

Perpetual Limited

2012 ANNUAL GENERAL MEETING

Addresses to Shareholders

Perpetual 

ABN 86 000 431 827

Chairman's Speech

Mr Peter Scott, Chairman – Perpetual Limited

Ladies and gentlemen, during the 2012 financial year, there have been a number of significant, but necessary changes within Perpetual.

These changes reflect our efforts to improve the performance of your company in the volatile and difficult environment our industry has experienced over the last five years.

To take on these challenges in a more decisive manner, we have conducted a thorough review of our business.

This resulted in our Transformation 2015 programme, which we launched at the end of the financial year.

Transformation 2015 is introducing some fundamental changes in the way we operate.

However, the characteristics that have made Perpetual a unique company over the last 126 years will be preserved.

Perpetual remains in a strong financial position.

The investment returns created for unit holders by our asset managers continue to lead the industry.

The longstanding expertise supporting our wealth advice is highly regarded, and the corporate fiduciary services we provide remain highly valued by our corporate clients.

There is no doubt that the longer term outlook for the Australian wealth management industry remains sound.

There are a number of structural factors that support the demand for the services provided by our three core businesses, namely: funds management, wealth advice and corporate fiduciary services.

The already well-established Australian superannuation system is likely to be strengthened further now that Royal Assent has been given to the amended Superannuation Guarantee Act.

This Act specifies that the superannuation guarantee rate will gradually increase from 9% to 12% between 1 July 2013 and 1 July 2019.

Clearly, this development will be a positive for the wealth management industry as it should increase the pool of money to be managed by investment managers such as Perpetual.

The Future of Financial Advice, or FoFA, reforms, will become mandatory from 1 July 2013 and are also expected to reshape the industry.

We are well positioned to transition to this new regulatory environment.

These reforms come at a time when the ageing of our population and the need for individuals to self-fund their retirement are creating a greater need for the sound financial advice we provide.

Equally, the continued evolution of financial markets is creating new opportunities for our corporate trust business, with new clients and new asset classes emerging.

However, while the longer term outlook appears promising, slowing economies around the world and low investor confidence have impacted our performance in the 2012 financial year.

Global share markets experienced brief periods of rising prices in 2012, but almost all international markets saw increased volatility and recorded negative returns.

In Australia, the All Ordinaries index declined by about 11% during the period.

We are indeed a long way off the market highs seen in 2007, as you can see on this chart.

To put the impact of this environment into perspective, we estimate that every 1% movement in the All Ordinaries changes our annualised revenue by about \$1.5 to \$2 million.

Clearly, this significant decline in market returns has been a major cause of our lower financial performance for the year.

In an uncertain environment, defensive asset classes are preferred by investors.

Bank term deposits become the investment of choice.

This slide shows the impact of this preference on quarterly flows into non-cash investments across the industry.

Inflows have been negative for the last four quarters.

In the 12 months to June 2012, the Australian funds management industry experienced net outflows from non-cash investments of \$14.7 billion.

This compares to net inflows of \$2 billion in the previous 12-month period.

As this slide shows, if we go back to 2005-2007, the industry was seeing annual inflows of about \$34 to \$51 billion.

We are clearly operating in a very different and difficult market environment.

So that is the inescapable context for our financial results for the 2012 financial year.

On the 30th of August, we reported a statutory net profit after tax of \$26.7 million and an underlying profit after tax of \$67.6 million for the 12 months to 30 June 2012.

Both were down on the previous year.

The decline in underlying profit after tax reflects the impact of the lower value of funds under management.

It also reflects the ongoing investment in our core businesses.

However, our performance did benefit from a number of initiatives implemented by the company during the year.

This included a group-wide cost reduction program, the exiting of a number of non-core businesses, and lower variable remuneration expenses.

Costs related to these initiatives, as well as after tax restructuring costs associated with our Transformation 2015 programme, were the main factors impacting net profit after tax.

The decline in net profit after tax reduced the final dividend for 2012 to 40 cents per share fully franked.

I foreshadowed this in my letter to shareholders in June this year.

Combined with the interim dividend of 50 cents, total fully franked dividends for the year were 90 cents per share.

The lower dividends reflected the difficult markets and the cost of implementing the Transformation 2015 programme of activities.

However, we firmly believe that we need to make a fundamental change in the way the company operates.

We are confident Transformation 2015 sets us on a better path for the future by creating significant and maintainable cost savings and service improvements.

CEO Geoff Lloyd will give you further detail on the financial performance of the business later.

I will now provide you with a report of other activities during the year.

We started with the implementation of a range of initiatives to improve the company's financial performance, to reduce costs, and to more actively manage your capital.

In line with our new capital management approach, we conducted an off-market share buy-back in October 2011.

We bought back around 3.35 million shares at \$20.90 per share.

In doing so, we returned approximately \$70.0 million to participating shareholders.

The buy-back also helped increase the return on equity based on underlying profit after tax by 120 basis points, to 21.3%.

In February 2012, it became clear that there were important differences between Chris Ryan, our previous CEO, and the Board concerning the emphasis and the execution of the company's strategy.

We reached a point where the Board and Chris agreed to disagree on the way forward, and Chris left the company.

While this was disappointing for all concerned, it was very important to take that decision.

The Board then appointed Geoff Lloyd as the company's new Chief Executive Officer and Managing Director.

Geoff was our Group Executive Private Wealth and Retail Distribution since joining Perpetual in 2010.

He was recruited to Perpetual as a potential future CEO.

The Board felt Geoff was ideally placed to step into the CEO role, having been closely involved in Perpetual's review of the overall business strategy, structure and cost base during the previous year.

Since his appointment, he has demonstrated a clear ability to identify the challenges we face, lead the necessary responses, and articulate the company's strategy.

The Board and I are confident that you will appreciate the importance of this strategy, the honesty of the assessment on which it is based and the fundamental changes it will require.

The strong executive leadership team Geoff has assembled will assist him with the implementation of this strategy.

Now, to the topic of Remuneration.

This is an important matter for Perpetual, as around two-thirds of the Group's costs are related to employment or remuneration.

Commencing well before last year's AGM, we conducted a comprehensive review of the remuneration framework in the company.

This involved engaging a wide group of stakeholders and working with a specialist independent remuneration consultant.

As you can see on this slide, the resulting changes to the company's remuneration framework include:

- The 2013 non-executive director fees have been reduced by 30%;
- The ongoing remuneration of the CEO has been reduced by 16%;
- The cost of the Executive Leadership team will be reduced by approximately 21% in 2013 as the number of people in the team has been reduced;
- The strengthening of the deferred equity component of the annual Short-Term Incentive bonus will create greater alignment with shareholder interests; and
- From October 2012, new Long-Term Incentive awards to Key Management Personnel will be made in the form of performance rights, which means the payment of dividends on unvested LTI grants will cease.

I think it is obvious that we have made some major changes here.

Elizabeth Proust, Chairman of our People and Remuneration Committee, will provide you with further detail about our changes to the remuneration framework later in the meeting.

I am aware that there has been some commentary on the resolution to approve the Long-Term Incentive grant of performance rights to the CEO.

There is a view that the EPS growth target of 10% per annum is not challenging enough.

I should emphasise that the Board formed a view on this target after considering the current market and economic environment, and the EPS targets of other companies.

We also engaged with proxy advisers and shareholders regarding the 10% target, both this year and last year.

It should be remembered that the hurdles for the grants are a three year target, not a 12-month one, so achieving the 10% EPS growth target remains challenging.

It is also important to note that no LTI grants given to Key Management Personnel that are subject to the EPS hurdle have vested since 2004.

This highlights the alignment of the LTIs awarded to Key Management Personnel with shareholder interests.

