robust ESG data provider methodologies used to assess equity common stocks	High level of coverage for equity holdings available from ESG data provider	Majority of data provided by ESG data provider is drawn from direct sources with lower levels of estimation	Estimated to be around 74% of AUM	Yes
Fixed Income	Fixed income securities include multiple types of debt: e.g. corporate, municipal and sovereign	Range of fixed income security types results in multiple methodologies	Lower level of coverage, especially for municipal and sovereign debt	Complexity of mapping between debt securities and parent companies and lack of data availability for some municipal and sovereign debt	Estimated to be around 15% of AUM	No
Multi-Asset	Multi-asset includes multiple types of investments: e.g. equities, bonds, and non-look through investments ¹¹	Lack of visibility of some underlying holdings due to non-look through investments	Low level of coverage due to lack of look through investments	Lack of visibility of some underlying holdings due to non-look through investments	Estimated to be around 8% of AUM	No
Cash	No coverage and guidance to conduct assessment of this asset class	No coverage and guidance to conduct assessment of this asset class	No coverage and guidance to conduct assessment of this asset class	No coverage and guidance to conduct assessment of this asset class	Estimated to be around 2% of AUM	No

Emission scope boundary

Perpetual Group's financed emissions reporting adheres to the GHG Protocol 'Operational Control' approach. The Scope 1 and Scope 2 emissions related to equity investments are included in the measurement of Perpetual Group's Scope 3 Category 15: Investments.

Scope 3 emissions related to our equity investments have been excluded until further analysis has been conducted and there is greater accuracy and completeness in the underlying data. There is currently a high level of estimation used to calculate Scope 3 emissions related to our equity investments in third-party data due to a lack of reported data by the underlying equity holdings. However, this is anticipated to improve as mandatory climate disclosure regimes are put in place in different jurisdictions globally that require more complete reporting of Scope 3 emissions.

1.4 Data Provider

Third-party ESG provider and platform

Perpetual Group utilises a third-party ESG data provider, ISS, to provide total carbon emissions (Scope 1 and 2) and weighted average carbon intensity (WACI) metrics and reporting via their platform, DataDesk, to inform our disclosure.

¹⁰ AUM as at 30 June 2024

¹¹ Non-look through investments may be Exchange Traded Funds (ETFs), Managed Funds or Pooled Investment Schemes, where the constituent assets are not available for assessment.

Data estimation and quality

As with all ESG data providers, there are varying levels of data estimation. Furthermore, the quality of the reported data can vary.

The PCAF Standard addresses this with a Data Quality Score (1 = highest quality, 5 = lowest quality). As part of the data preparation process undertaken by the Perpetual Group Sustainability team, monitoring is undertaken of the information source and the level of estimation used by the ESG data provider to calculate total carbon emissions (Scope 1 and 2) and WACI for our equity investments. This is supported by additional analysis calculating the weighted average data score for equity investments, as recommended by the PCAF Standard. The PCAF Data Quality Scores for Scope 1 and 2 and for Scope 3 are shown in Table 3.

Where actual emissions data are not available through company reporting, ISS use their proprietary estimation methodology to model emissions for that holding.

ESG data is often time lagged due to the time it takes to produce by the companies themselves and when it is introduced to the ISS dataset. Perpetual Group acknowledges that the data may reflect GHG emissions from prior years for a subset of holdings analysed. Even where data is taken directly from company reporting or submitted directly by companies to CDP, it can also include inaccuracies or inconsistencies in how each company collects or calculates their emissions.

TABLE 3: FINANCED EMISSIONS ESTIMATION OF PERPETUAL GROUP EQUITY INVESTMENTS (PROVIDED BY ISS)

Information Source*	Scope 1 + 2 Information Source	PCAF Score 1 count	Scope 3 Information Source	PCAF Score 1 count
Sustainability or annual reports or other*	56%	33%	10%	0%
Carbon Disclosure Project (CDP)*	19%	15%	24%	0%
Modelled emissions*	23%	0%	60%	0%
Data Quality Score † (Weighted)	1.29		3.30	

* Estimation percentages analysis and Data Quality Score of Perpetual Group equity investments by company, provided via ISS data June 2024.

† Weighted PCAF scores, 1-5: with 1 being the highest rated verified data June 2024.

2.0 Financed emissions metrics and methodology

2.1 Metrics description

Disclosed metrics and methodology

The assessment of financed emissions is undertaken using reference to TCFD recommendations Table 3 as shown in Table 4 below. ISS externally published methodology can be found here: [ISS Carbon Footprint Methodology](#)

TABLE 4: FINANCED EMISSIONS METRICS

Metric	Scope	Description	Formula
Total Carbon Emissions – Equity Investments	1 and 2	Scope 1 and Scope 2 GHG emissions are allocated to investors based on an equity ownership approach.	Σ (current value of investment / issuer's market capitalisation x issuer's Scope 1 and Scope 2 GHG emissions)
Weighted Average Carbon Intensity – Equity Investments	1 and 2	Scope 1 and Scope 2 GHG emissions are allocated based on portfolio weights, that being the current value of investment relative to the current portfolio value. This is then normalised by \$M revenue.	Σ (current value of investment / current portfolio value x issuer's Scope 1 and Scope 2 GHG emissions/ issuer's \$M revenue)

3.0 Data preparation

3.1 Data collation

Aggregated All-Equity Reporting

The equity investments of each Asset Management and Wealth Management boutique are obtained from internal systems or direct from the relevant custodian. These are loaded into the ISS DataDesk system for analysis.

Foreign Exchange conversion

Where the base currency for an asset is not Australian Dollars (AUD), it is converted in the following manner:

- 1) When first obtained, asset value is converted to AUD using Foreign Exchange rate as at the day of the report generation. This is done to complete an initial quality review of the assets.
- 2) To align with the respective Quarterly Results (ASX Announcement), the Foreign Exchange rate disclosed in those results is used once the announcement is released by Perpetual Group and the report is re-uploaded as final.

3.2 Data processing and utilisation

Equity Asset Upload

The equity asset reports are transposed to an ISS DataDesk CSV upload file. These upload files are loaded into the ISS DataDesk platform for analysis.

ISS DataDesk Analysis

The ISS Climate Impact Report is used to obtain the Perpetual Group specific metrics outlined in Table 4. The report is generated in AUD.

The output of the Climate Impact Report is spot checked in the following way:

- 1) Amount invested and coverage figures are relative to prior reports
- 2) Emissions figures are relative to prior reports
- 3) Compare results to the constituent boutique equity report outputs
- 4) Where available, check data outputs against available benchmark outputs

Reported figures

The aggregated all-equity metrics as at 30 June of the reporting year are disclosed within the Perpetual Group Sustainability Report and Annual Report.