Directors' Report For The Year Ended 30 June 2011

The directors present their report together with the consolidated financial report of Perpetual Limited, ("Perpetual" or the "Company") and its controlled entities (the "consolidated entity"), for the year ended 30 June 2011 and the auditor's report thereon.

Contents of the Directors' Report

Directors' Report For The Year Ended 30 June 2011 (continued)

Directors

The directors of the Company at any time during or since the end of the financial year are:

Peter B Scott, Chairman and Independent Director
BE (Hons), M.Eng.Sc (Age 57)
Appointed as a Director in July 2005 and Chairman on 26 October 2010. He was formerly the Chief Executive Officer of MLC, an Executive General Manager of National Australia Bank and held a number of senior positions with Lend Lease. He is Chairman of Sinclair Knight Merz Pty Limited and a director of Stockland Corporation Limited. Mr Scott is an advisory board member of Pilotlight Australia. He is Chairman of Perpetual's Nominations Committee.

Mr Scott has more than 20 years of senior business experience in publicly listed companies and extensive knowledge of the wealth management industry.

Listed company directorships held during the past three financial years:

- Stockland Corporation Limited from August 2005 to the present

Paul V Brasher, Independent Director
BEc (Hons), FCA (Age 61)
Appointed Director in November 2009. Mr Brasher was formerly Chairman of the Global Board of PricewaterhouseCoopers International. He previously chaired the Board of PricewaterhouseCoopers' Australian firm and held a number of other senior management and client services roles during his career with the firm. Mr Brasher was Client Service Partner and /or Lead Engagement Partner for some of the firm's most significant clients. He also spent significant periods working with PricewaterhouseCoopers in the US and UK. Mr Brasher is currently a director of Incitec Pivot Limited and a Board member of the Victorian Arts Centre Trust. He is a member of Perpetual's Audit Risk and Compliance Committee and People and Remuneration Committee.

Mr Brasher brings to the Board his local and global experience as a senior executive and director, particularly in the areas of strategy, audit and risk management and public company governance.

Listed company directorships held during the past three financial years:

- Incitec Pivot Limited from September 2010 to the present

Meredith J Brooks, Independent Director
BA, FIAA (Age 49)
Appointed as a Director in November 2004. She was formerly Managing Director, US Institutional Investment Services for Russell Investment Group based in New York. Prior to that she held the position of Managing Director of Russell Australasia for five years and was previously Director, European Funds based in London. Ms Brooks is Chair of Synergy & TaikOz Limited, Critical Path Incorporated and has been appointed to the industry advisory board of Macquarie University Faculty of Business and Economics. She is a member of Perpetual's Audit Risk and Compliance Committee and Investment Committee.

Ms Brooks brings to the Board over 20 years of senior funds management experience both in Australia and internationally.

Philip Bullock, Independent Director
BA, MBA, GAICD, Dip. Ed. (Age 58)
Appointed Director in June 2010. Mr Bullock was formerly Vice President, Systems and Technology Group, IBM Asia Pacific, Shanghai, China. Prior to that he was CEO and Managing Director of IBM Australia and New Zealand. His career with IBM spanned almost 30 years in the Asia Pacific region. Mr Bullock is a director of CSG Limited. He also provides advice to the Federal Government, through his role as Chair of Skills Australia, as a member of the Education Investment Fund and a member of the recently concluded, National Resources Sector Employment Taskforce. He is a member of Perpetual's Investment Committee and People and Remuneration Committee.

Mr Bullock brings to the Board broad management experience in Australia and Asia in technology, sales and client management, product and brand management, industry solutions and equity joint ventures.

Listed company directorships held during the past three financial years:

- Healthscope Limited from September 2007 to October 2010
- CSG Limited from August 2009 to the present

Directors (continued)

E Paul McClintock AO, Independent Director
BA, LLB (Age 62)
Appointed as a Director in April 2004. He is Chairman of Thales Australia, Medibank Private Limited and the COAG Reform Council and has served as Secretary to Cabinet and Head of the Cabinet Policy Unit in the Australian Government. He is Chairman of Perpetual's Investment Committee and a member of the Nominations Committee and People and Remuneration Committee.

Mr McClintock brings to the Board over 30 years experience as a legal adviser, investment banker and senior policy adviser to Government and corporations.

Listed company directorships held during the past three financial years:

- Symbion Health Limited (Chairman) from June 2005 to February 2008
- Intoll Management Limited (formerly Macquarie Infrastructure Investment Management Limited) from May 2003 to December 2010

Elizabeth M Proust AO, Independent Director
BA (Hons), LLB, FAICD (Age 60)
Appointed as a Director in January 2006. She was formerly Managing Director of Esanda, part of the ANZ Group. Prior to joining ANZ she was Secretary (CEO) of the Victorian Department of Premier and Cabinet and Chief Executive Officer of the City of Melbourne. She is currently Chairman of Nestlé Australia Ltd and Bank of Melbourne Board, a director of Spotless Group Limited, Insurance Manufacturers of Australia Pty Ltd and Sinclair Knight Merz Pty Ltd. She is Chairman of Perpetual's People and Remuneration Committee and a member of Perpetual's Audit Risk and Compliance Committee and Nominations Committee.

In addition to her skills from her leadership roles in significant change management programs, Ms Proust brings to the Board her strengths in human resources, public affairs and strategy development, and her strong knowledge of board processes and governance through her many senior executive and board roles.

Listed company directorships held during the past three financial years:

- Spotless Group Limited from June 2008 to the present

Philip J Twyman, Independent Director
BSc, MBA, FAICD (Age 67)
Appointed as a Director in November 2004. He was formerly Group Executive Director of the London-based Aviva plc, one of the world's largest insurance groups with extensive fund management and wealth management businesses. Mr Twyman was also formerly Chairman of Morley Fund Management, a director of the Quilter Group, a UK private client stockbroker, and a senior executive of AMP in Australia. He has also been Chief Financial Officer of General Accident plc, Aviva plc and the AMP Group. Since returning to Australia, Mr Twyman has joined the Board of IAG Limited, Medibank Private Limited and the local Boards of the Swiss Re Group. He is also Chairman of ANZ Lenders Mortgage Insurance Pty Ltd and Overseas Council Australia. He is Chairman of Perpetual's Audit Risk and Compliance Committee and a member of the Investment Committee and Nominations Committee.

As an experienced international executive and director, Mr Twyman brings to the Perpetual Board his background in financial services, investment and wealth management together with considerable practical experience in relation to the audit and risk management issues faced by public companies in Australia and overseas.

Listed company directorships held during the past three financial years:

- IAG Limited from July 2008 to the present

Directors (continued)

Chris Ryan, Managing Director
B. Bus. (Age 51)
Commenced employment with Perpetual Limited on 14 February 2011 as Chief Executive Officer and appointed as Managing Director on 23 February 2011. Prior to his appointment as Managing Director and CEO of Perpetual, Mr Ryan's career included over 30 years of financial services experience in the Asia Pacific region. He led regional asset management businesses of three of the industry's major international players: HSBC, ING Investment Management, and Fidelity International. While CEO of ING Investment Management Asia Pacific, Mr Ryan was responsible for the firm's operations in 13 locations across Asia. This included ING Investment Management Australia, with over US$30 billion in assets under management. Most recently, Mr Ryan held an advisory role with Citibank's global transaction services business.

Mr Ryan brings to Perpetual extensive international and domestic experience in the financial services industry together with demonstrated leadership skills as a chief executive officer.

Directors who resigned during the period

Robert M Savage AM, Chairman and Independent Director
FASCPAS, FAICD, FAIM (Age 69)
Appointed as a Director in 2001 and as Chairman in October 2005. At the conclusion of the Annual General Meeting on 26 October 2010, Mr Savage retired as Chairman and Director of Perpetual Limited and as a member of the Nominations Committee and People and Remuneration Committee.

David M Deverall, Managing Director
BE (Hons), MBA (Stanford) (Age 45)
Appointed Managing Director and Chief Executive Officer in September 2003. Mr Deverall gave notice of his resignation on 23 June 2010 and retired as a Director of the Perpetual Limited board on 23 February 2011.

Alternate Directors

Roger L Burrows, Alternate Director
BCom, CPA, MAICD (Age 47)
Alternate Director for Mr Savage from December 2008 until Mr Savage's retirement at the conclusion of the AGM on 26 October 2010 and appointed as Alternate director for Peter Scott on 27 October 2010. He joined Perpetual as Chief Financial Officer in March 2008. Mr Burrows has over 25 years of experience as a senior finance executive in a diverse range of industries, including property, financial services, IT services, professional services and manufacturing. Prior to working at Perpetual, Mr Burrows was with Lend Lease for 20 years, including 3 years as Group Chief Financial Officer.

Ivan D Holyman, Alternate Director
BEc, LLB (Age 55)
Alternate Director for Mr Deverall from May 2006 until his resignation on 23 February 2011 and appointed as Alternate director for Chris Ryan on 8 April 2011. He joined Perpetual in June 2004 as Chief Risk Officer. Prior to joining Perpetual he held the position of Chief Operating Officer Asia Pacific for UBS Warburg and spent 19 years with UBS AG (and its predecessor organisations) in various positions. Prior to UBS AG he spent two years with Samuel Montagu & Co Limited (a UK merchant bank) and four years with Blake Dawson Waldron, solicitors.

Company Secretaries

Joanne Hawkins
BCom, LLB, Grad Dip CSP FCIS
Appointed Company Secretary in June 2003. Prior to this, Ms Hawkins was Assistant Company Secretary of Macquarie Bank and Ord Minnett and was Company Secretary, National Bank of the Solomon Islands. Ms Hawkins has also worked as a solicitor and legal adviser in New Zealand. Ms Hawkins is also head of Perpetual's legal team.

Company Secretaries (continued)

Glenda Charles
Grad. Dip. Corp. Gov. ASX Listed Entities, CSA (Cert)

Joined Perpetual in August 1994. She was appointed Assistant Company Secretary of Perpetual in 1999 and Deputy Company Secretary in 2009. Ms Charles has over 15 years experience in company secretarial practice and administration and has worked in the financial services industry for over 25 years.

Directors' meetings

The number of directors' meetings which directors were eligible to attend (including meetings of board committees) and the number of meetings attended by each Director during the financial year to 30 June 2011 were:

Director	Board		Audit Risk and Compliance Committee		Investment Committee		Nominations Committee		People & Remuneration Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
P B Scott	20	20	-	-	2	2	3	3	2	2
P V Brasher	20	20	7	7	-	-	-	-	8	8
M J Brooks	20	20	7	7	6	6	-	-	-	-
P Bullock	20	20	-	-	6	6	-	-	8	8
E P McClintock	20	19	-	-	6	6	3	3	8	8
E M Proust	20	20	7	7	-	-	3	3	8	8
R M Savage	6	6	-	-	-	-	2	2	2	1
P J Twyman	20	19	7	7	6	6	3	3	-	-
C Ryan	4	4	-	-	-	-	-	-	-	-
D M Deverall	16	15	-	-	-	-	-	-	-	-

Principal activities

The principal activities of the consolidated entity during the financial year were funds management, portfolio management, financial planning, trustee, responsible entity and compliance services, executor services, investment administration and custody services and mortgage processing services.

Review of operations

A review of operations is included in Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) section of the Annual Report.

For the financial year to 30 June 2011, Perpetual reported a net profit after tax of $62.0 million compared to the net profit after tax for the financial year to 30 June 2010 of $90.5 million.

The reconciliation of net profit after tax to underlying profit after tax for the 2011 financial year is as follows:

Reconciliation of underlying profit after tax	30 June 2011 $'000	30 June 2010 $'000
Net profit after tax attributable to equity holders of Perpetual Limited	**62,031**	**90,506**
Add: Profit after tax attributable to non-controlling interests[1]	337	216
Net profit after tax	**62,368**	**90,722**
Add: Impairment of assets (after tax)	14,694	-
Add: Private equity proposal response costs (after tax)	3,086	-
Add: Restructuring costs (after tax)	6,388	-
(Less)/Add: (Profit)/loss on sale of investments (after tax)	(3,905)	2,388
Less: Exact Market Cash Fund gains (after tax)	(9,752)	(20,317)
Underlying profit after tax	**72,879**	**72,793**

[1] Profit after tax attributable to non-controlling interests arising from the sale of underlying investments within a seed fund.

Directors' Report For The Year Ended 30 June 2011 (continued)

Dividends

Dividends paid or provided by the Company to members since the end of the previous financial year were:

	Cents per share	Total amount $'000	Franked# / unfranked	Date of payment
Declared and paid during the financial year 2011				
Final 2010 ordinary	105	45,602	Franked	28 Sep 2010
Interim 2011 ordinary	95	42,216	Franked	30 Mar 2011
Total		87,818		

Declared after end of year

After balance date, the directors declared the following dividend:

Final 2011 ordinary	90	40,204	Franked	27 Sep 2011
Total		40,204		

All franked dividends declared or paid during the year were franked at a tax rate of 30 per cent and paid out of retained earnings.