We feel that it is in shareholders' best interests that this award be received in equity rather than in cash, should the hurdle be met.

By awarding it in the form of equity, we create a greater alignment with shareholders and increase the amount of 'skin in the game' for the CEO.

Now to the important matter of Board succession.

The composition of your Board has changed over the last year in line with our succession planning guidelines.

In summary, Meredith Brooks informed the Board last year that she had decided not to seek re-election as a Director at last year's AGM.

She served as a Director for seven years and her input was highly valued.

I wish to thank her for her significant contribution during that time.

Earlier this year, Paul McClintock advised he would be stepping down as a Director following today's AGM.

He has served as a Director of Perpetual for eight years and brought valuable experience and strategic insight to the Board during that period.

Again, I wish to thank you Paul for your considerable contribution.

Today, we are also announcing that Philip Twyman will retire effective from the end of November, after eight years as a director.

Phillip, we will miss your considerable experience and knowledge of the investments and wealth management industries, and I thank you for your dedication to Perpetual.

On 6 September 2012, we announced the appointment of two new Non-Executive Directors.

Craig Ueland joined the Board on 25 September this year.

Craig has had a 25-year career at Russell Investment Group, most recently as global President and Chief Executive Officer.

Shareholders will have the opportunity to hear from Craig prior to voting on his appointment at today's meeting.

Our second new director, Sylvia Falzon, will join the Board on 20 November this year.

I am pleased she has been able to join us today, seated here with the Executive Leadership Team.

Sylvia has worked in the financial services industry for over 27 years.

During that time, she has held senior executive positions responsible for institutional and retail funds management businesses, both domestically and internationally.

Both Sylvia and Craig bring substantial investment, strategic and wealth management experience to your Board.

I am delighted that such talented directors with relevant financial services experience are joining the Board.

I welcome them both and look forward to working with them.

Ladies and gentlemen, concluding my remarks to you today, the implementation of the Transformation 2015 strategy is well underway and is building a positive momentum.

Geoff will provide you with an update on this important programme of initiatives in a moment.

Many of the global headwinds that limited returns during the 2012 financial year remain evident in the first quarter of this current year.

However, the mood appears to have lifted somewhat since June.

This has been reflected in both the All Ordinaries index and Perpetual's own share price, which is up around 20% since June, as illustrated on this slide.

Our new leadership team, led by Geoff, and our responsive and committed staff are tackling the challenges ahead of us with vigour and determination.

We have had to make some hard decisions in the past year, but the Board is confident these will improve our performance for our shareholders and clients.

Both Board and management are committed and enthusiastic about the improvements we are making.

I thank you, the shareholders and our clients, for your ongoing support.

On your behalf, I would like to again thank our retiring board members for their many years of service to the company.

Finally, to all our staff, thank you for all your hard work and commitment to Perpetual, especially at this time of significant change.

CEO's Speech

Mr Geoff Lloyd, Chief Executive Officer and Managing Director – Perpetual Limited

Good morning, and thank you Mr Chairman.

This is my first Annual General Meeting as Chief Executive Officer and Managing Director of Perpetual.

During my twenty plus years in financial services, I have admired Perpetual as a competitor and I have learnt to appreciate it as a client.

I am very honoured and feel very privileged to be entrusted with your company and to lead the Perpetual team to address the challenges we face and deliver on the opportunities that we have.

Perpetual is a company with significant capabilities, a great heritage and a great team.

We have been trusted by our clients for generations and throughout our 126-year history.

Although we have more to do, we are very well positioned to capture the growing demand for quality independent advice and superior investment returns.

Market and macro-economic conditions have been very difficult and have significantly influenced investor confidence.

However, I strongly believe that the future remains compelling for Perpetual.

Importantly, we have acknowledged that we have not always performed to our strengths.

When I was appointed as Perpetual's new Chief Executive Officer, I agreed with the Board that we needed to work harder and faster to refine our growth strategy, to deliver further meaningful cost reductions, and to reinvigorate sales and distribution across the entire business.

Put simply, we needed to conduct an honest assessment of the business.

We immediately started a comprehensive strategic review of your company's operations.

This required a careful and in-depth assessment of the issues, the challenges, and of course the opportunities we are facing.

I wanted Perpetual to be a simpler, smaller, more focused and more profitable business.

Today, I will first provide you with an overview of the environment and the performance of our business units during the year.

I will then present to you an overview of the Transformation 2015 strategy, which will deliver the fundamental change your company needs.

Importantly, the executive leadership team that is transforming the business is here with me today, seated in the front row.

You will have the opportunity to speak to them after the meeting.

In addition to those present today, Mark Smith, the new Group Executive of Perpetual Private, and Michael Gordon, the new Group Executive of Perpetual Investments, join us in this month and in January respectively.

Now turning to the environment in which we operated during the 2012 financial year.

Equity markets were very volatile, and as a result investors preferred defensive assets or became sidelined in cash altogether.

Demand for financial advice was also significantly reduced.

This caution was reflected in the domestic funds management industry, which was in net outflow for the entire period.

Like our competitors in the industry, our business is mainly influenced by the performance of the Australian equity market, which impacts fund flows in Perpetual Investments and demand for advice in Perpetual Private.

This correlation has been evident for many years, as you can see on this slide, which shows our total funds under management against the Australian market index.

Largely as a result of the market decline and industry fund flows, the value of Perpetual Investments' funds under management was down 17% on the previous year.

Perpetual Private's funds under advice was down 8%.

On a positive note, both maintained or slightly improved their margins.

The size of Corporate Trust's funds under administration is primarily influenced by how much issuance activity we capture in residential mortgage backed securities and other bond markets.

As you can see from this slide, we are seeing some growth.

Helped by the emergence of covered bonds during the year, Corporate Trust saw its funds under administration increase by 5% as it was successful in obtaining mandates for this new asset class.

However, margins on this type of asset class are lower by comparison.

I will now provide an overview of the major initiatives and the financial performance of each of our businesses.

Let me start with Perpetual Investments.

It is one of Australia's most highly regarded managers of investment funds.

We have very strong investment capabilities across a range of asset classes, including equities, fixed income, and multi-sector strategies.

As you can see, almost all of Perpetual Investments' funds are ranked consistently in the first or second quartile of total funds in terms of performance.

This demonstrates the value of Perpetual's disciplined investment approach and the expertise of our investment managers.

During the year, Perpetual Investments launched the Pure Equity Alpha fund, a long/short fund that targets absolute returns.

This fund, as well as our SharePlus and Ethical SRI funds, subsequently received a strong endorsement from investment research houses.

Perpetual Investments was also awarded its first offshore sub-advisory mandate for Global Resources.

Despite its outstanding performance, Perpetual Investments experienced net outflows over the past few years.

It was clear that we needed to change the way we approach the distribution of our products.

And good progress has now been made with this new approach.

A few examples are the inclusion of the Australian Share and the Diversified Income strategies on the administration platform of one of Australia's largest distribution networks.

We also added the Diversified Income and Ethical SRI funds to the Approved Product Lists of a number of dealer groups.

And as already mentioned at last year's AGM, we appointed US-based firm Wellington Management Company to manage our international equity funds and we closed our own loss-making management capability in Dublin, Ireland.

Perpetual Investments' profit before tax was \$72.0 million, \$1.3 million below the previous year's result.

Revenues were down 15%, broadly in line with the decrease in funds under management.

However, the strategic initiatives undertaken during the year and a focus on reducing costs resulted in a significant drop in expenses, by some 22%.

The decrease included lower equity and variable remuneration.

This offset the decline in revenues to a major extent.

Let me now turn to Perpetual Private.

