

# Perpetual ESG Australian Share Fund screening process

Perpetual employs a rigorous investment process in managing our suite of Australian equities strategies. The Perpetual ESG Australian Share Fund ('the Fund') employs this same disciplined process, but with additional screening based on Perpetual's environmental, social and governance (ESG) and values-based exclusionary screens, to give investors an opportunity to align their investments with their personal values and ESG preferences.

## Overview

Responsible investment research requires specialist skills. Work in this field is aimed at evaluating a company's performance on a range of ESG and values-based criteria.

We also utilise research from external specialists to help us research companies listed on the Australian market and overseas exchanges.

For screening the Fund, Perpetual sources data from third party providers. The data provided is based on proprietary research of those providers and publicly disclosed representations from the companies they research.

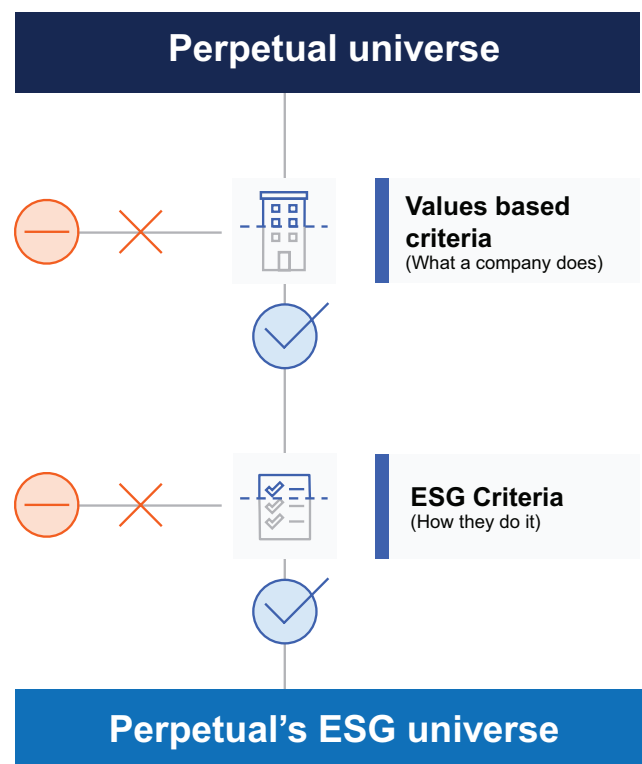
The Perpetual ESG Australian Share Fund has two exclusion screens, with which we assess companies, including:

- A values-based exclusionary screen for involvement in certain activities, and
- An ESG exclusionary screen based on an evaluation of companies' overall performance on ESG issues

Perpetual is responsible for determining a company's suitability for inclusion in the Fund. Screening criteria may change over time to account for emerging issues.

## The screening process

Before being considered for investment, companies must pass the values-based and ESG exclusionary screens.<sup>1</sup> The screening processes is designed to limit the Fund's investible universe to only those companies that meet minimum values-based and ESG criteria. The Fund's Portfolio Manager constructs the portfolio for the Fund from these companies.



<sup>1</sup> No exclusionary screens are applied to derivatives and cash

## Stage 1: Values-based exclusionary screen

This screen is designed to identify and exclude companies that derive a proportion of their revenue<sup>2</sup> from involvement in certain activities (see below). This means that companies breaching any Values-based Activity involvement threshold (for example earning 10% of revenue from Fossil Fuels, or 1% revenue from Tobacco Production) will fail this Values-based Exclusionary Screen and therefore will not be considered for investment by the Fund.