The financial effect of dividends declared after year end are not reflected in the 30 June 2011 financial statements and will be recognised in subsequent financial reports.

State of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Events subsequent to reporting date

On 15 August 2011 the Company announced the events to the market:

(i) the closure of its Dublin-based in-house manufacturing capability for the international equity asset class and
(ii) the sale of the smartsuper business.

(i) International Share funds
Effective 15 August 2011, the Dublin-based in-house manufacturing capability of Perpetual's International Share funds product was closed. The closure is expected to generate around $7 million in after tax annualised savings based on the current level of funds under management. Net savings in 2012 are estimated to be $4 million after tax due to the timing of the closure of the Dublin office. The closure will result in a $10 million after tax restructuring charge in the current 2012 financial year.

(ii) Sale of smartsuper
On 12 August 2011 the smartsuper business was sold on terms in line with its revised carrying value. Proceeds from the sale were not material.

Off-market Buy-back
On 26 August 2011 the Company announced its intention to return up to approximately $70 million of surplus capital to shareholders through an off-market buy-back tender process.

The Directors are not aware of any other event or circumstance since the end of the financial year not otherwise dealt with in this report that has or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years. Events subsequent to balance sheet date are set out in Note 37 to the consolidated Financial Statements.

Likely developments

Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

The consolidated entity acts as trustee or custodian for a number of property trusts, which have significant developments throughout Australia. These fiduciary operations are subject to environmental regulations under both Commonwealth and State legislation in relation to property developments. Approvals for commercial property developments are required by state planning authorities and environmental protection agencies. The licence requirements relate to air, noise, water and waste disposal. The responsible entity or manager of each of these property trusts is responsible for compliance and reporting under the government legislation.

The consolidated entity is not aware of any material non-compliance in relation to these licence requirements during the financial year.

The consolidated entity has determined that it is not required to register to report under the *National Greenhouse and Energy Reporting Act 2007,* which is Commonwealth environmental legislation that imposes reporting obligations on entities that reach reporting thresholds during the financial year.

Indemnification of directors and officers

The company and its controlled entities have resolved to indemnify the current directors and officers of the companies against all liabilities to another person (other than the company or a related body corporate) that may arise from their position as directors of the consolidated entity, except where the liabilities arise out of conduct involving a lack of good faith. The resolution stipulates that the company and its controlled entities will meet the full amount of any such liabilities, including costs and expenses.

Insurance

In accordance with the provisions of the *Corporations Act 2001* the company has a directors and officers' liability policy which covers all directors and officers of the consolidated entity. The terms of the policy specifically prohibit disclosure of details of the amount of the insurance cover and the premium paid.

Corporate Responsibility Statement

Perpetual's Board and management have a long-standing commitment to good corporate governance. The success of Perpetual's core businesses – the management of other people's money and the safekeeping of assets and securities – relies on a reputation of absolute trustworthiness. This statement sets out our approach to corporate governance. Copies of or summaries of documents that are underlined like this in this Corporate Responsibility Statement are available on our website at www.perpetual.com.au

ASX Corporate Governance Council's Corporate Governance Principles and Recommendations

At Perpetual, good corporate governance includes a genuine commitment to the ASX Corporate Governance Council's Principles and Recommendations (ASX Principles). Perpetual acknowledges and is supportive of amendments to the ASX Principles that Perpetual must report on for the financial year ending 30 June 2012. The ASX Corporate Governance Council has encouraged the 'early' transitioning to these requirements and, accordingly, Perpetual has made voluntary disclosure in relation to diversity in section 14 of this Corporate Governance Statement. Full reporting in relation to diversity in accordance with the ASX Principles will appear in the 2012 Annual Report.

The Board considers that it complies with all the ASX Principles, and has done so throughout the reporting period. A table setting out each Principle and the location of Perpetual's associated disclosure in this Corporate Responsibility Statement is located on pages 22 to 23.

1. Role of the Board

The Board has its own Board Charter which sets out the functions and responsibilities reserved to the Board and delegations made to management. The Board delegates day-to-day responsibility for the management and operation of the company to the Managing Director but remains responsible for overseeing management's performance.

The Board's specific responsibilities include:

- reviewing and approving Perpetual's strategy
- selecting the Managing Director and approving the appointment and removal of Group Executives
- setting the remuneration of the Managing Director
- aligning remuneration outcomes to Perpetual's financial soundness and risk management framework
- setting the non-executive director remuneration within shareholder approved limits
- setting Perpetual's values and standards
- monitoring business performance and the Perpetual Group's financial position
- overseeing the integrity of the Perpetual Group's financial accounts and reporting
- monitoring the Perpetual Group's investment activities and investment performance

- monitoring that significant business risks are identified and managed effectively
- ensuring that the performance of the Board, Managing Director and senior management are regularly assessed.

The Board Charter is reviewed annually to ensure the balance of responsibilities remains appropriate to Perpetual. The roles and responsibilities of Perpetual's Board and management are established in accordance with ASX Principle 1.

Each year, the Board's People and Remuneration Committee oversees the performance review process for the Managing Director and Group Executives. The Group Executives report directly to the Managing Director.

The Managing Director's performance objectives are set by the Board at the beginning of each financial year.

At the end of the financial year, the Chairman of the Board reviews the Managing Director's performance against his/her goals with input from all Board members.

The Managing Director sets performance objectives for each Group Executive at the beginning of each financial year. The Board's People and Remuneration Committee reviews the performance objectives set for the Group Executives. The Managing Director carries out the performance review of each Group Executive against their objectives with input from appropriate stakeholders including board members. In 2011, performance reviews were conducted in accordance with this process.

Group Executives and Directors who are new to Perpetual participate in Perpetual's orientation program and an additional induction process tailored to their own responsibilities. Perpetual also has an orientation program for all new employees covering Perpetual's history, business strategy, values, risk and compliance obligations and performance management.

2. Board structure

The Board currently comprises eight directors: seven non-executive directors and the Managing Director. The roles of Chairman and Managing Director are separate.

The Chairman is responsible for leadership of the Board and ensuring it performs its role and functions. He is also responsible for facilitating the effective contribution of directors by ensuring that each director fully participates in the Board's activities.

Details of the background, experience, professional skills and period in office of each director are set out on pages 2 to 4 of the Directors' Report.

The structure of the Board accords with ASX Principle 2.

3. Director independence

The Board considers all non-executive directors to be independent directors, including the Chairman.

In assessing the independence of each director, the Board considers, on a director-by-director basis, whether the director has any relationships that would materially affect his or her ability to exercise unfettered and independent judgment in the interests of Perpetual's shareholders. Consistent with the emphasis on 'substance over form' advocated by the ASX Principles, Perpetual takes a qualitative approach to materiality rather than setting strict quantitative thresholds, and considers each director's individual circumstances on its merits.

The independence of each Director is formally reviewed each May and at any time when a change occurs that may affect a Director's independence. Non-executive Directors also formally advise the Chairman of any relevant information, and update the Chairman if their circumstances change at any time.

In determining the independence of individual Directors, the Board has considered the relevant elements of the definition of independence adopted by the Board. These elements include whether the Director:

- has a substantial shareholding in Perpetual or is an officer of a company which has a substantial shareholding in Perpetual (or is otherwise associated with a substantial shareholder of Perpetual)
- has been employed by the Perpetual Group at any stage and in any capacity within the previous three years
- has been involved with the Perpetual Group in a material advising or consulting role at any time within the previous three years
- is (or is associated with) a material supplier or customer of the Perpetual Group
- is in a material contractual relationship with the Perpetual Group (other than as a director)

In considering whether such circumstances materially affect the independence of individual Directors, the Board considers the extent of competition relative to each organisation's total business, and the frequency with which Directors may be required to absent themselves from board deliberations by reason of conflicts of interest.

Paul Brasher receives post-termination benefits from his former employer, PricewaterhouseCoopers (PwC). PwC has been appointed as Perpetual's remuneration consultant and occasionally provides consulting services to Perpetual, which are not considered material in nature or quantity. The Board does not believe that this appointment of PwC affects the independence of Paul Brasher.

From time to time, funds managed by the Perpetual Group may take holdings, including substantial holdings in securities of listed entities. Perpetual Directors may also serve as non-executive directors on the boards of these entities. This factor alone is not considered to impact Director independence as decisions as to stock selection are not made by the Board of Perpetual but by Perpetual's asset management team in accordance with client or fund investment mandates.

It is the Board's view that no Directors currently hold other positions that materially affect their ability to exercise independent judgement in the interests of Perpetual shareholders.

4. Contracts with Directors

In the 2011 financial year, no Director disclosed a material personal interest in any contract entered into by any member of the Perpetual Group other than the remuneration paid to the Directors as outlined in this Annual Report and the deeds of indemnity described below.

5. Indemnity of directors and officers

Perpetual has entered into deeds to indemnify directors and officers of the Perpetual Group, to the extent permissible by law, from all liabilities incurred as directors or officers. Liabilities to the Perpetual Group, and liabilities that arise out of conduct that was not in good faith, are not covered in the indemnities. In addition, Perpetual has directors and officers' insurance against claims Perpetual may be liable to pay under these indemnities. This policy insures directors and officers directly.

6. Board access to information and independent advice

Directors receive regular updates on changes in the regulatory environment affecting Perpetual and the financial services industry. Directors are also encouraged to attend relevant conferences and seminars.

Non-executive Directors regularly confer without management present and the Chairman presides over these sessions. All Directors have unrestricted access to company records and information. Perpetual has a formal policy allowing the Board or an individual Director to seek independent professional advice at the Perpetual Group's expense, provided that the Director has obtained the prior approval of the Chairman, or if the relevant director is the Chairman, the prior approval of a majority of Perpetual's non-executive Directors. In the 2011 financial year, no Director sought professional advice under this policy.

7. Nomination, appointment, re-election and retirement of directors

Consistent with ASX Principle 2, the Board has a Nominations Committee with its own Terms of Reference.

The Nominations Committee is responsible for reviewing the size and structure of the Board. The aim is to ensure that the Board comprises an appropriate balance of skills, diversity, experience and independence in order to enhance board performance and maximise value for shareholders. The Nominations Committee is responsible for administering Perpetual's Policy on the Appointment of Directors, which sets out the selection process and selection criteria for identifying candidates to fill board vacancies. Consistent with recent amendments to the ASX Principles regarding disclosure of board selection processes, the Policy is disclosed in full on our website. If a board vacancy arises, the Nominations Committee will conduct a search in accordance with the Policy and the Board will appoint the most suitable candidate, having regard to the recommendation of the Nominations Committee. External consultants may be engaged to assist with the identification of appropriate candidates. A director appointed to fill a casual vacancy must stand for election at the next Annual General Meeting.

Upon appointment, new directors receive a detailed letter of appointment and participate in a comprehensive induction program designed to familiarise them with Perpetual's business, strategy, operations, Group Executives and senior management team.

Directors who have been in office without re-election for three years since their last appointment must retire and seek re-election at the company's Annual General Meeting. In order to continue to refresh the composition of the Board, Directors agree not to seek re-election after three terms of three years unless the Board requests them to do so. The nine year principle does not displace shareholders' rights to vote on the appointment and removal of directors, as set out in the ASX Listing Rules and the *Corporations Act 2001* (Cth) (Corporations Act).

8. Meetings of the Board

In the 2011 financial year, the Board met 20 times, including a strategic planning session. In addition to its usual business, the number of Board meetings during the year reflected the Board's consideration of the response to the private equity proposal of Kohlberg Kravis Roberts & Co., as well as the appointment of Chris Ryan, Chief Executive Officer and Managing Director. The Board receives performance, operations and risk reports from the Managing Director, the Chief Financial Officer, the Chief Risk Officer and the heads of each business division. The Board also receives reports and updates on strategic issues.
In addition, Directors spend time reading and analysing board papers and reports submitted by management and they engage in regular informal discussions with management. The

views of the Chairman and the non-executive directors are canvassed regularly by the Managing Director and the Group Executive on a range of strategic and operational issues.

The Chief Financial Officer and Company Secretary attend all board meetings. Other Group Executives and senior management attend board and committee meetings to report on particular issues and to engage in discussion on these issues. Senior executive attendance at board and committee meetings is subject to the overriding requirement that no senior executive will be directly involved in deciding their own remuneration.

Attendance of Directors at board and committee meetings is set out in the Directors' Report on page 5.

9. Board committees

A key component of the Board's governance structure is its four board committees. Each committee has a written charter known as its Terms of Reference which is accessible on the company's website under the 'Corporate Responsibility' heading.