Its objective is to be the leading provider of wealth advice for financially successful individuals, families, businesses and not-for-profit organisations.

An important part of this is our Philanthropy business, which is a recognised leader in its segment.

Throughout the year, Perpetual Private continued to invest for future growth through a number of initiatives.

We started the 'build phase' of the platform outsourcing agreement with Macquarie Bank.

This will support the modernisation of Perpetual Private's client service and product offering.

Part of this project was the ahead-of-schedule launch of Super Wrap, our new superannuation wrap offer.

Perpetual Private has also deepened its penetration of new customer sub-segments, such as trustee services for native title trusts.

The response to this has been very positive, with three initial appointments.

We continued to invest in other non-market related revenues such as estate planning, life risk sales, and financial planning.

These revenue streams are not as sensitive to market volatility and therefore stabilise our revenues.

In summary, we are now developing a truly differentiated high net worth offer in Perpetual Private, built around wealth advice, in which we have great scale and advocacy, but also incorporating new activities where we have a clear competitive advantage.

Perpetual Private's profit before tax was \$8.3 million, a decrease of \$5.0 million from the previous year.

The main factor influencing this result was the ongoing investment in the business.

Despite increased investor caution, we were able to keep revenues relatively stable, just 1% below the previous year total.

With approximately 6,400 full service clients, Perpetual Private is well placed to accelerate its growth if market volatility reduces and a turnaround in investor sentiment occurs.

Turning to Corporate Trust.

This business is a leading provider of corporate trustee services.

This includes trustee services for securitisation programs and corporate debt issues; regulatory compliance services for fund managers; and fund custody and accounting services.

Corporate Trust continues to have a strong market position in these areas.

During the year, the major trading banks issued a new type of financial instrument, called covered bonds.

Corporate Trust was very successful in picking up new mandates for these issues.

We were appointed as covered bond trustee for three of the four major banks, a success trend that has continued with two further appointments.

In August this year, we completed the sale of PLMS, the mortgage processing services within Corporate Trust.

Together with the earlier sale of the third party registry services, this allows Corporate Trust to focus on corporate fiduciary services.

Corporate Trust's profit before tax decreased by \$4.1 million, to \$17.4 million.

Revenues decreased by \$5.2 million or 9% on the previous year, to \$52.0 million.

Total expenses, at \$34.6 million, decreased by 3%.

The decrease was the result of a strong cost focus and, again, a reduction in variable remuneration in line with reduced revenue.

Allow me to now explain how we intend to fundamentally transform our business.

The comprehensive strategic review that we conducted after my appointment in February quickly showed that more needed to be done to match this difficult environment.

We had already implemented significant cost reductions and continued to work on driving growth in our businesses.

However, our overall performance in 2012 confirmed the need for an accelerated and a more fundamental and permanent change for the future.

In essence, Perpetual rapidly grew over the last ten years, and its structure became too complicated and too costly.

The way we conducted our business became unsustainable.

It was time to address this and refocus on our core strengths.

Based on this assessment, we developed and then launched the Transformation 2015 strategy.

What does Transformation 2015 aim to achieve?

Perpetual has embarked on a strategy that will create a simpler, leaner and more efficient business.

You can see the significant projected savings this will yield at the bottom of this slide.

We will refocus on activities where we have a clear competitive advantage so that we can better identify and take advantage of growth opportunities.

It is our intention to reshape Perpetual as Australia's largest independent wealth manager of choice, a business that is strongly positioned to leverage its leading position and brand in the Australian financial services marketplace.

We will operate as 'One Perpetual', an organisation with a shared approach and values, both internally and in how we interact with our clients.

We are firmly on track to meet these objectives.

This slide provides an overview of our action plan for the current and upcoming periods.

I would like to highlight just a few of the many initiatives listed here.

Efforts to simplify our structure and aggressively manage costs have resulted in a significant reduction in staff roles, from almost 1,500 at the end of the 2011 financial year down to just over 1,000 now.

This includes the sale of some businesses.

We have also completed the formation of our new and smaller leadership team.

In August this year, we announced the signing of an IT outsourcing agreement with Fujitsu Australia.

This agreement allows us to modernise our IT infrastructure and applications, and enables a number of material service and capability improvements.

In Perpetual Private, we are adjusting our advice model to commit more strongly to a limited number of targeted client segments and build services and capabilities specifically for these segments.

Transformation 2015 is also about creating growth.

Across the company, we continue to execute on growth extensions from within our core businesses.

In Perpetual Investments, we will concentrate on selected, specialist areas of asset management.

If we identify a need we cannot address ourselves, we will partner, as we did via the relationship with Wellington Management, first for international equity and more recently for global fixed income capabilities.

Perpetual Private is pressing on with its initiatives in the new business areas, while at the same time improving its ability to promote its core advice and philanthropy offer.

In the refocused Corporate Trust, growth is being pursued by profitably extending the services already provided by that business.

We are confident we can increase the momentum across our businesses during the year.

Let me now turn to the outlook.

For the current financial period, the first half of the 2013 financial year, we expect our Underlying Profit After Tax for the six months to be in the range of \$30 to \$35 million.

This guidance is based on financial markets as at the end of October 2012 and is subject to there being no material deterioration in financial markets and business conditions over the remainder of the 2012 calendar year.

There is no doubt that the 2012 financial year was challenging, but Transformation 2015 is now well underway.

The company is now truly beginning to operate as 'One Perpetual', with a renewed sense of urgency that drives the way we work every day.

We are confident in our vision to become Australia's largest independent wealth manager of choice.

The Transformation 2015 strategy, which will simplify, refocus and grow the Company, is a major milestone in Perpetual's history.

Our unrivalled asset management performance, strong client advocacy and scale in high net worth personal advice, and our significant capability in corporate fiduciary services will all underpin the Company's future successes for our clients and for you, our shareholders.

Ladies and gentlemen, I look forward to speaking to you further after the meeting.

People and Remuneration Committee Chairman's speech

Ms Elizabeth Proust, Director and Chairman, People and Remuneration Committee – Perpetual Limited

Good morning ladies and gentlemen, fellow shareholders.

Today, I will provide an overview of the key changes to our remuneration arrangements and the outcomes for the past year.

The full details were provided in the Remuneration Report, which was released to the market at the same time as the company's 2012 financial results on 30 August 2012.

The Remuneration Report is also contained in our Annual Report and available on our website.

Last year, approximately 26% of votes cast on the resolution to adopt the 2011 Remuneration Report were voted 'against' that resolution.

Because this was greater than 25% of votes cast, Perpetual incurred what is known as a 'first strike' under the new executive remuneration laws.

While this 'first strike' occurred despite most institutional shareholder proxy advisors recommending that shareholders vote in favour of the Remuneration Report, we have taken the matter very seriously.

The Board has undertaken an extensive review of Key Management Personnel, or KMP remuneration at Perpetual, with the assistance of our independent remuneration consultant, PricewaterhouseCoopers.

In conducting this review, we consulted with a wide range of stakeholders to seek feedback on our remuneration practices and proposed changes.

Whilst we believe that our remuneration practices are sound and demonstrate a clear link between executive and shareholder outcomes, we did identify opportunities to further refine the alignment

of the executive remuneration framework to the business strategy, and therefore shareholders' interests, and better reflect market practice.

This slide demonstrates how we have acted on the feedback we received.

The key changes to KMP remuneration include:

- From October 2012, new long-term incentive (or LTI) awards will be made in the form of Performance Rights, which means KMP will no longer receive dividends on unvested LTI awards.

Dividends will continue to be paid on unvested LTI shares previously granted, in accordance with the terms and conditions of those grants.