Values-based activity	What involvement do we consider	Involvement threshold <sup>1</sup>
<b>Alcohol</b>	Production of alcoholic beverages, including the wholesaling and retail of alcoholic beverages manufactured by other companies.	5% or more of company revenue
<b>Animal Cruelty (Testing)</b>	Animal testing by producers of cosmetic products.	Any involvement
<b>Animal Cruelty (Production)</b>	Production of fur or exotic leather	5% or more of company revenue
<b>Fossil Fuels</b>	Upstream (exploration and production) of fossil fuels (coal, natural gas, oil, oil sands, oil shale) including the provision of services used in the extraction phase.	5% or more of company revenue
<b>Gambling</b>	Gambling operations (for example thoroughbred, sports, financial market and other betting) including online services, casinos, and gambling products including gaming equipment (for example slot/poker machines).	5% or more of company revenue
<b>Genetic Engineering</b>	Production of genetically modified organisms (GMOs) for human consumption (except for medical purposes).	5% or more of company revenue
<b>Nuclear and Uranium</b>	Uranium mining, electricity generation from nuclear power and major parts and services sold to the nuclear industry.	5% or more of company revenue
<b>Pornography</b>	Production and distribution of pornography and adult entertainment services.	5% or more of company revenue
<b>Tobacco (Production)</b>	Production of tobacco including plantations and the manufacture of tobacco products including e-cigarettes and nicotine alternatives.	0% or more of company revenue
<b>Tobacco (Retailing)</b>	Distribution of tobacco including the wholesaling and retail of tobacco products manufactured by other companies.	5% or more of company revenue
<b>Weapons (Nuclear)</b>	Manufacture or development of nuclear weapons, including delivery platforms and munitions for the full weapon along with key parts or services.	0% or more of company revenue
<b>Weapons (Military - Controversial)</b>	Manufacture or development of controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, biological weapons, depleted uranium, incendiary weapons and white phosphorous), including delivery platforms and munitions for the full weapon along with key parts or services.	0% or more of company revenue
<b>Weapons (Military - Conventional)</b>	Production of military conventional (not controversial) and civilian weapons.	5% or more of company revenue

<sup>2</sup>The involvement threshold is calculated using the total gross amount of revenue generated by the sale of goods or services from normal business operations.

For information regarding the values-based exclusionary screen, please refer to the Product Disclosure Statement.



## Stage 2: ESG exclusionary screen

Companies that successfully pass our Values-based exclusionary screen are then subject to an ESG exclusionary screen. To apply this screen, companies are rated on a broad range of ESG factors shown in the table below.

Companies rated below an acceptable threshold, as determined by Perpetual, will not be considered for investment by the Fund.

To administer the ESG Exclusionary Screen, data is provided by one or more third party providers to assist in determining the companies' management of, and performance against, each relevant ESG theme.

The data is based on proprietary research and publicly disclosed representations from companies. Thus, the data provided may not be a complete representation of a company's involvement in a particular ESG Issue and may include estimates.

Environmental	Social	Governance
 <ul style="list-style-type: none"><li>• Energy transition</li><li>• Environmental performance</li><li>• Products and services environmental impact</li></ul>	 <ul style="list-style-type: none"><li>• Human capital management</li><li>• Workplace health and safety (WHS)</li><li>• Human rights, labour rights, and modern slavery</li><li>• Customers and product responsibility</li></ul>	 <ul style="list-style-type: none"><li>• Stakeholder relations</li><li>• Ethical conduct</li></ul>

**United Nations Sustainable Development Goals<sup>3</sup> (UN SDGs)**

Products and services that either contribute to, or detract from, the UN SDGs grouped under six themes - energy & climate change, clean water and sanitation, protection of ecosystems, food and nutrition, good health and wellbeing, and sustainable cities and communities.

<sup>3</sup>The SDGs were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity. For more information see [sdgs.un.org/goals](https://sdgs.un.org/goals)

For more information about the ESG exclusionary screen including the measures used to rate companies, please refer to the Product Disclosure Statement.

## Divestment

Companies are assessed against each applicable exclusionary screen – Values-based, and ESG exclusionary every month. Those companies invested in which fail any screen must be divested promptly from the Fund within 60 days, subject to liquidity and other practical considerations.

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## Find out more

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