All committees except the Nominations Committee generally meet at least quarterly, and more frequently if required. The Nominations Committee meets at least twice a year. Aside from the Nominations Committee, the Managing Director attends all committee meetings except where matters relating to his own remuneration and performance are discussed.

The qualifications and skills of the members of each committee are set out on pages 2 to 4 of the Directors' Report.

The membership and key responsibilities of each of the board committees (as at the date of this report) are set out below.

Audit, Risk and Compliance Committee

Members: Philip Twyman (Chairman), Meredith Brooks, Elizabeth Proust and Paul Brasher.

Changes to the committee since last Report: Nil.

The committee's role is to oversee the Perpetual Group's accounting policies and practices, the integrity of financial statements and reports, the scope, quality and independence of Perpetual's external audit arrangements, the monitoring of the internal audit function, the effectiveness of the risk management framework and the adequacy of insurance programs, and to report on these matters to the Board. This committee is also responsible for monitoring overall legal and regulatory compliance.

All members of the committee are independent non-executive directors and are required to be financially literate. At least one member must have accounting or finance related expertise. Members are also required to have an understanding of the financial services industry in which Perpetual operates.

Investment Committee

Members: Paul McClintock (Chairman), Meredith Brooks, Philip Bullock, and Philip Twyman

Changes to the committee since last Report: Peter Scott ceased to be a member in October 2010.

The committee's role is to monitor management to ensure that it has in place, and carries out, appropriate investment strategies and processes for the investment activities conducted both for third parties and on the Group's own behalf. This committee does not select stocks for individual Perpetual funds as stock selection is carried out by Perpetual's asset management team. All members of the committee are independent non-executive directors.

People and Remuneration Committee

Members: Elizabeth Proust (Chairman), Paul McClintock, Paul Brasher and Philip Bullock

Changes to the committee since last Report: Robert Savage retired and Peter Scott ceased to be a member in October 2010.

The committee's role is to monitor the Perpetual Group's people and culture policies and practices, including the diversity of Perpetual's workforce, and to assist the Managing Director to implement fair, effective and market competitive remuneration and incentive programs designed to retain high calibre employees and which demonstrate a clear relationship between performance and remuneration. The committee is authorised to directly engage external remuneration advisers and, after obtaining their advice as and when appropriate, the committee recommends remuneration for non-executive directors, the Managing Director, the Group Executive and other senior managers, to the Board. The committee also reviews succession and career plans for key executives.

All members of the committee are independent non-executive directors. New committee composition requirements to promote greater independence are proposed for introduction into the ASX Listing Rules. Perpetual's committee already complies with these requirements even though they have not yet formally come into effect.

Nominations Committee

Members: Peter Scott (Chairman), Paul McClintock, Elizabeth Proust and Philip Twyman.

Changes to the committee since last Report: Robert Savage retired in October 2010.

The committee's role is to recommend to the Board nominees for appointment/election (including re-election of existing board members) and to review board succession plans. At least annually, the committee reviews the size and structure of the Board to ensure that it comprises appropriately qualified and experienced people. This committee is also responsible for the formal evaluation of the Board's performance as a whole. All members of the committee are independent non-executive directors.

10. Board performance

The Board undertakes ongoing self-assessment as well as a formal annual review of the performance of the Board, its committees and individual Directors. In 2011, the Board undertook a review of board and committee performance which is due to conclude shortly. The Chairman reviewed with each Director their individual performance and, after obtaining feedback from the other Directors, a nominated Director reviewed the Chairman's performance. The Board review process aims to ensure that individual Directors continue to contribute effectively to the Board's performance and that the Board as a whole and its committees continue to function effectively.

11. Company Secretaries

The Board has access to the services and advice of Joanne Hawkins, the Company Secretary, and Glenda Charles, Deputy Company Secretary. The Company Secretary is accountable to the Board on governance matters. Details of the experience and qualifications of Joanne Hawkins and Glenda Charles are set out in the Directors' Report on pages 4 to 5.

12. Perpetual's subsidiary Boards

The boards of Perpetual's subsidiaries are generally made up of executive directors. The exceptions are Perpetual Superannuation Limited, which carries out Perpetual's superannuation activities, Queensland Trustees Pty Limited, which acts as trustee for Perpetual's share plans, and PI Investment Management Limited which, until recently, operated Perpetual's global equities business. The boards of these companies include non-executive directors. Perpetual's corporate governance policies are applied to its subsidiaries but adapted to reflect the size and nature of each subsidiary's operations and to recognise that the boards of most subsidiaries do not comprise non-executive directors. The subsidiary boards are a key component of Perpetual's Risk Management Framework.

13. Ethical conduct

Perpetual has a Code of Conduct which draws from and expands on Perpetual's Values. The Code of Conduct applies to all directors, executives and employees and is designed to assist them in making ethical business decisions. It is based on the following principles:

- acting with integrity
- managing conflicts of interests appropriately
- upholding the spirit as well as the letter of the law
- commitment to our clients and consistently delivering shareholder value
- respecting privacy and confidentiality
- maintaining a fair and safe work environment
- protecting those who report wrongdoing.

Additional policies deal with a range of ethical issues such as the obligation to maintain client confidentiality and to protect company information, the need to make full and timely disclosure of any price sensitive information and to provide a safe workplace for employees, which is free from discrimination. The Code of Conduct and associated policies are in keeping with ASX Principle 3.

Perpetual's Chief Risk Officer is Perpetual's Code of Conduct ombudsman and is available to all staff for a confidential discussion in relation to Code of Conduct matters. All new Perpetual employees are required to familiarise themselves with the Code of Conduct as part of their induction training requirements.

Perpetual has a Whistleblowing Policy to protect employees who make reports in good faith of wrongdoing, prejudice or disadvantage. As part of Perpetual's Whistleblowing Policy, a third party has been engaged to provide an independent and confidential hotline for Perpetual employees who prefer to raise their concern with an external organisation.

14. Diversity

Perpetual has a strong commitment to diversity and recognises the value of attracting and retaining employees with different backgrounds, knowledge, experiences and abilities.

Perpetual has implemented a number of initiatives to promote an inclusive culture and an environment that values individual differences, including the creation of a Diversity Policy and Diversity Strategy. Our diversity strategy focuses on embedding initiatives that align to the following four strategic priorities:

- Representation of women in senior management roles

- Meeting the needs of the generations – Baby Boomer, Generation X and Generation Y
- Flexibility for employees
- Ethnicity and cultural diversity

Gender equality at all levels of the organisation is a key component of our Diversity Strategy. To encourage greater representation of women at senior levels of the organisation, Perpetual has undertaken and continues to develop initiatives targeting an improvement in gender diversity, including the refinement and improvement of its recruitment processes and expansion of career and leadership development, mentoring, networking forums and knowledge sharing opportunities available to female employees.

Perpetual is supportive of the Australian Stock Exchange's amendments to the *Corporate Governance Principles and Recommendations* related to gender diversity. In response, Perpetual has established the measurable objective of achieving 38% representation of women in senior management by 2015. This measurable objective will be reviewed periodically to ensure it remains relevant to any future changes to the business.

As a commitment to ensuring that diversity remains a strategic priority for Perpetual on an on-going basis, in 2011 Perpetual is establishing a Diversity Council to be chaired by the Chief Executive Officer with representation by all Group Executives as council members.

15. Trading in securities by Directors and employees

Perpetual has a Trading Policy that complies with the requirements of ASX Listing Rule 12.12. This was lodged with the ASX in 2010 and is available on the company's website.

Perpetual's overriding policy in respect of personal trading is that there should be no dealings in the company's shares by any director or employee who is in possession of price sensitive information or where the dealing is for short-term or speculative gain. Provided they do not have price sensitive information, directors and employees are permitted to deal in the company's shares only in specified one month trading windows commencing on the trading day after:

- announcement of the half-year and full-year financial results
- release of the May ASX update to shareholders
- the conclusion of the Annual General Meeting

The Trading Policy requires prior approval for any share dealings from the Chairman in the case of Directors, from a nominated Director in the case of the Chairman and from the Managing Director in the case of senior executives. Prior approval is also required from the Managing Director or Company Secretary in the case of certain employees who are more likely to have access to information that is potentially price sensitive due to their role with the company.

The policy also prohibits employees from entering into 'hedging arrangements' in relation to Perpetual securities. Perpetual employees cannot trade in financial products issued over Perpetual securities by third parties or trade in any associated products which limit the economic risk of holding Perpetual securities. Perpetual employees and directors are prohibited from margin lending in relation to Perpetual securities.

A vendor of an entity, acquired by Perpetual during the previous financial year, has been permitted to continue a margin loan over Perpetual securities. The loan was entered into prior to commencing employment with Perpetual. The Perpetual securities were part of the consideration for the acquisition and the vendor became an employee following the acquisition.

16. Risk Management

The Board is committed to effective risk management and all Group Executives are accountable for managing risk within their area of responsibility. They are also required to manage risk as part of their business objectives with risk management integrated across business processes.

The Chief Risk Officer leads a group of risk management professionals, including lawyers, who provide the framework, tools, advice and assistance to enable management to effectively identify, assess and manage risk.

Consistent with ASX Principle 7, Perpetual's Risk Management Framework is designed to manage the company's material business risks. One component of the Risk Management Framework includes policies which are designed to address key areas of risk including strategic, financial and compliance risk. Perpetual's key group policies are outlined in the Risk Management Framework.

Through monitoring, the Board and its committees are provided with assurance of the effectiveness of Perpetual's management of its material business risks. In addition, the Board reviews the company's key risks regularly through the Key Risk Assessment process, further detailed in the Risk Management Framework.

Perpetual also has an internal audit function. The General Manager Internal Audit reports to the Audit Risk and Compliance Committee as well as to the Chief Risk Officer and is independent from the external auditor. Internal Audit provides independent assurance over the effectiveness of Perpetual's risk management, internal control, and governance processes. The Internal Audit team do not make management decisions or engage in other activities which could be perceived as compromising their independence.

Each of the Chief Risk Officer, Chief Financial Officer and the Head of Internal Audit has the right to, and do meet with, the Audit Risk and Compliance Committee, or its Chairman, without other management present.

Together with the Managing Director and Chief Financial Officer, Perpetual's Chief Risk Officer reports to the Board on the effectiveness of Perpetual's management of its material business risks in accordance with ASX Principle 7. The Board received this report in 2011 together with the statements outlined in section 17 below.

17. Financial Reporting

The Board has adopted policies designed to ensure that Perpetual's financial reports:

- are true and fair
- meet high standards of disclosure and audit integrity
- when read with Perpetual's other reports to shareholders, provide all material information necessary to understand Perpetual's financial performance and position.

In accordance with section 295A of the Corporations Act, the Board requires that, in respect of each financial year, the Managing Director and Chief Financial Officer provide a written declaration that, in their respective opinions:

- the financial records of the Company have been properly maintained in accordance with section 286 of the Corporations Act and
- the financial statements and notes comply with the accounting standards and give a true

and fair view of the financial position and performance of the Company and consolidated entity

To underpin the integrity of Perpetual's financial reporting and risk management framework, it is also Perpetual's practice for the Managing Director, Chief Financial Officer and Chief Risk Officer to state to the Board in writing that, in their respective opinions:

- the statements made regarding the integrity of the financial statements are founded on a sound system of risk management and internal compliance and control systems which implement the policies adopted by the Board of Directors

- the risk management and internal compliance and control systems, to the extent they relate to financial reporting, are operating effectively and efficiently, in all material respects, based on the risk management framework adopted by the Company

- the Company's material business risks (including non-financial risks) are being managed effectively

The statements referred to above are supported by written statements from senior management, detailed financial analysis and Perpetual's Risk Management Framework. As previously noted, the Chief Financial Officer is present when the Board considers financial matters, as he or she attends all board meetings.

The statements made by the Managing Director, Chief Financial Officer and Chief Risk Officer are consistent with ASX Principle 7.3. In 2011, the Board received the statements referred to above.

18. Audit process

The Perpetual Group's financial reports are subject to an annual audit by an independent, professional auditor, who also reviews the Group's half yearly financial statements. The Audit Risk and Compliance Committee oversees this process on behalf of the Board, in accordance with its Terms of Reference.

The external auditor attends each meeting of the committee, and it is the committee's policy to meet with the auditor for part of these meetings without management present. The committee chairman meets with the audit partner at least once every quarter, also in the absence of management. The auditor has a standing invitation to meet with the committee, its Chairman or with the Board's Chairman in the absence of management. The auditor attends the Board meetings at which the annual and half yearly financial reports are adopted.

The current external auditor is KPMG. The lead audit partner for 2011 was Andrew Yates and the engagement partner was Brendan Twining. This is the second year that Mr Yates has been acting as lead audit partner, and Mr Twining has acted as engagement partner for four years.