- We have refined our approach to short-term incentive (or STI) deferral by deferring a material portion of annual STI into Perpetual shares every year.

From the start of the 2014 financial year, 40% of all STI awards to KMP will be paid in the form of shares, which vest in two years.

These shares are subject to the forfeiture and clawback provisions introduced in 2010.

Dividends are of course paid on these shares as the performance criteria have already been met.

- We will be transitioning to a remuneration mix that provides greater consistency and alignment with Perpetual's business model.

Under the new remuneration mix, incentives, in particular LTI, will decrease as a proportion of total remuneration.

Total remuneration on a fair value basis will continue to be set taking into account the remuneration practices of Perpetual's peers.

It is also important to note that this change, in conjunction with the refined STI deferral arrangements, means that the proportion of total remuneration paid as cash and as equity will remain largely unchanged.

The new remuneration mix will be implemented as new Group Executives are appointed or existing roles restructured.

The remuneration mix for the four Group Executives appointed prior to the 2013 financial year will not materially change as moving to the new remuneration mix would otherwise result in increases in fixed remuneration that the Board does not believe are in the best interests of shareholders.

- As previously announced, the Board has decided to reduce overall Board fees by approximately 30% from 1 July 2012.

The Chairman's fees have reduced by 42% and the fees of other Directors have reduced by 25% on average.

The total remuneration for the CEO's role was also significantly reduced, by 16%, on the appointment of Geoff Lloyd.

We believe that these changes will be welcomed by most of our shareholders.

To these measures need to be added the key remuneration outcomes from the 2012 financial year, which I will take you through now.

The fixed remuneration for the CEO was determined by the Board using market data provided by an external independent adviser.

This was benchmarked against CEOs of leading listed companies in the diversified financial services industry (*excluding* CEOs of the major banks and other financial services companies in the S&P/ASX 50).

Geoff Lloyd's fixed remuneration is approximately 10% lower than that paid to his predecessor.

As I said, his total compensation is approximately 16% less than his predecessor.

For the 2012 financial year, the Board benchmarked the remuneration of Group Executives against the remuneration of relevant market peers.

The market peers consisted of financial services companies in the S&P/ ASX 51 – 200 with revenue comparable to the relevant Perpetual business division.

Based on this review, increases were made to the fixed remuneration of Janine Stewart, Richard Brandweiner and Chris Green in September 2011 to increase the market competitiveness of these executives' remuneration.

Higher duties allowances were paid to Nick Langton, Richard Brandweiner and Paul Chasemore in respect of their acting roles during the 2012 financial year.

I should also point out that no increases were made to the 2013 financial year fixed base remuneration of any employees (including Group Executives and the CEO) with a base pay of more than \$200,000 per year, other than in a small number of exceptional circumstances such as promotion, in which case CEO approval was required.

This decision was made in light of the ongoing challenging operating environment and the need to closely manage costs.

Finally, as your Chairman pointed out earlier, Transformation 2015 will create a smaller Executive Leadership Team, resulting in a reduction of approximately 21% in its annualised target remuneration expense in the 2013 financial year.

As we announced last year, for the 2012 financial year, we adjusted our method for determining the available funding for annual STI payments.

Previously, funding was determined as a percentage of profit for the year.

For the 2012 financial year, we implemented a balanced scorecard approach, where the funding is determined in consideration of the company's performance against a number of key business measures, including profit.

This year, the overall STI allocation was approximately 31% lower than last year, largely reflecting the financial performance of Perpetual as assessed through the balanced scorecard, as you can see on this chart.

Of those KMP eligible to be considered for an STI, outcomes were between 15% and 64% of their respective targets.

These outcomes reflect the ongoing tough operating environment as well as individual performance and display a strong link between remuneration outcomes and shareholder outcomes.

Vesting of long-term incentives for KMP is subject to Total Shareholder Return (TSR) and Earnings Per Share (EPS) growth performance hurdles, measured over a three-year performance period.

In other words, the long-term incentives are directly linked to company performance.

No long-term incentives held by KMP vested during the 2012 financial year, other than a sign-on share grant made to Geoff Lloyd when he commenced employment with Perpetual in 2010.

This sign-on grant was accorded to compensate Mr Lloyd for incentives forfeited on resigning from his previous employer to join Perpetual.

As I mentioned at the start of this presentation, Perpetual has ceased the practice of paying dividends on unvested LTI issued to the Managing Director and Group Executives.

Our previous practice was to factor these dividends into total compensation when benchmarking remuneration.

However, in changing this practice we have recognised that it is not supported by shareholders.

In summary, we believe our remuneration practices remain sound and demonstrate a clear link between executive and shareholder outcomes.

Your Board continues to assess our remuneration practices to ensure they drive achievement of the business strategy.

I can advise that, in the opinion of the Group's auditors, KPMG, the Remuneration Report of Perpetual Limited for the year ended 30 June 2012 complies with Section 300A of the Corporations Act 2001.

I commend the Remuneration Report for your adoption. Thank you.