19. Auditor independence

The Board has policies in place relating to the quality and independence of Perpetual's external auditor. These policies have been reviewed in 2011 and include:

- a formal review of the appointed auditor every 5 years, to be timed during the middle of the lead partner's tenure. The results of the review are reported to the Audit Risk and Compliance Committee and the Board

- an annual review of the external audit firm's fees and performance, the results of which are reported to the Audit Risk and Compliance Committee and the Board

- the lead audit partner on each Perpetual audit must be rotated at least every five years, with a two year gap before a partner may be reappointed

- former audit partners and audit firm employees involved in our audit cannot become directors or employees of Perpetual Group companies for at least two years

- the external audit firm is prohibited from providing non-audit services that may materially conflict with its ability to exercise objective and impartial judgment on issues that may arise within Perpetual's audit, such as:

  - advisory services related to mergers and acquisitions
  - tax planning and strategy
  - senior management recruitment
  - significant valuations and appraisals
  - design and implementation of financial information systems

In 2011, the greater part of fees paid to KPMG for work other than audit of Perpetual Group accounts was for audit services in relation to investment funds of which Perpetual companies are the responsible entity, manager or trustee. It is the Board's view that these services are consistent with KPMG's appointment as auditor and are not services of a kind that might impair their impartial judgement in relation to the Perpetual Group's audit.

20. Market Disclosure

Perpetual has a Market Disclosure Policy to ensure compliance with its continuous disclosure obligations under ASX Listing Rule 3.1 and the Corporations Act. The Managing Director, Chief Financial Officer, Chief Risk Officer and Company Secretary are members of the Continuous Disclosure Committee responsible for deciding information that is required to be disclosed to the ASX. Perpetual ensures that all senior management give regular sign-offs as to whether there are matters that require disclosure to the ASX. The Board considers its disclosure obligations at each scheduled board meeting. Perpetual's Market Disclosure Policy contains the matters recommended by ASX Principle 5.

Perpetual's website includes copies of announcements lodged with the ASX by Perpetual. Consistent with recent amendments to the ASX Principles, advance notification of scheduled analyst briefings are provided to shareholders and the briefings are webcast. These can be found on the company's website along with media releases, briefings and annual reports for the last five years.

21. Shareholders

The Board is committed to ensuring that shareholders are fully informed of material matters that affect Perpetual's position and prospects. It seeks to accomplish this through a strategy which includes:

- the Half Year Results released in February each year
- the May ASX update to shareholders each year
- the Full Year Results released in August each year
- the Annual Report released in September each year
- the Chairman's and Managing Director's addresses to the Annual General Meeting
- market briefings and other significant information (which are posted on Perpetual's website as soon as it is disclosed to the market)

Perpetual will hold its Annual General Meeting in November and a copy of the notice of Annual General Meeting is posted on the Perpetual website as well as being provided directly to shareholders via their nominated means of communication. The Board encourages shareholders to attend the Annual General Meeting or to appoint a proxy to vote on their behalf if they are unable to attend. The formal addresses at the Annual General Meeting are webcast for those shareholders who are unable to be present. In accordance with the Corporations Act, a representative of the external auditor, KPMG, attends the Annual General Meeting for the purpose of answering shareholder questions about the audit report and audit process.

22. Remuneration

Perpetual has formed a People and Remuneration Committee consistent with ASX Principle 8.1. Its role is set out on page 13 of this report. Details of board and executive remuneration are set out in the remuneration report which commences on page 25. In accordance with the ASX Principles, the structure of non-executive director remuneration is clearly distinguished from that of executive Directors and senior management.

Non-executive Directors are not entitled to receive any retirement benefits, other than superannuation in accordance with Perpetual's statutory superannuation obligations.

23. Stakeholders

At Perpetual, we take advantage of opportunities to build our social, environmental and financial performance in ways that enhance our core values and business sustainability. We draw on our people's experience, knowledge and expertise in investing, governance, financial advice and trusteeship to contribute positively to the community. We focus on activities where we can add the most value to society while minimising our environmental impact – doing the greatest good while leaving the smallest footprint. We are committed to doing our part to enrich our community by:

- having the highest standards of corporate governance and business probity
- investing responsibly and encouraging sustainable business practices
- contributing time and money to charities which we know have a track record of delivering on their promises and
- reducing the environmental impact of our operations

Some examples of how we are achieving these goals include:

Investment

Long-Term Investment Approach

Perpetual's asset managers are 'value' managers who focus on quality. Their initial investment criteria include:

- the strength of the company's balance sheet
- whether the company can demonstrate a recurring earnings stream
- the quality of the business and
- the soundness of management running the company

We believe this approach holds corporate Australia to high standards and encourages behaviour in the long term interests of shareholders.

Signatory to the United Nations Principles for Responsible Investment

In October 2009, Perpetual became a signatory to the United Nations Principles for Responsible Investment (PRI) representing a commitment to take environmental, social and governance factors into account in our investment decision-making and ownership practices.

PRI is about institutional investors encouraging sustainable business practices, which is aligned to Perpetual's long term view.

Member of the Responsible Investment Association

The Responsible Investment Association is the peak industry body for professionals working in responsible investment in Australasia. The Responsible Investment Association's purpose is to provide training, professional development, events, research and policy initiatives that will promote stable markets, maximise financial returns and create positive environmental, social and governance outcomes.

Member of the Investor Group on Climate Change

The Investor Group on Climate Change (IGCC) was established in 2005 and represents institutional investors, with funds under management of approximately $600 billion, and others in the investment community interested in the impact of climate change on investments. The IGCC aims to ensure that the risks and opportunities associated with climate change are incorporated into investment decisions for the ultimate benefit of individual investors.

Social

Philanthropy and the Perpetual Foundation

Perpetual has been managing charitable money for over 120 years with more than 450 individual trusts with a total of $1.2 billion in funds under management. In 1998, we established the Perpetual Foundation, which brings the generosity of individuals and organisations together with our resources and expertise in managing charitable funds.

The Philanthropy team provides support to the non-profit sector via thought leadership forums, regular IMPACT philanthropy newsletters, and facilitating a number of knowledge sharing opportunities. The Perpetual Foundation has also sponsored sector research including research at the Australian Centre for Philanthropy and Non-Profit Studies.

Staff Giving

Perpetual's Staff Giving program encourages staff to donate to charities in a tax-effective way, with all donations being matched dollar-for-dollar by Perpetual. In addition to monetary donations, Perpetual's Staff Giving program also encourages employees to volunteer their time to charitable causes.

Pro Bono Legal Assistance

In late 2010, Perpetual's legal team agreed to partner with the Cancer Council NSW to provide pro bono legal assistance to people with cancer who are unable to afford legal assistance themselves. This initiative aims to alleviate some of the difficulties faced by people through this difficult time, and it has also fostered a great sense of achievement and pride within Perpetual's legal team.

Political Donations

Perpetual does not make political donations.

Environmental

Carbon Disclosure Project

Perpetual has responded to the Carbon Disclosure Project (CDP) surveys on five occasions and has been included in the Climate Disclosure Leadership Index (Australia and New Zealand) on three occasions.

Our People

Perpetual is committed to attracting, developing and engaging employees in a culture that is underpinned by Perpetual's Values.

Perpetual's inclusive culture is based on team work and collaboration and allows high performing employees to excel and be rewarded for their success. There is a focus on developing leaders from within Perpetual and on employee engagement. Employee engagement is assessed annually and results are used to develop future people initiatives.

The wellbeing of employees is supported by financial, insurance, health, fitness and work / life balance employee benefits. Some of the policies that support employee work / life balance include:

- Contribution Leave policy which provides an additional week of 'Contribution Leave' to allow employees to make a difference to their community, family or personal well-being
- Purchased Leave policy which enables employees to apply for up to 3 weeks of additional leave to spend more time with family, for holidays or greater work / life balance
- Sabbatical Leave and Leave Without Pay policies which allow employees to take an extended period of unpaid leave where they may choose to take time out to be with their family, travel overseas or undertake further study
- Working From Home policy which allows employees to work from home for greater work / life balance
- Flexibility Policy which enables employees to achieve work / life balance and meet parental or carer responsibilities. In 2010, Perpetual launched a tailored flexible working program to support managers and employees in managing requests for flexibility which included training all managers in managing flexibility.

Perpetual aims to meet the needs of employees at different stages of their lives and parental leave benefits are available for both men and women. This not only includes greater access to flexible working options but also 12 weeks paid maternity leave and a return to work bonus payable to the Primary Care Giver. A Proud Parents Program has also been introduced to support new parents as they transition back to work. All of the parental leave benefits have been added to a dedicated page on the Perpetual intranet and employees are also provided with a Parental Leave pack which contains this information as well as comprehensive checklists to help assist with their planning.

Shareholders who wish to know more about Perpetual's corporate policies are invited to review our website www.perpetual.com.au or to contact us by email at info@perpetual.com.au. Comments and suggestions from shareholders are welcome.

24. ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

Principle/Recommendation		**Relevant section(s)**	**Comply?**
Principle 1 – Lay solid foundations for management and oversight			
1.1	Establish and disclose the functions reserved to the Board and those delegated to senior executives.	1	Yes
1.2	Disclose the process for evaluating the performance of senior executives.	1	Yes
1.3	Provide the information indicated in the guide to reporting on Principle 1.	1	Yes
Principle 2 – Structure the Board to add value			
2.1	A majority of the Board should be independent Directors.	3	Yes
2.2	The Chair should be an independent Director.	3	Yes
2.3	The roles of Chair and chief executive officer should not be exercised by the same individual.	2	Yes
2.4	The Board should establish a nomination committee	9	Yes
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual Directors.	10	Yes
2.6	Provide the information indicated in the guide to reporting on Principle 2.	2 – 7, 9, 10	Yes
Principle 3 – Promote ethical and responsible decision-making			
3.1	Establish and disclose a code of conduct outlining • the practices necessary to maintain confidence in the Company's integrity • the practices necessary to take into account legal obligations and the reasonable expectations of stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	13	Yes
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.	14	Yes
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress toward achieving them.	14	#
3.4	Disclose in each annual report the proportion of women in the whole organisation, women in senior executive positions and women on the Board.	-	#
3.5	Provide the information indicated in the guide to reporting on Principle 3.	13, 14	#
Principle 4 – Safeguard integrity in financial reporting			
4.1	Establish an Audit Committee.	9	Yes
4.2	Structure the Audit Committee so that it: • consists only of non-executive Directors • consists of a majority of independent Directors • is chaired by an independent chair, who is not the Chair of the Board and • has at least three members.	9	Yes
4.3	The Audit Committee should have a formal charter.	9	Yes
4.4	Provide the information indicated in the guide to reporting	9	Yes

Principle/Recommendation		Relevant section(s)	Comply?
	on Principle 4.		
Principle 5 – Make timely and balanced disclosure			
5.1	Establish and disclose written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	20	Yes
5.2	Provide the information indicated in the guide to reporting on Principle 5.	20	Yes
Principle 6 – Respect the rights of shareholders			
6.1	Design and disclose a communications policy for promoting effective communication with shareholders and encouraging their effective participation at general meetings and disclose the policy or a summary of the policy.	21	Yes
6.2	Provide the information indicated in the guide to reporting on Principle 6.	21	Yes
Principle 7 – Recognise and manage risk			
7.1	Establish and disclose policies for the oversight and management of material business risks.	16	Yes
7.2	Require management to design and implement the risk management and internal control system to manage the company's material business risks and report to the Board on whether those risks are being managed effectively. The Board should disclose whether management has reported to it as to the effectiveness of the Company's management of its material business risks.	16, 17	Yes
7.3	Disclose whether the Board has received assurance from the Managing Director and the Chief Financial Officer that the declaration provided under s295A of the Act is founded on a sound system of risk management and internal control that is operating effectively in all material respects in relation to financial reporting risks.	17	Yes
7.4	Provide the information indicated in the guide to reporting on Principle 7.	16,17	Yes
Principle 8 – Remunerate fairly and responsibly			
8.1	The Board should establish a remuneration committee.	9	Yes
8.2	The remuneration committee should be structured so that it consists of a majority of independent Directors, is chaired by an independent chair and has at least three members.	9	
8.3	Clearly distinguish the structure of non-executive Directors' remuneration from that of executive Directors and senior management	22*	Yes
8.4	Provide the information indicated in the guide to reporting on Principle 8.	21, 22	Yes

Perpetual acknowledges and is supportive of amendments to the ASX Principles that Perpetual must report on for the financial year ending 30 June 2012. The ASX Corporate Governance Council has encouraged the 'early' transitioning to these requirements and accordingly, Perpetual has made voluntary disclosure in relation to diversity in section 14 of this Corporate Governance Statement. Full reporting in relation to diversity in accordance with the ASX Principles will appear in the 2012 Annual Report.