Annual General Meeting 2012

The Westin Sydney
1 November 2012

ABN 86 000 431 827

Perpetual 

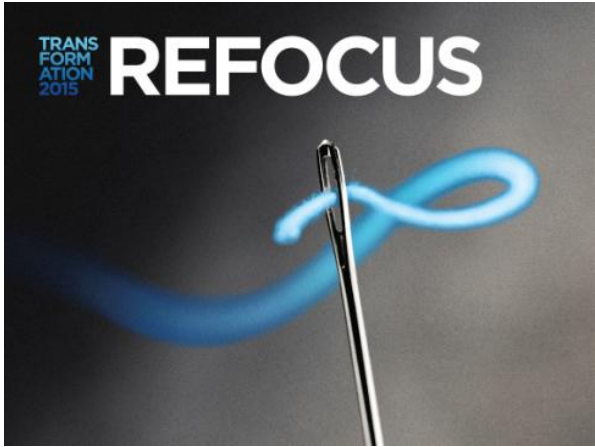
MR PETER SCOTT

Chairman

Perpetual 

TRANSFORMATION 2015

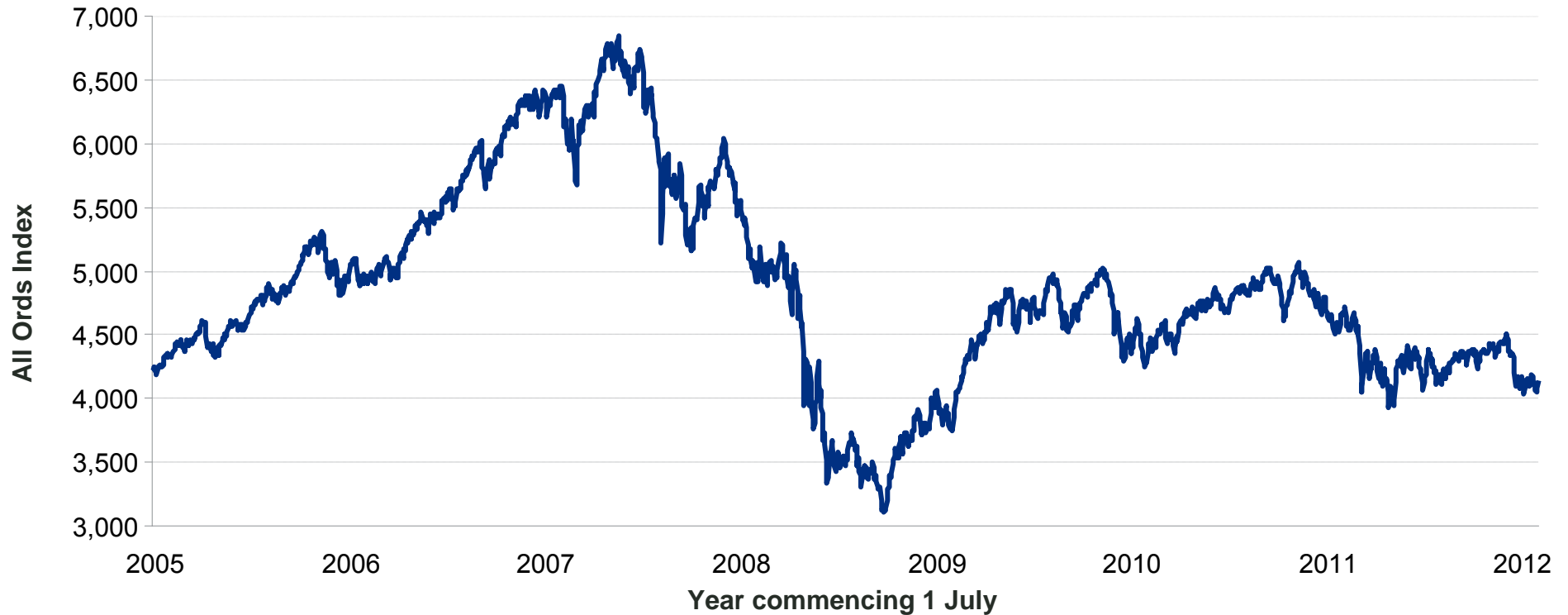
FIX TO GROW



ENVIRONMENT CONTINUES TO BE CHALLENGING

ALL ORDS INDEX

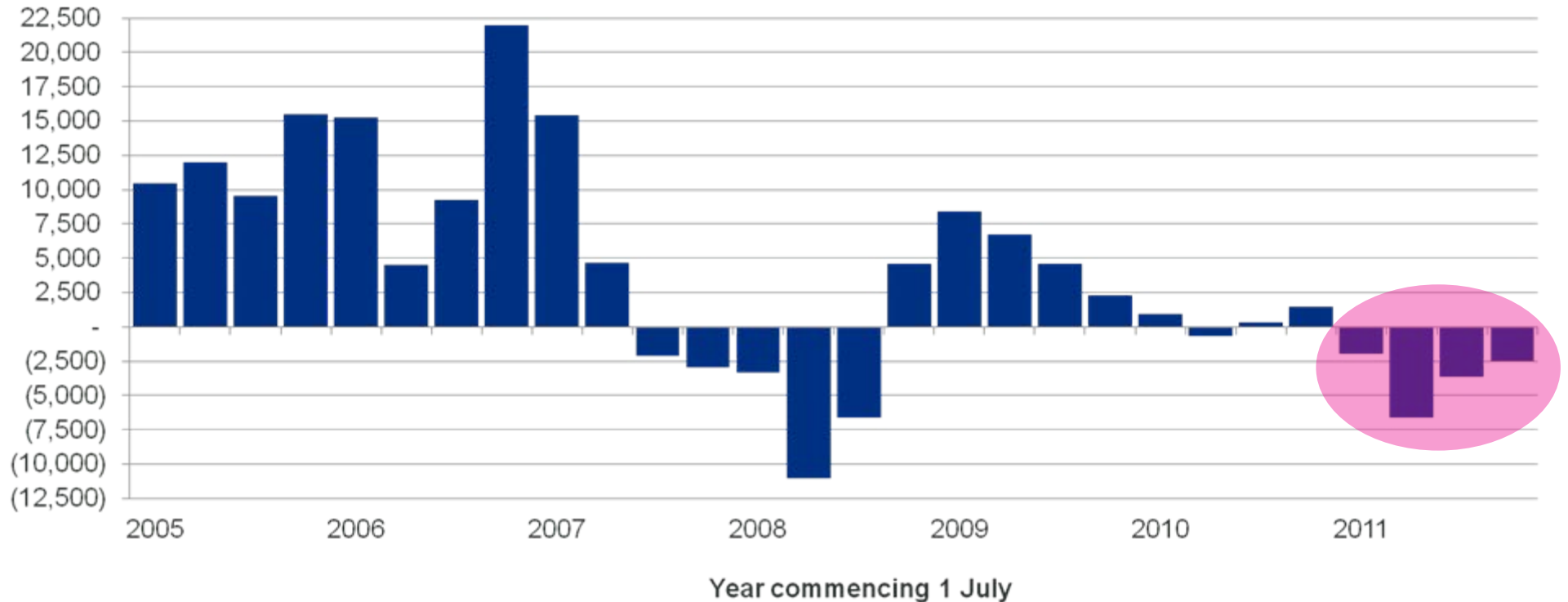
1 JULY 2005 – 30 JUNE 2012



At 30 September 2012, a 1% movement in the All Ordinaries Index changes annualised revenue by ca. \$1.5m - \$2.0m

INDUSTRY IN OUTFLOW

TOTAL MARKET (EXCLUDING CASH) QUARTERLY NET FLOWS (\$M, 3 MONTHS ENDED)



Flows source: Plan for Life June 2012

FINANCIAL PERFORMANCE REFLECTS SUBDUED MARKETS AND INVESTMENT FOR THE FUTURE

	FY11 \$m	FY12 \$m	FY12 v FY11
Underlying Profit After Tax	72.9	67.6	(7%)
Total significant items	(10.9)	(40.9)	
Net Profit After Tax	62.0	26.7	(57%)
Dividend per Share Fully Franked (cps)	185.0	90.0	

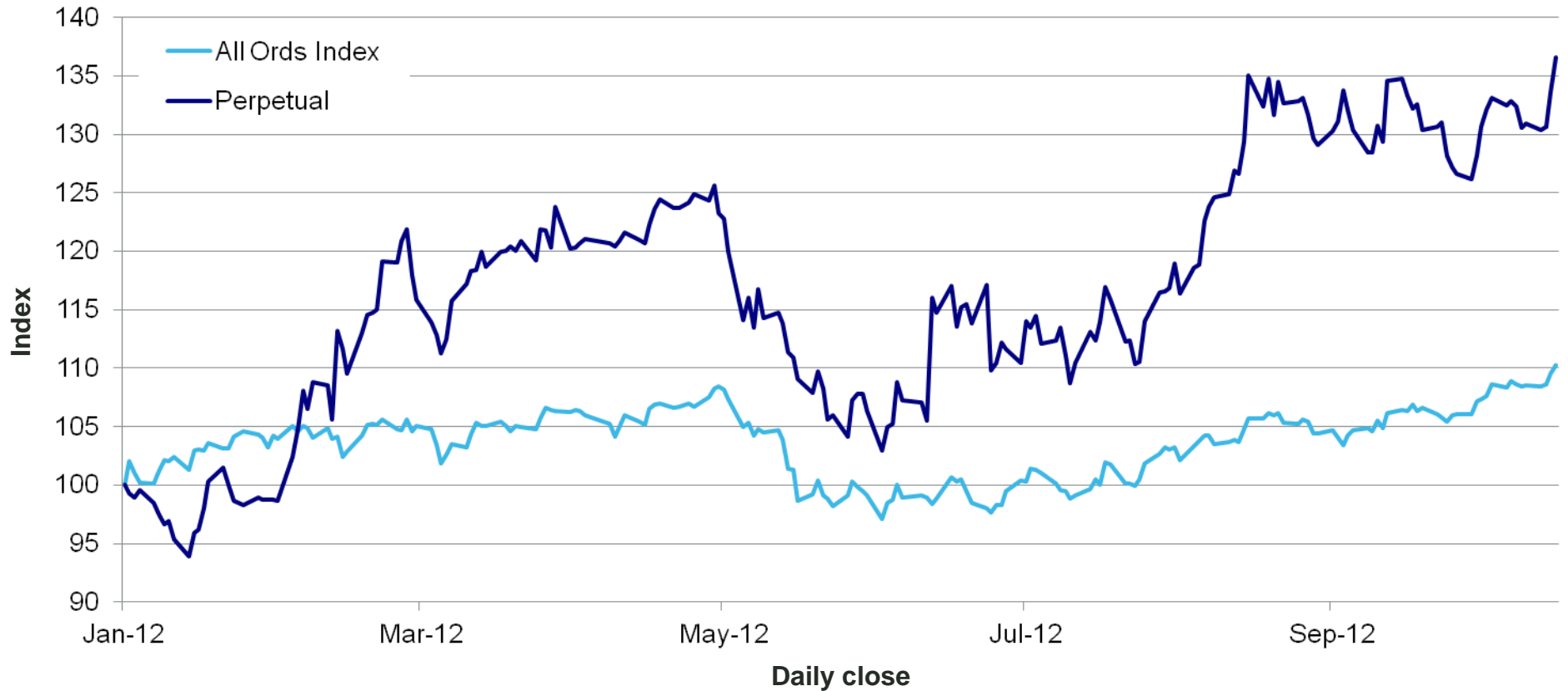
IMPROVED REMUNERATION FRAMEWORK

- Non-Executive Director fees reduced by 30%
- Chairman's fees reduced by 42%
- Total compensation for CEO role reduced by 16%
- Smaller Executive Team reduces remuneration by 21%
- Greater alignment with shareholder interests via larger deferred equity component of Short-Term Incentives
- Long-Term Incentive for Key Management Personnel now in form of performance rights, ceasing payment of dividends on unvested grants

PERPETUAL SHARE PRICE RECOVERING

ALL ORDS INDEX vs. PERPETUAL LIMITED

(BASE 03/01/12 EQUALS 100)