*Full details of the remuneration policies and structures of Perpetual Limited and its controlled entities (Perpetual Group) are set out in the Remuneration Report section of the Directors' Report on pages 25 to 66 of this Report.

Remuneration Report

Dear Shareholder

We are pleased to present our Remuneration Report for 2011.

2010/11 saw a renewal of the leadership of Perpetual, including the appointments of a new Chairman and Chief Executive Officer. During this time your Board has continued to assess our remuneration practices to ensure they drive achievement of the business strategy, incorporate high standards of governance and remain market competitive.

As announced in our Remuneration Report last year, we introduced a number of changes to our executive remuneration framework during the year, which are designed to strengthen the alignment of performance-based remuneration to shareholder outcomes and to our Risk Management Framework. These changes are summarised in section 1.1 and explained in more detail throughout this Remuneration Report.

During the year, we also completed a review of our governance framework, resulting in:

- the refinement of our remuneration guiding principles as described in section 3.1 of this Remuneration Report;
- the amendment of the People and Remuneration Committee's Terms of Reference to better reflect the remuneration principles of the APRA remuneration prudential standards; and
- the appointment of PricewaterhouseCoopers as the principal remuneration advisor to the Board.

We believe our remuneration practices are sound and demonstrate a clear link between executive and shareholder outcomes. Nevertheless, we have continued to refine our remuneration practices in light of new legislation and market practice. In the next year, we plan to make some changes to our short-term incentive arrangements (STI) to further improve the link between the successful execution of our business strategy and staff rewards. In doing so, the new STI plan will ensure the contribution of our staff to the company's performance closely aligns with the interests of our shareholders.

Thank you for taking the time to read this report. As always, we welcome your feedback.

Elizabeth M Proust AO
Chairman, People and Remuneration Committee

Contents

We have structured the report into nine sections:

Key terms used in this report

EPS	Earnings per share. When measuring the growth in EPS to determine the vesting of long-term incentive awards, Perpetual defines EPS as basic earnings per share after tax and any adjustments determined by the People and Remuneration Committee (for example, capital items that do not reflect management performance or day-to-day business operations and activities).
KMP	Key management personnel. Those people who have the authority and responsibility for planning, directing and controlling the company's activities, either directly or indirectly. This includes directors, whether executive or otherwise, of the Perpetual consolidated group.
LTI	Long-term incentive. LTI is a key feature of Perpetual's remuneration strategy and seeks to align executive remuneration with sustainable shareholder wealth creation. For the Managing Director, LTI may be granted in the form of shares and/or options in such proportions as determined by the Board. For all other eligible employees, LTI is granted in the form of shares. More details are on page 39.
NPAT	Net profit after tax. When calculating PPP (see below), Perpetual defines NPAT as net profit after tax with the post-tax amount of the PPP added back, and adjusted for any other items determined by the Board's Audit Risk and Compliance Committee and People and Remuneration Committee (for example, capital items that do not reflect management performance or day-to-day business operations and activities).
PPP	Profit Participation Pool. A funding pool created to fund STI payments for the majority of employees based on the company's net profit after tax. No pool is created unless the company's return on equity (ROE) performance measure is met. This is explained in more detail on page 37.
ROE	Return on equity. ROE is a measure of how well a company has used shareholders' funds and reinvested earnings to generate additional earnings. ROE is equal to Perpetual's NPAT (as defined above) divided by weighted average shareholders' equity, expressed as a percentage.
STI	Short-term incentive. An incentive paid for meeting annual targets aimed at delivering our longer-term strategic plan. Under the STI Plan employees may be paid a discretionary incentive (less applicable taxes and superannuation) based on their individual performance as well as on the performance of their team, their division and Perpetual as a whole. More details about the STI Plan are on page 37.
TSR	Total shareholder return. TSR is defined as share price growth plus dividends paid over the measurement period. Dividends are assumed to be reinvested on the ex-dividend date. Where applicable, adjustments may be made for any capital reconstructions or rights or bonus issues at the Board's discretion.

About this report

This report sets out the remuneration arrangements for all key management personnel (KMP). KMP are those people who have the authority and responsibility for planning, directing and controlling the company's activities, either directly or indirectly. This includes directors, whether executive or otherwise, of the consolidated entity. At Perpetual, we have assessed the KMP to be the former and current Managing Directors, the Group Executives, and the non-executive directors of Perpetual Limited. The information in this Remuneration Report has been audited as required by section 308(3C) of the Corporations Act 2001.

Key Management Personnel

Below are Perpetual's KMP this year:

Name	Position	Term
Non-executive Directors		
Robert Savage	Former Chairman (until 26 October 2010)	Retired 26 October 2010)
Peter Scott	Chairman (from 26 October 2010)	Full year
Paul Brasher	Independent Director	Full year
Meredith Brooks	Independent Director	Full year
Philip Bullock	Independent Director	Full year
Paul McClintock	Independent Director	Full year
Elizabeth Proust	Independent Director	Full year
Philip Twyman	Independent Director	Full year
Managing Director		
Chris Ryan	Chief Executive Officer (from 14 February 2011) and Managing Director (from 23 February 2011)	From 14 February 2011
Former Managing Director		
David Deverall	Chief Executive Officer (until 14 February 2011) and Managing Director (until 23 February 2011)	Until 23 June 2011
Current Group Executives		
Richard Brandweiner*	Group Executive Income and Multi Sector	Full year
Roger Burrows*	Chief Financial Officer	Full year
Cathy Doyle*	Group Executive Equities	Full year
Christopher Green	Group Executive Corporate Trust	Full year
Brian Henderson	Group Executive Marketing and Communications	From 27 June 2011
Ivan Holyman*	Chief Risk Officer	Full year
Geoff Lloyd*	Group Executive Private Wealth	From 10 August 2010
Janine Stewart	Group Executive People and Culture	Full year
Richard Vahtrick	Group Executive Operations	From 16 June 2011
Current executives who were in Acting Group Executive roles during the year		
Paul Ryan	Co-acting Group Executive Private Wealth	Until 10 August 2010
Shailendra Singh	Co-acting Group Executive Private Wealth	Until 10 August 2010
Group Executives who departed during the year		
Michael Miller	Group Executive Superannuation and Operations	Until 28 April 2011
Matt Pancino	Group Executive Operations	Until 15 October 2010
Rory MacIntyre	Acting Group Executive Global Equities	Until 30 September 2010

* The five highest paid officers of the group or company during the year ended 30 June 2011.

1. Remuneration snapshot

1.1 Key changes made to the executive remuneration framework in 2010/11

Following a review of our executive Remuneration Policy and arrangements, changes were made to the executive remuneration framework for 2010/11. Actual remuneration received by our executives during the year is provided on page 30.

- To be eligible to receive an STI payment, individuals must satisfy certain Risk and Behaviour measures as assessed by the Board.
- The threshold at which STI payments must be deferred into shares was lowered from 2 x Target STI to 1 x Target STI.
- The vesting schedule for the EPS performance hurdle was amended for all new LTI grants so that vesting begins (from 0%) when Perpetual's EPS growth is 5% p.a. Previously, a cliff-edge approach to vesting applied whereby no vesting applied until EPS growth was at least 10% p.a. at which point the award vested in full.
- Re-testing of LTI performance measures was removed for all new LTI grants.
- Accelerated vesting of LTIs on termination under certain circumstances was removed for all new LTI grants.
- A minimum shareholding guideline for executives has been introduced.

These changes are described in more detail throughout this report. We believe that the changes strengthen the alignment of performance-based remuneration to shareholders' interests and to Perpetual's Risk Management Framework.

1.2 Remuneration outcomes in 2010/11

A summary of the remuneration outcomes at Perpetual for 2010/11 is set out below.

Fixed remuneration

Managing Director and CEO
The fixed remuneration for the former Managing Director and CEO, David Deverall, remained unchanged from 1 July 2007 to his resignation on 23 June 2011.

The fixed remuneration for the new Managing Director and CEO, Chris Ryan (effective 14 February 2011), was determined by the Board using market data provided by an external independent adviser, which 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 20).

Group Executives
For 2010/11, increases of 8.3% on average were granted to Group Executives. This reflected the increase in experience and expertise of those executives who last year were still relatively new to their positions and had been promoted internally, starting on a lower fixed pay than their predecessor with a view to transitioning to market levels as they developed in their new role.

These increases followed 2009/10 where there were no increases in fixed remuneration for the Group Executives, except in the case of promotion or significant increases in roles and responsibilities.

Other employees
For the first time in three years, a budget was available for broad-based fixed remuneration increases. It ranged between 3% and 5% depending on the division. Increases were typically higher for employees

whose fixed remuneration was below market, and more modest for those already pitched near or above the market median.

Short-term incentive payments
Although NPAT for 2010/11 was lower than last year, the STI pool available to employees was broadly the same as last year. This was due to the following factors:

- Adjustment of NPAT for the following items:
  - the net gains on disposal (both realised and unrealised) and impairment of investments were deducted; these were of a capital nature and did not reflect management and employee performance and day-to-day business operations and activities,
  - costs incurred in responding to the indicative, conditional and non-binding proposal from KKR to acquire all of Perpetual's shares were added back, and
  - the impairment of intangible assets was added back, as this was of a capital nature.

- Decision by the Board to make a discretionary allocation to the PPP, primarily to supplement the STI of high performing lower level employees who would otherwise be receiving STI awards significantly below their target levels for the third consecutive year.

Long-term incentive vesting outcomes
All unvested long-term incentives held by the former Managing Director and CEO, David Deverall, were forfeited on his resignation. Additionally, vested but unexercised options held by Mr Deverall lapsed without value on resignation.

All LTI grants made to Group Executives in 2006 were forfeited during the year as the stretch TSR and EPS growth targets were not met when re-tested on 1 October 2010. No LTI grants made to Group Executives in 2007 vested as a result of the initial test of the performance targets on 1 October 2010. These will be re-tested in October 2011 but are very unlikely to vest.

A business-based LTI grant made to Cathy Doyle, Group Executive Equities, in February 2008 was tested during the year. 50% of the grant was subject to succession planning performance targets and 50% to a profit target. 83% of the succession-based portion vested, with the balance of the succession-based portion forfeited. No part of the grant subject to a profit target was met and this component will be re-tested on 31 December 2011.

Sign-on payments
In recognition of the remuneration foregone by Chris Ryan as a consequence of joining Perpetual, a sign-on payment of $500,000 gross (less tax) was paid three months after his commencement date.

In addition, subject to shareholder approval, Mr Ryan will be granted a one-off incentive to the value of $600,000 in the form of performance shares with effect from 1 April 2011. Vesting of these shares is subject to performance hurdles (50% TSR and 50% EPS growth) measured over two years.

Sign-on payments of $700,000 cash and $400,000 in shares were made to Geoff Lloyd, Group Executive Private Wealth, to compensate him for remuneration foregone as a consequence of joining Perpetual. The sign-on shares granted to Mr Lloyd vested on 10 August 2011.

Non-executive director fees
An increase in fees of approximately 3% for the Board and Committees, applied for 2010/11. This was the first increase in non-executive director fees since 1 July 2007. There will be no increase to non-executive director fees in 2011/12. Further, from 2011/12 there will be no fees paid to members for serving on the Nominations Committee. More details on the remuneration structure for non-executive directors and the amounts received in 2010/11 are provided on page 63.

1.3 Actual remuneration received

The following table summarises the actual remuneration executives at Perpetual received, including cash paid and the value of equity that vested.

Name	Total	Total fixed remuneration	STI	Equity vested during year[1]	Sign-on & relocation benefits[2]	Termination benefits[3]
	$	$	$	$	$	$
Managing Director						
C Ryan	1,247,244	460,844	150,000	-	636,400	-
Former Managing Director						
D Deverall	1,853,806	982,641	-	-	-	871,166
Current Group Executives						
R Brandweiner	567,042	362,242	204,800	-	-	-
R Burrows	875,692	568,492	307,200	-	-	-
C Doyle	1,070,215	548,807	281,600	239,808	-	-
C Green	575,215	370,415	204,800	-	-	-
B Henderson	79,508	-	-	-	79,508	-
I Holyman	589,040	413,940	175,100	-	-	-
G Lloyd	1,613,363	605,663	307,700	-	700,000	-
J Stewart	437,558	335,158	102,400	-	-	-
R Vahtrick	16,946	16,946	-	-	-	-
Current executives who were in Acting Group Executive roles during the year[4]						
P Ryan	49,526	31,444	18,082	-	-	-
S Singh	50,614	30,888	19,726	-	-	-
Group Executives who departed during the year						
M Miller	290,563	288,036	-	-	-	2,527
M Pancino	107,148	102,483	-	-	-	4,665
R MacIntyre	650,827	76,636	-	144,079	-	430,112

1. Equity vested during the year has been valued at the market value on the date the equity vested.
2. Cash sign-on benefits and relocation benefits in respect of executives who relocated to join Perpetual. Cash sign-on benefits include $500,000 to C Ryan and $700,000 to G Lloyd. Relocation benefits include reasonable cost of flights, accommodation, removal and freight of personal belongs, and financial advice (includes $136,400 of relocation benefits to C Ryan and $79,508 of relocation benefits to B Henderson).
3. Consists of payments for unused accrued leave (for D Deverall, M Miller, M Pancino and R MacIntyre), contractual entitlements (D Deverall), and severance entitlements (R MacIntyre). In all cases, the entitlements paid on termination were less than the relevant caps required by legislation and as a result shareholder approval for these payments was not sought.
4. Represents amounts received while in Acting Group Executive roles (ie 1 July 2010 to 10 August 2010).

1.4 Key changes to the executive remuneration framework for 2011/12

From 1 July 2011, changes will be made to the Group-wide STI plan. This is being done to better align STI outcomes with the business strategy.

In this respect, for the purpose of determining the STI pool, company performance will be measured against a balanced scorecard consisting of short-term financial metrics and longer-term value creation metrics. Company performance will also be measured against stretch targets, allowing it to be assessed in the context of the economic environment. NPAT will remain a key performance measure to ensure STI outcomes under the new STI plan are closely correlated to those under the previous plan, and that remuneration for employees continues to be aligned to shareholder interests.

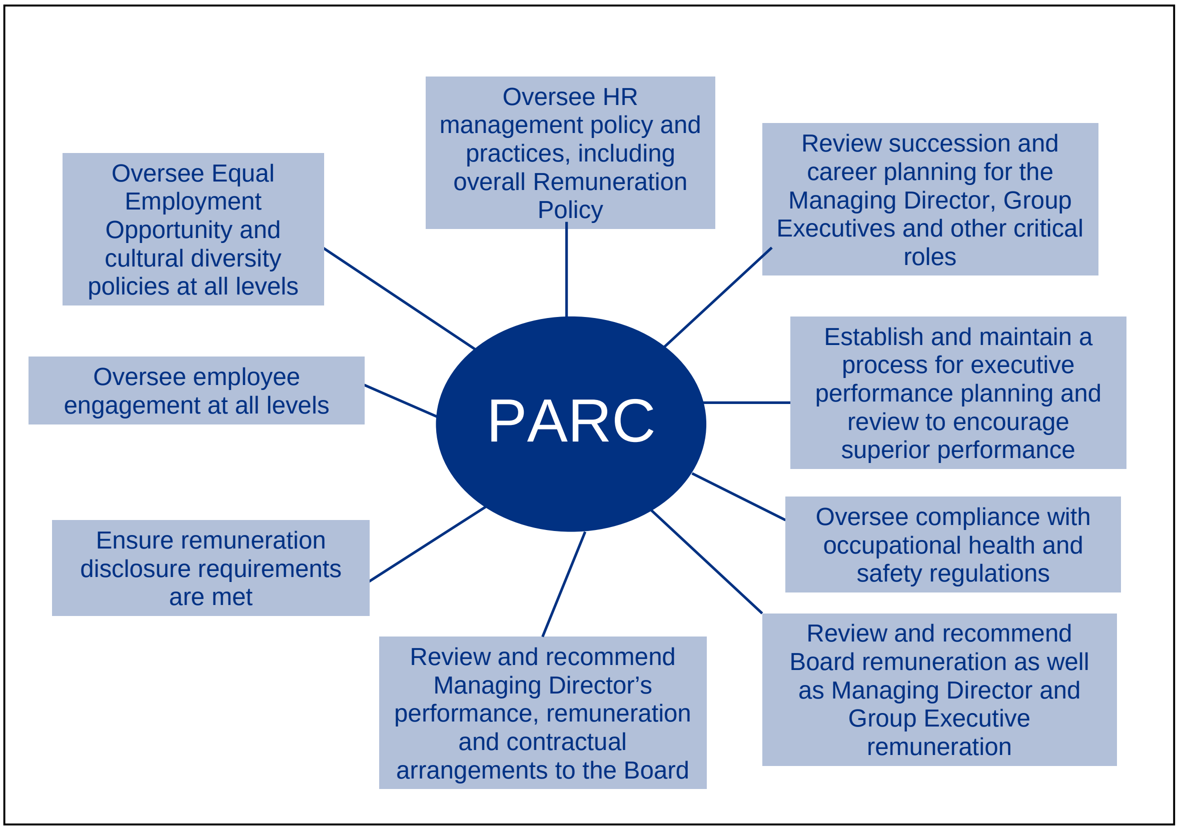
The changes are also designed to give employees greater clarity over how their individual performance and that of the business contributes to their STI outcome. Individual STI awards will be capped at 2 x Target and the STI deferral arrangements introduced to the Managing Director and Group Executives in 2010/11 will extend to all senior leaders.

The changes will be phased in from 1 July 2011, with full implementation expected for the 2012/13 financial year.

2 The role of the People and Remuneration Committee

The People and Remuneration Committee (PARC)'s role is to help the Board fulfil its responsibilities to shareholders through a strong focus on good governance, and in particular, the principles of accountability and transparency.

The PARC operates under delegated authority from the Board. During the year, the PARC increased its oversight of remuneration, with the result that the Board approved a Remuneration Policy to ensure that Perpetual's remuneration approach is aligned to its guiding principles and to the APRA Prudential Standards for executive remuneration. The PARC's Terms of Reference are available on our website (http://www.perpetual.com.au) and are shown graphically below:



The terms of reference are broad, encompassing remuneration as well as executive development, talent management and succession planning. This enables the PARC to focus on ensuring a high quality of succession planning and executive development at all levels of Perpetual.

The PARC members for 2010/11 were:

- Elizabeth Proust (Chairman)
- Paul Brasher
- Philip Bullock (from 9 August 2010)
- Paul McClintock
- Robert Savage (until 26 October 2010)
- Peter Scott (until 26 October 2010)

The PARC met eight times during the year. Attendance at these meetings is set out on page 5 of the Directors' Report.

At the PARC's invitation, the Managing Director and Group Executive People and Culture attended meetings except where matters associated with their own performance evaluation, development and remuneration were to be considered.

The PARC considers advice and views from those invited to attend meetings and draws on services from a range of external sources, including remuneration consultants.

In March 2011, the PARC appointed PwC as its principal remuneration consultant to provide specialist advice on executive remuneration and other Group-wide remuneration matters. This advice is commissioned by the PARC and is independent of management.

Share dealing approval

Any share dealings, whether these shares are held personally or were acquired as part of remuneration, require prior approval. The table below shows the approval required:

Person wishing to deal in shares	**Approval required from**
Managing Director	Chairman
Director	Chairman
Chairman	Nominated Director
Group Executive	Managing Director
An employee likely to have price-sensitive information	Managing Director / Company Secretary

3 Our remuneration philosophy and structure

Perpetual's remuneration philosophy is that the remuneration strategy should align with and support the achievement of our business strategy, while ensuring remuneration outcomes are aligned with shareholder interests and are market competitive. To that end we have created six guiding principles that direct our remuneration approach.

3.1 Remuneration principles

Our Remuneration Policy is designed around the following six guiding principles:

1. The remuneration structure should attract, motivate and retain the desired talent within Perpetual.
2. The remuneration structure should align value creation for shareholders, clients and employees.
3. The remuneration structure should embed sound risk management.
4. Incentive arrangements should motivate performance.
5. Remuneration should be delivered efficiently and effectively considering the level of administration required.
6. The remuneration structure should be supported by a governance framework that avoids conflict of interest and ensures proper controls are in place.

The PARC has also adopted a number of practices that collectively contribute to each remuneration principle.

3.2 Alignment with sound risk management

When determining the variable (or "at risk') elements of remuneration, we ensure that risk management is a key performance metric using specific performance goals and targets. Sound risk management practices include:

- incorporating in employee incentive plans goals that are specifically related to risk management performance measures. These goals are approved annually by the Board and cascade down to all employees
- performing scenario testing on potential outcomes under any new incentive plans
- regularly reviewing the alignment between remuneration outcomes and performance achievement for existing incentive plans
- deeming employees to be ineligible for the payment of STI in the event they exhibit poor risk behaviours
- deferring STI above a certain threshold into Perpetual shares to align remuneration outcomes with longer-term company performance
- including provisions in incentive plans for the Board or the PARC to adjust incentive payments downwards, if required, to protect Perpetual's financial soundness, or to respond to significant unexpected or unintended consequences
- continuous monitoring of remuneration outcomes by the Board, the PARC and management, to ensure that results are promoting behaviours that support Perpetual's long-term financial soundness and the desired culture.

3.3 Alignment with shareholders

Link to business strategy

A key tenet of our remuneration philosophy is that the remuneration strategy should support the achievement of our business strategy and desired culture while ensuring that remuneration outcomes are aligned with shareholder outcomes. The link between our remuneration strategy and our business strategy is shown below:

Remuneration component	Link to business strategy
Fixed remuneration	Targeted at market median in order to attract and retain talented employees and to not encourage excessive risk-

	taking.
Short-term incentives	Rewards short-term financial performance and capital management. Awards are based on performance against stretch targets using key performance indicators linked to financial metrics and longer-term value metrics.
Long-term incentives	Awards are in fully paid ordinary Perpetual shares and are subject to service conditions and performance hurdles over a three-year period. Executives only receive value from this component if performance hurdles are met. Performance hurdles are aligned to our business strategy and shareholder interests through TSR and EPS growth targets.

Minimum shareholding guideline
A minimum shareholding guideline was introduced in 2010 to strengthen the alignment between executives' and shareholders' interests in the long-term performance of Perpetual. Under this guideline, executives are expected to establish and hold a minimum shareholding to the value of:

- Managing Director: 1.5 times fixed remuneration
- Group Executives: 0.5 times fixed remuneration

The value of each vested option or share held in tax deferral by the executive is treated as being equal to 50% of that share or option. Unvested shares or options do not count towards the target holding.

A five-year transition period, from the later of 1 July 2010 or the start of employment, gives executives reasonable time to meet their shareholding guideline. Where the guideline is not met after the required time period, executives may be restricted from trading vested shares held in the trust.

As at 30 June 2011, progress towards the minimum guideline for each executive was as follows:

	Value of eligible shareholdings as at 30 June 2011 ($)	Value of minimum shareholding guideline ($)
Managing Director		
Chris Ryan	-	1,837,500
Group Executives		
Richard Brandweiner	23,334	183,750
Roger Burrows	-	285,000
Cathy Doyle	10,284	275,000
Chris Green	59,782	200,000
Brian Henderson	-	187,500
Ivan Holyman	34,104	220,000
Geoff Lloyd	-	337,500
Janine Stewart	-	170,000
Richard Vahtrick	-	200,000

Hedging and Share Trading Policy
Perpetual's Share Trading Policy prohibits employees and directors from entering into hedging arrangements in relation to Perpetual securities. Perpetual employees and directors cannot trade in financial products issued over Perpetual securities by third parties or trade in any associated products which limit the economic risk of holding Perpetual securities. Share-dealing can only take place during agreed trading windows throughout the year and is subject to certain approvals (as set out on page 32 of this report).

3.4 Executive remuneration structure

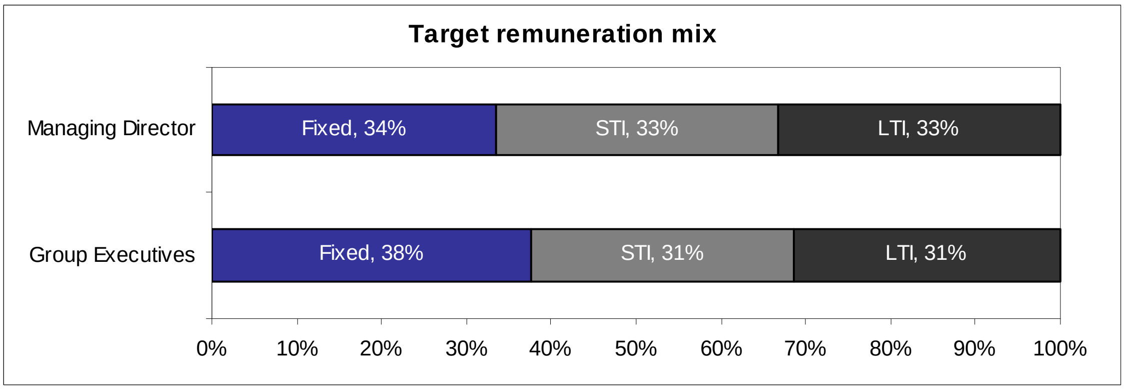
The executive remuneration structure for 2010/11 was as follows:

<table>
<tr><td>Fixed</td><td>Fixed remuneration</td><td>Typically set around the market median for each employee. By participating in remuneration surveys and closely monitoring the market, we can compare our company to other Australian-based financial institutions. In some circumstances, such as for specialist technical positions, we may compare the position to a more targeted group of companies.