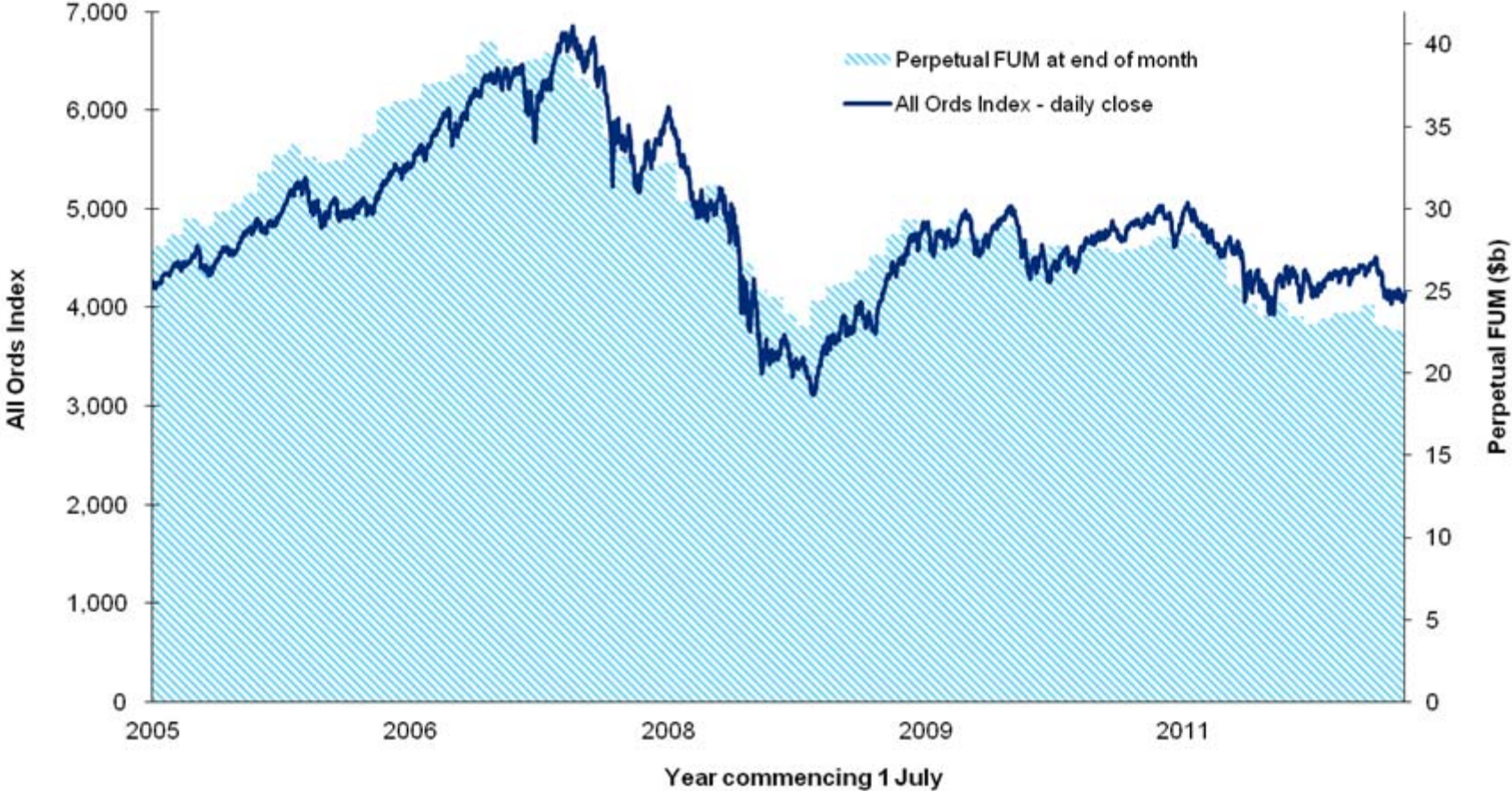


MR GEOFF LLOYD

Chief Executive Officer and
Managing Director

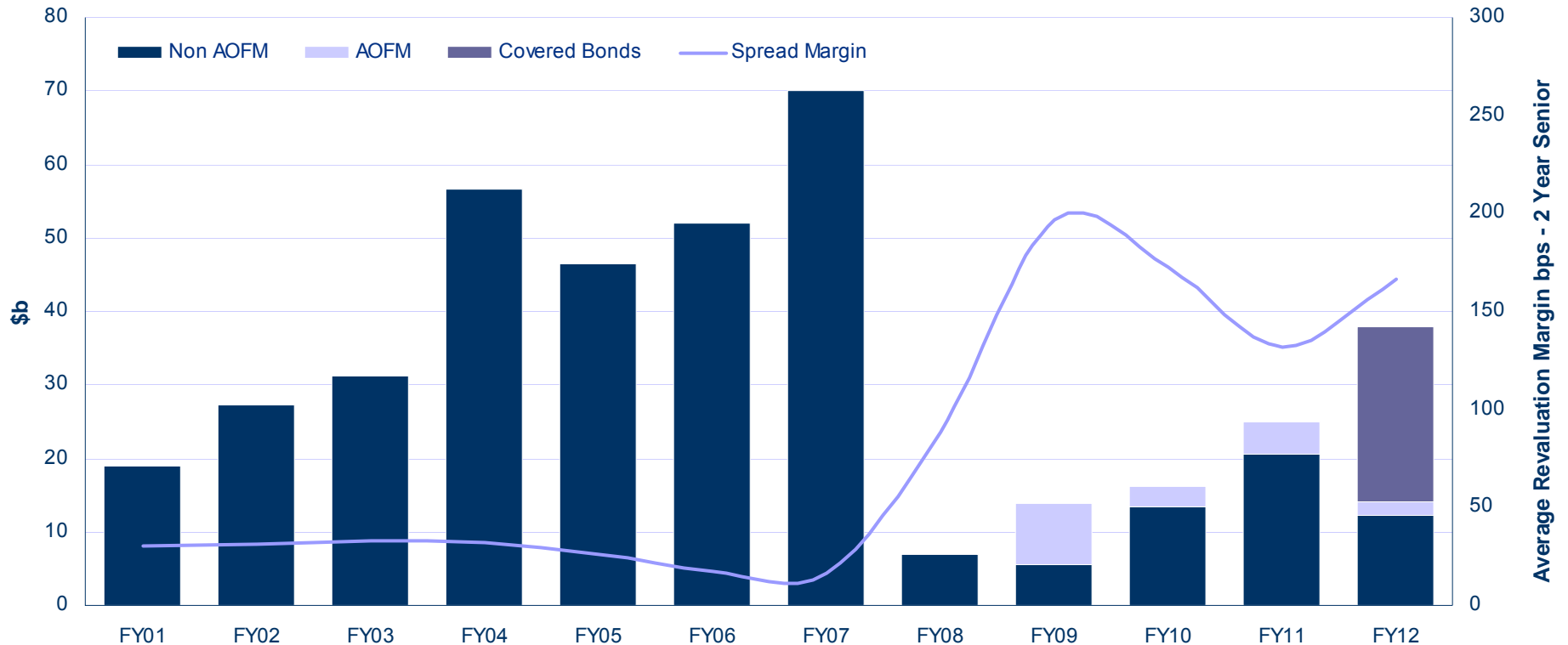
Perpetual 

ALL ORDS VS. PERPETUAL FUNDS UNDER MANAGEMENT 2005-2012



RMBS AND COVERED BONDS ISSUANCE VOLUMES IMPROVING - MIX CHANGING

ISSUANCE vs. AVERAGE MARGIN



Source: www.aofm.gov.au, S&P, Macquarie Bank and Perpetual

UNRIVALLED INVESTMENT PERFORMANCE

JUNE 2012 QUARTILE RANKINGS[^]

	1Yr	3Yrs	5Yrs	7Yrs	10Yrs
Perpetual W Australian	1	1	1	1	1
Perpetual W Concentrated Equity	1	1	1	1	1
Perpetual W Ethical SRI	1	1	1	1	1
Perpetual W Industrial	1	1	1	2	2
Perpetual W International Share	1	3	1	2	3
Perpetual W SHARE-PLUS Long-Short	1	1	1	1	-
Perpetual W Smaller Companies	3	2	2	2	3
Perpetual W Balanced Growth	1	2	1	2	2
Perpetual W Conservative Growth	1	2	1	1	-
Perpetual W Diversified Income	2	2	2	-	-
Perpetual Wholesale Dynamic Fixed Income	1	-	-	-	-

[^]Perpetual flagship funds included in the Mercer wholesale surveys – quartile rankings

PERPETUAL INVESTMENTS – MAJOR INITIATIVES

- Launch of Pure Equity Alpha Fund
- Improved ratings received for a number of funds
- First off-shore sub-advisory mandate for Global Resources strategy
- Changed retail distribution approach
- Inclusion of additional funds on platforms and Approved Product Lists
- Agreement with Wellington Management Company, LLP to manage international equity funds and closure of loss-making Dublin operations

PERPETUAL INVESTMENTS: MAINTAINS PROFITABILITY THROUGH STRONG COST CONTROL

	FY11 \$m	FY12 \$m	FY12 v FY11
Revenue	225.0	190.5	(15%)
Total expenses	(151.7)	(118.5)	22%
Profit before tax	73.3	72.0	(2%)
Closing Funds Under Management (\$b)	27.2	22.6	(17%)

PERPETUAL PRIVATE – MAJOR INITIATIVES

- Modernisation of client service and product offering via platform outsourcing agreement
- Launch of Super Wrap superannuation wrap offer
- Greater focus on core customer segments
- Deeper penetration of new sub-segments
 - Native trusts
- Continued investment in non-market related revenue streams
 - Financial planning
 - Estate planning
 - Life risk sales

PERPETUAL PRIVATE: REVENUES STABLE IN A DIFFICULT ENVIRONMENT

	FY11 \$m	FY12 \$m	FY12 v FY11
Revenue	116.2	114.7	(1%)
Total expenses	(102.9)	(106.4)	(3%)
Profit before tax	13.3	8.3	(38%)
Closing Funds Under Advice (\$b)	8.7	8.0	(8%)

CORPORATE TRUST – MAJOR INITIATIVES

- Continued strong position in RMBS and ABS mandates
- Multiple mandate wins for covered bond issues
- Launch of MARQ Services
- Sale of PLMS
- Sale of third party registry services business

CORPORATE TRUST: FOCUSED ON FIDUCIARY OPPORTUNITIES

	FY11 \$m	FY12 \$m	FY12 v FY11
Revenue	57.2	52.0	(9%)
Total expenses	(35.7)	(34.6)	3%
Profit before tax	21.5	17.4	(19%)
Closing Funds Under Administration (\$b)	205.8	217.0	5%

TRANSFORMATION 2015

FIX TO GROW

TRANSFORMATION 2015 SIMPLIFY

- Leaner
- Simpler
- Less duplication
- Fewer businesses

TRANSFORMATION 2015 REFOCUS

- One Perpetual
- Client & expertise focused
- More productive
- With partners

TRANSFORMATION 2015 GROW

- Competitive businesses
- Distribution excellence
- Repeatable models
- Selective acquisitions

**ANNUALISED PRE-TAX
RUN-RATE COST REDUCTION
AT PERIOD END:**

**1H13G
\$7-10M**

**2H13G
\$25-27M**

**1H14G
\$42-45M**

**2H14G
\$50M**


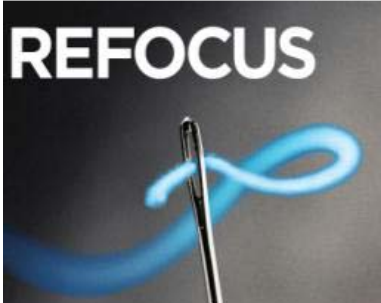

TRANSFORMATION 2015

OUTCOMES

1H13

2H13

FY14

 <p>SIMPLIFY</p>	<p>On track: Reduce central cost (HR, Finance, Risk, Marketing) Complete: Simplify structure, fewer managers and wider spans Complete: New leadership team & Transformation Office Complete: Sell PLMS</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Improve adviser productivity in PP <input type="checkbox"/> Reduce property footprint (stage 1) <input type="checkbox"/> Simplify core processes (e.g. Group functions) 	<ul style="list-style-type: none"> <input type="checkbox"/> Reduce property footprint (stage 2) <input type="checkbox"/> Simplify investment middle/back office <input type="checkbox"/> Reduce entities and inter-funding structures
 <p>REFOCUS</p>	<p>Complete: Sign IT outsourcing agreement On track: Realign advice model with more efficient support (PP) On track: Consolidate PI/PP investment teams (>\$30b FUMA)*</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Outsource IT infrastructure and applications (stage 1) <input type="checkbox"/> Outsource PP platform (ICE) <input type="checkbox"/> Refocus PI distribution 	<ul style="list-style-type: none"> <input type="checkbox"/> Simplify IT applications and outsourcing (stages 2 and 3) <input type="checkbox"/> Introduce tiered advice and service model in PP
 <p>GROW</p>	<p>On track: Continue execution of growth extensions (e.g. Native Title, Life Risk, Pure Equity Alpha, and Wellington Management)</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Define transformational growth initiatives in PI/PP 	<ul style="list-style-type: none"> <input type="checkbox"/> Transformational growth initiatives underway (2014+)

OUTLOOK

	Six months ending 31 Dec 2012 (1H13)
Underlying Profit After Tax from continuing operations (UPAT)	\$30m-\$35m

Notes:

- 1H13 UPAT outlook is based on financial markets at the end of October 2012 and is subject to there being no material deterioration in financial markets and business conditions over the remainder of calendar 2012
- 1H13 Underlying Profit After Tax from discontinued operations is not expected to be material

TRANS FORM ATION 2015

Simplify
Refocus
Grow

MS ELIZABETH PROUST AO

Chairman – People and
Remuneration Committee

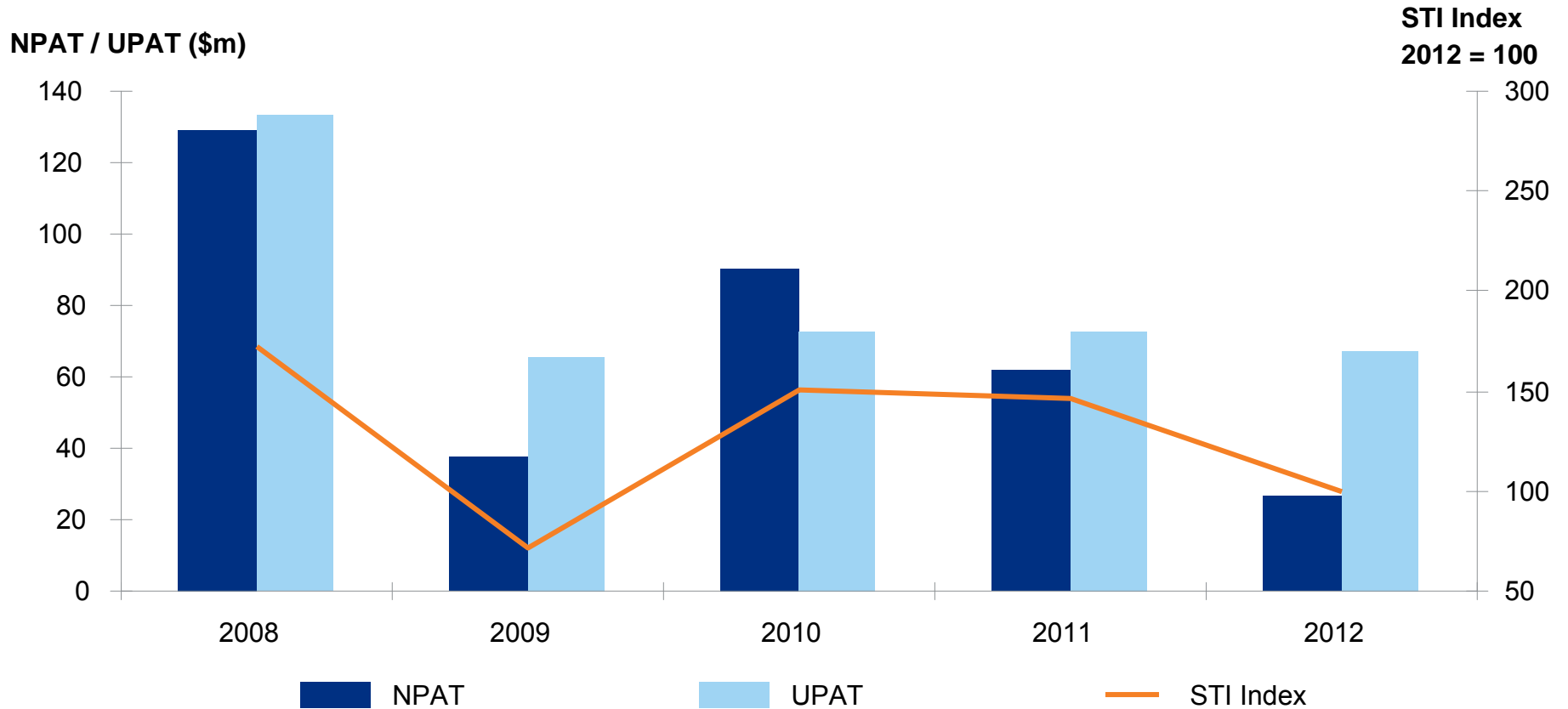
Perpetual 

REMUNERATION FRAMEWORK – KEY MEASURES

MEASURE	COMPLETED	% CHANGE	\$ CHANGE	TIMING
New LTI awards to KMP in form of Performance Rights – dividends no longer received on unvested awards	✓	n/a	n/a	From October 2012
Material portion of annual STI into shares	✓	n/a	n/a	For awards after 1 July 2013
Greater alignment of remuneration mix to business model	✓	n/a	n/a	On appointment
Reduction of overall Board fees	✓	-30%	-\$0.5m	From 1 July 2012
Reduction of Chairman's fees	✓	-42%	-\$0.2m	From 1 July 2012
Reduction of ongoing remuneration for CEO role	✓	-16%	-\$0.6m	From 5 February 2012
Employees with fixed remuneration above \$200,000 not eligible for increase	✓	n/a	n/a	From 1 September 2012
Reduction in Executive Leadership Team annualised target remuneration expense	✓	-21%	-\$2.0m	From 1 July 2012

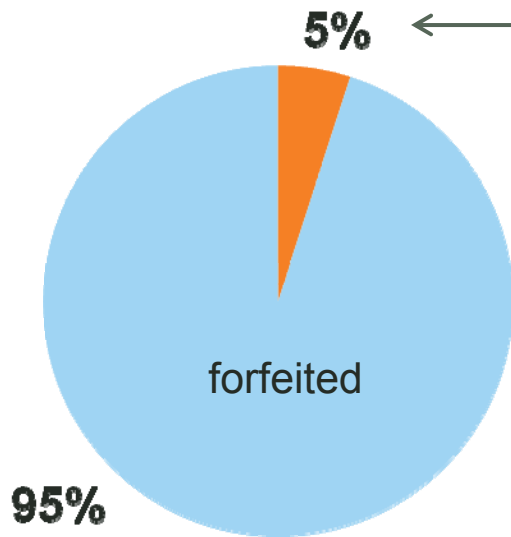
LOWER SHORT-TERM INCENTIVES IN LINE WITH FINANCIAL PERFORMANCE

COMPANY PERFORMANCE AND STI OUTCOMES

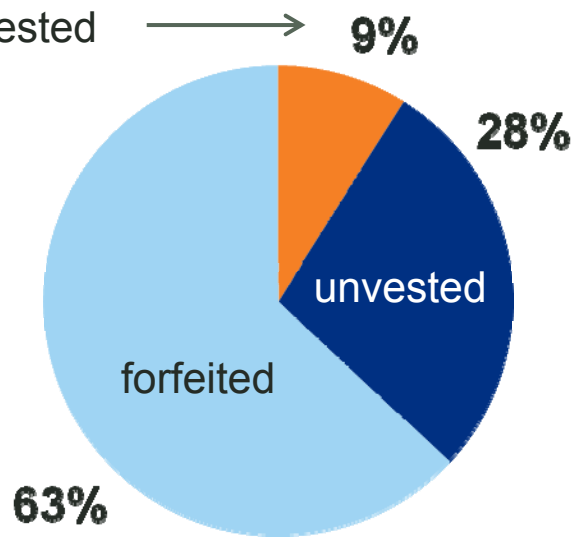


NO LONG-TERM INCENTIVES VESTED IN 2012

2007 GRANTS



2008 GRANTS



2009 GRANTS