Calculated on a ‘total cost to company’ basis, consisting of base salary, superannuation, packaged employee benefits and associated fringe benefits tax (FBT).</td><td rowspan="2">Paid as cash</td></tr>
<tr><td rowspan="3">Variable
‘at risk’</td><td>STI</td><td>Paid for meeting annual targets aimed at delivering our longer-term strategic plan. Awards depend on individual, division and company performance and are funded through the Profit Participation Pool.</td></tr>
<tr><td>Deferred STI</td><td>STI awarded in excess of target STI are deferred into Perpetual shares for two years subject to service conditions.</td><td rowspan="2">Awarded as deferred equity</td></tr>
<tr><td>LTI</td><td>Granted in the form of fully paid ordinary Perpetual shares (and in the case of the former Managing Director, options). Vesting is typically subject to service conditions and TSR and EPS growth performance hurdles measured over a three-year performance period.</td></tr>
</table>

3.5 Remuneration mix

All executives have a significant portion of their remuneration linked to performance. The table below shows the target remuneration for the new Managing Director and the average target remuneration mix for Group Executives:



3.6 Asset managers

The remuneration arrangements for asset managers are structured to ensure that we remunerate them appropriately within a highly competitive market, as well as ensuring reward for adding value to client portfolios.

Their remuneration therefore consists of both fixed and variable components, with the variable components primarily driven by investment performance outcomes over short- and long-term horizons. In many cases incentives are paid outside the Profit Participation Pool and are linked to outperforming benchmark indices which are aligned with client objectives. Incentives are paid as a mixture of cash and shares and expensed as part of Perpetual's net profit after tax. Where paid as shares, these shares vest progressively over many years. This ensures reward for sustainable long-term performance and supports our employee retention objectives.

4 Short-term incentives

Short-term incentives are incentives paid in the form of cash and deferred shares for meeting annual targets aimed at delivering our longer-term strategic plan.

From 1 July 2011, changes will be made to the Group-wide STI plan as summarised in Section 1.4 of this remuneration report. Sections 4.1 to 4.3 below describe the STI arrangements that applied for 2010/11.

4.1 How STI is funded

A Profit Participation Pool (PPP) is created each year to fund STI for the majority of employees (including KMP). The size of the PPP is determined by the company's net profit after tax.

Some asset managers, whose STI is linked explicitly to investment performance, are excluded from the PPP. In addition, participants in the Private Wealth and Corporate Trust Sales Incentive Plans also have a proportion of their STI funded outside the PPP. The STI for the new Managing Director, Chris Ryan, was also funded from outside the PPP this year. Mr Ryan will participate in the Group-wide STI plan from 2011/12 and beyond.

The PPP is linked to profit performance, where increased profits create a larger pool and decreased profits result in a smaller pool. We use return on equity (ROE) and net profit after tax (NPAT) as measures to govern the operation of the PPP.

The PPP operates as follows:

- The profit pool begins to accumulate only when Perpetual's ROE for the current year exceeds 65% of companies listed on the S&P/ASX100 (excluding listed property trusts), measured on a rolling three-year basis.

  This measure was chosen to ensure that Perpetual's capital utilisation does not fall to unacceptable levels as the company seeks to increase net profits.

- Once the ROE target is met, the profit pool accumulates based on a percentage of NPAT. Although the value of the pool is uncapped, the accumulation rate is ultimately capped at one-third of incremental NPAT where year-on-year NPAT growth is over 40%.

  This measure was chosen to encourage year-on-year growth in net profit and to ensure a high correlation exists between NPAT performance and incentive outcomes.

- If there is a year-on-year fall in NPAT, mechanisms are included within the plan to limit the pool size in future years until the previous NPAT 'high water mark' is passed.

  NPAT is defined as net profit after tax with the post-tax amount of the profit pool added back, and adjusted for items determined by the Audit Risk and Compliance Committee and People and Remuneration Committee (for example, capital items such as realised gains on the sale of an investment that do not reflect management performance or day-to-day business operations and activities).

- Underlying profit after tax (UPAT) was replaced by NPAT in 2009/10 because it more closely aligns PPP funding with shareholder returns. Previously, UPAT was used to determine the PPP.

4.2 How the PPP is allocated

Each year performance targets and goals are set for all employees, in line with division and company targets. These performance objectives are classified into the following six categories, including example metrics:

- **Financial:** Profit before tax, funds under management growth.
- **Strategic:** project milestones and execution objectives.
- **Operational:** operational efficiency, product ratings, process improvements.
- **People:** engagement survey scores, succession planning, team development.
- **Risk:** demonstration of risk competencies.
- **Values:** demonstration of Perpetual's core values.

Performance objectives are assessed throughout the year as part of the performance management process. At year end, an annual assessment of each executive and employee's performance is made and the PPP is then allocated based on relative divisional and individual performance.

Allocations to the Managing Director and Group Executives are subject to Board approval. The Managing Director and Group Executives must meet certain risk and behaviour standards to be eligible to receive an STI payment, as assessed by the Board.

4.3 How STI is delivered

STI payments are delivered in cash except where the STI outcome is more than 1 x Target STI, in which case the excess amount must be taken as Perpetual shares. Before this year, the threshold was 2 x Target STI.

Deferred STI shares are subject to a two-year vesting period. Dividends on shares are paid during the restriction period. Some or all shares held in deferral may also be forfeited if the Board subsequently determines that the STI was awarded on unrealised profits that did not eventuate, on inaccurate information (for example, that requires the Financial Statements to be restated), or from unacceptable risk-taking.

Leaver provisions apply for deferred STI shares. This mean that if an executive resigns from Perpetual during the deferral period, or their employment is terminated without notice or due to poor performance, the shares are forfeited.

5 Long-term incentives

Long-term incentives are paid as shares and, in the case of the former Managing Director David Deverall, options. This section explains the plans in place and how they work.

5.1 Executive share program and executive options program

These programs are the LTI plans in which the Managing Director and Group Executives participate.

New long-term incentive plan
In February 2011, the Board approved the introduction of a new plan, the Perpetual Limited Long-term Incentive Plan. This plan has replaced the Executive Share Plan for the purpose of making future long-term incentive grants to executives, including the sign-on grant of shares to the new Managing Director if approved by shareholders.

The new plan was introduced to modernise terms and conditions in light of significant changes to market practice and regulation of employee equity plans over the past decade. A single set of rules has been developed to enable grants of performance shares or options. Having these included under a single plan ensures consistency and provides additional flexibility.

This year, long-term incentives awarded to KMP were made under the old plans: the Perpetual Limited Executive Share Plan (ESP) and in the case of the former Managing Director, the Perpetual Limited Executive Option Plan (EOP).

Performance targets
Vesting of LTI grants is subject to service conditions and the achievement of performance targets. LTI performance targets are directly linked to company performance.

Each share or option grant is divided into two equal tranches, with the following performance targets being applied to each tranche:

- The first tranche vests based on Perpetual's total shareholder return (TSR) measured against companies listed on the S&P/ASX100 (excluding listed property trusts) determined at the date the LTI is granted. TSR is measured independently by Link Market Services and reported to the PARC.
- The second tranche vests based on growth in Perpetual's earnings per share (EPS).

Shares are held in trust for a maximum of 7 years from the grant date (10 years for grants made before 1 July 2009), while vested options may be exercised up to the sixth anniversary of the grant date.

TSR performance target
TSR is defined as share price growth plus dividends paid over the performance period from the initial TSR measurement date. Dividends are assumed to be reinvested on the ex-dividend date. Where applicable, adjustments may be made for any capital reconstructions or rights or bonus issues to ensure participants are neither advantaged nor disadvantaged by such capital events.

The TSR performance target requires Perpetual's TSR over the performance period to be equal to or better than the TSR of half of the comparator group, which consists of companies listed on the S&P/ASX100 (excluding listed property trusts). This comparator group was chosen in the absence of a suitable peer group of direct competitors, and as it best represents Perpetual's performance which is influenced by equity market movements (given that Perpetual's revenue is significantly dependent on Funds Under Management and Funds Under Advice). For TSR performance greater than median, a sliding scale applies to determine the vesting percentage.

TSR vesting schedule

Perpetual's TSR ranking relative to the comparator group	Percentage of shares and options that will vest
Less than median	0%
Median	50%
Greater than median but less than 75th percentile	2% for every one percentile increase in Perpetual's relative position
Greater than 75th percentile	100%

EPS performance target
The EPS performance target requires Perpetual's EPS growth during the performance period to be equal to or greater than the target set by the Board. This target, which is currently 10% p.a., may be reviewed by the Board from time to time.

The achievement of this performance target links the individual's remuneration to the company's growth in earnings.

EPS vesting schedule

For LTI awarded to Group Executives in 2010/11:

Perpetual's growth in EPS	Percentage of shares and options that will vest
EPS growth less than or equal to 5% p.a.	0%
EPS growth between 5% p.a. and 10% p.a.	2% for every 0.1% of EPS growth above 5% p.a.
EPS growth at or above 10% p.a.	100%

For LTI awarded to the former Managing Director and to Group Executives prior to 2010/11:

Perpetual's growth in EPS	Percentage of shares and options that will vest
EPS growth less than 10% p.a.	0%
EPS growth at or above 10% p.a.	100%

This change was made to reduce the 'cliff-edge' effect of the vesting schedule and make the LTI award more meaningful to executives.

Business performance targets
No LTI with business performance targets was granted to the Managing Director or Group Executives this year.

One Group Executive (Cathy Doyle) and the former Managing Director (David Deverall) have previously received LTI allocations which are linked to the achievement of stretch business targets. These targets include the achievement of specific objectives related to profit growth, funds under management, and succession planning. The shares may vest in accordance with a scale of target, threshold and stretch performance specific to each business target. Shares with business performance targets held by Cathy Doyle are due to be re-tested at 31 December 2011. After this date, no KMP will have LTI with business performance targets.

Dividends for unvested grants subject to business targets are reinvested into further Perpetual shares or are held as cash, and are also subject to the same performance targets as the original grant.

Performance target testing and re-testing guidelines
A three-year performance testing period applies to TSR and EPS targets. TSR and EPS performance is calculated and tested against the respective target on the third anniversary of the grant date.

For grants made before 1 July 2010, if the target is not met after the initial three-year period, it is re-tested on the fourth anniversary of the grant date, against four-year TSR and EPS targets. If the performance target is not met after this re-test, the portion of the LTI that has not vested is forfeited.

Following feedback from shareholders, no re-testing applies to grants made after 2009/10, with the exception of the 2010/11 LTI grant made to the former Managing Director David Deverall, which was made in accordance with his contract and lapsed on his resignation.

Executive Share Plan (ESP)
Grants of shares to KMP were made under this plan during 2010/11. This plan has since been replaced by the Perpetual Limited Long-term Incentive Plan meaning that no new grants will be made in this plan after February 2011.

The ESP was first approved by shareholders at the 1997 annual general meeting.

The issue price of shares under this plan is the weighted average price of Perpetual's shares traded on the ASX during the five business days preceding the grant date.

Shares are either purchased on-market or issued by the company, and are held in trust for a maximum of 10 years (7 years for grants made after 1 July 2009). They are subject to forfeiture if performance targets and service conditions are not met.

The Managing Director and Group Executives receive dividends and have voting rights while the shares are held in trust. Executives may not buy, or obtain loans to buy, shares under the ESP. Pages 54 to 56 show details of the unvested share holdings for the Managing Director and Group Executives.

Executive Option Plan (EOP)
Grants of options were made to the former Managing Director under this plan during 2010/11. Following the resignation of the former Managing Director, no participants remained in this plan and it has subsequently been terminated.

The EOP was approved by shareholders at the 1998 annual general meeting.

Options are granted over ordinary shares. The exercise price is based on the weighted average price of Perpetual's shares traded on the ASX during the five business days preceding the date of option grant.

Executives may not buy these options, and no voting or dividend rights are attached to the option or its underlying un-issued ordinary share.

When exercisable, each option is converted into one ordinary share of Perpetual Limited. Options vest over three or four years, depending on when performance targets are met. All vested options may be exercised on or after the vesting date. Options expire at the end of the exercise period, which is six years after the grant date. Page 52 shows details of options granted to the former Managing Director.

Other than a grant in accordance with the former Managing Director's contract, no options were granted this year.

Termination of employment
If an executive leaves the company, any unvested shares and/or options will be forfeited at the termination date, except as noted below.

For LTI grants made in 2010/11:

- If an executive dies, all unvested shares and options are retained by the their estate, with vesting subject to the same performance conditions as if they had remained employed by Perpetual.
- If an executive is made redundant or retires, or retires due to total and permanent disablement, unvested shares or options granted within the past 12 months lapse immediately. Remaining shares or options are retained by the executive, with vesting subject to the same performance conditions as if they had remained employed by Perpetual.

This approach strengthens the alignment between executives' and shareholders' interest in the long-term performance of Perpetual, extending beyond the executives' tenure.

For LTI grants made before 2009/10:

- If an executive dies or resigns due to total and permanent disability, all unvested shares and options vest to the executive at the date of death or on termination.
- If an executive is made redundant or retires, the executive will be entitled to a pro rata portion of the grant based on the length of their employment (including any notice period actually given and any nominal notice period in respect of which any payment in lieu of notice is made). The pro rata amount will be based on the most recent performance targets to determine the number of shares and options that will vest.

Treatment of LTI on change in control

If Perpetual were to be taken over or there were a partial or full change in control, LTIs may vest in part or in full at the discretion of the Board. Guiding principles have been developed to help the Board determine vesting outcomes that are consistent, fair and reasonable, and balance multiple stakeholder interests.

5.2 Employee Share Plans

Perpetual offers all employees (including KMP) the opportunity to participate in share plans. These are described below.

OPEN PLANS	DESCRIPTION
Perpetual Limited Long-term Incentive Plan 2 members	• From February 2011, this is the main plan to be used for LTI grants to eligible employees, including the Managing Director and Group Executives.
Deferred Share Plan (DSP) 8 members	• This plan is used for a small number of employees within the asset management team based in Australia, as part of their incentive arrangements. No KMP participate in this plan. • Shares held in the plan vest over the long-term subject to achievement of investment performance and succession targets. • The plan ensures the interests of these key employees are aligned with those of shareholders and clients over the longer-term and provides a strong retention element as employees who cease employment with Perpetual during the vesting period forfeit any unvested shares.

OPEN PLANS	DESCRIPTION
Tax Exempt Employee Share Purchase Plan (TESP) 170 members	• This plan allows all employees, including the Managing Director and Group Executives, to purchase shares using a salary-sacrifice arrangement. • Following the introduction of the new tax rules that apply to employee share schemes from July 2009, it was decided to only offer the TESP to employees wishing to purchase shares through salary-sacrifice arrangements going forward. • Employees may elect to sacrifice up to $1,000 of their cash STI payment into shares under the TESP. Shares acquired via this sacrifice are not subject to performance targets as they are acquired in lieu of a cash payment by the company; however the plan's trading restrictions continue to apply until the earlier of three years from the date of grant or on termination of employment, before the shares can be released.
Tax Deferred Share Purchase Plan (TDSP) 72 members	• This plan is used for awards made under the annual sales incentive plans for eligible employees within the Private Wealth and Corporate Trust teams. • The plan was previously used by employees, including the Managing Director and Group Executives, to buy shares using a salary-sacrifice arrangement. The Plan was closed to any new salary-sacrifice purchases during 2009/10.

PLANS CLOSED TO NEW ISSUE	DESCRIPTION
Executive Share Plan (ESP) 237 members	• Until February 2011, this was the main plan used for LTI grants to eligible employees, including the Managing Director and Group Executives.
Global Employee Share Trust (GEST) 10 members	• This plan was used for a small number of employees within the asset management team based in Ireland and United Kingdom (mainly those who were pivotal to the long-term success of Perpetual's global asset management performance) as part of their incentive arrangements. No KMP participated in this plan. • Shares held in the plan vest over a number of years subject to achievement of agreed performance targets. • All shares are forfeited if the employee resigns or is terminated by Perpetual for poor performance or misconduct prior to vesting. • This plan was closed to new issues on 15 August 2011.
Employee Share Purchase Plan (ESPP) 183 members	• This plan was used for granting shares under a non-recourse loan arrangement. It has been closed to new issues since 2003/2004. • The ESPP and another inactive plan, the Employee Reward Share Plan, are discussed in Note 26 to the Financial Statements.
Executive Option Plan (EOP) 0 members	• This plan is used for options granted as part of the LTI arrangements for the former Managing Director (and previously some Group Executives). • Following the resignation of the former Managing Director, David Deverall, no options remain in this plan. • This plan was terminated on 15 August 2011.
Non-Executive Director Share Purchase Plan (NEDSPP) 4 members	• This plan was used only by non-executive directors and was closed to new purchases on 1 July 2009, following changes to taxation rules.

Dilution limits for share plans
Shares awarded under Perpetual's employee share plans may be purchased on market or issued subject to Board discretion and the requirements of the Corporations Act 2001 and the ASX Listing Rules.

The Board will manage the issue of shares under employee incentive plans to balance remuneration needs of employees with shareholder returns, subject to the relevant regulatory requirements. Refer to page 32 for detail on the share dealing approval process.

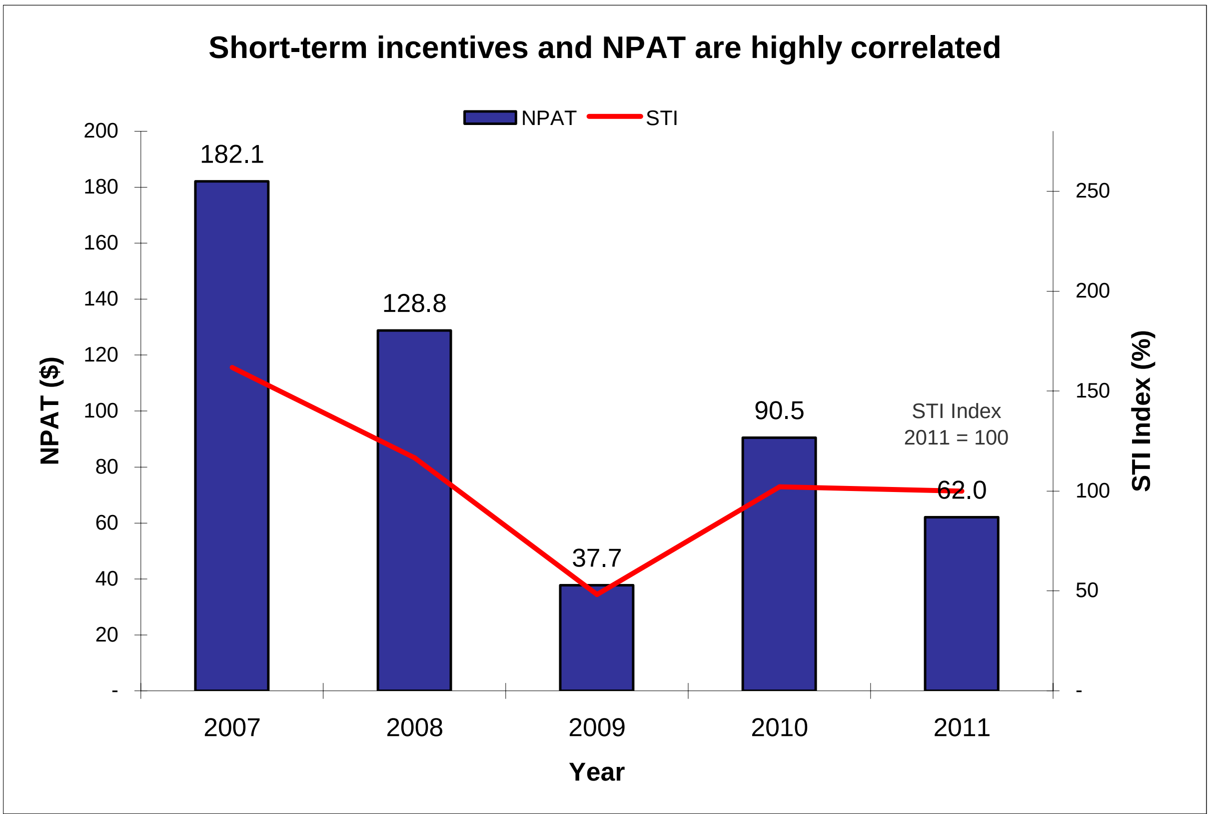
6 Summary of company performance

The company's five-year performance determines how much STI and LTI is paid to employees.

Perpetual's five-year performance	Five-year company performance Year ended 30 June 2007	30 June 2008	30 June 2009	30 June 2010	30 June 2011
Net profit after tax reported ($'000's)	182,108	128,813	37,749	90,505	62,031
UPAT reported ($'000's)	145,336	133,464	65,697	72,793	72,879
Ordinary dividend per share declared with respect to the year ($)	3.60	3.30	1.00	2.10	1.85
Special dividend per share declared with respect to the year $)	-	-	-	-	-
Total dividends	3.60	3.30	1.00	2.10	1.85
Basic earnings per share – UPAT ($)	3.76	3.42	1.67	1.83	1.79
Closing share price ($)	78.51	42.77	28.55	28.26	24.93

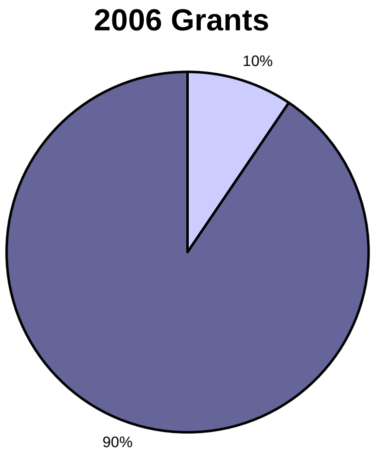
6.1 Profit Participation Pool payments for 2010/11

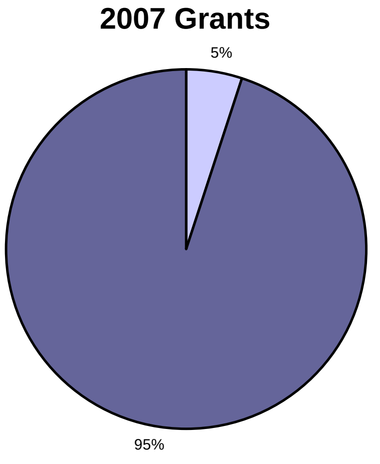
As described earlier in the report, one of the six guiding principles of our Remuneration Policy is that incentives should be aligned with shareholder value creation (that is, with growth in the share price and dividends payments). The chart below demonstrates this alignment.

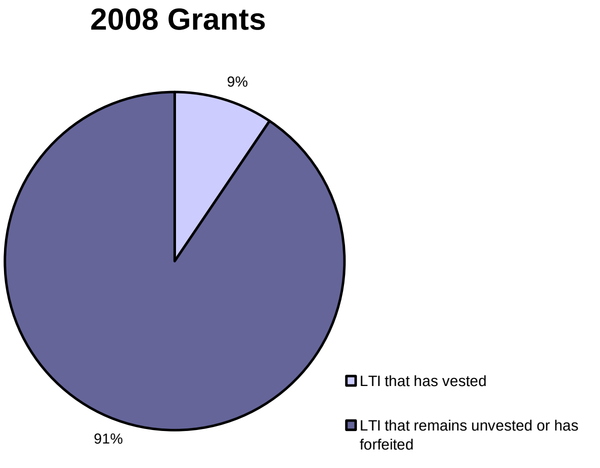


6.2 LTI issued to KMP

The following charts show the vesting outcomes of all LTI issued to KMP in 2006, 2007 and 2008. Only minimal vesting for grants made in 2006, 2007 and 2008 has applied, illustrating the clear link between company performance and remuneration at Perpetual.







The performance hurdles for the 2007 allocation were initially tested in October 2010, with no shares vesting due to performance targets not being met. These shares will be re-tested in October 2011. Based on current performance against targets, it is unlikely that any shares will vest as a result of the re-test.

7 Details of remuneration

Index to tables

Remuneration of the Managing Director and Group Executives (accounting treatment)

Name	Total	Fixed remuneration					STI	Fixed remuneration & STI	LTI		
		Short-term			Post employment	Total fixed remuneration			Share based[6]		Total LTI
		Cash salary, fees and short-term compensated absences[1]	Non-monetary benefits[2]	Other[3]	Pension and super		Cash profit sharing and other bonuses[4]		Shares[5]	Options[5]	
	$	$	$	$	$	$	$	$	$	$	$
Managing Director											
C Ryan[7]											
2011	1,307,244	407,732	4,828	637,084	47,600	1,097,244	150,000	1,247,244	60,000	-	60,000
Former Managing Director											
D Deverall											
2011	1,846,547	958,352	-	871,755	23,699	1,853,806	-	1,853,806	-	(7,259)	(7,259)
2010	1,371,412	976,539	-	1,825	23,461	1,001,825	800,000	1,801,825	(189,956)	(240,457)	(430,413)
Current Group Executives											
R Brandweiner*											
2011	701,873	345,218	-	1,825	15,199	362,242	204,800	567,042	134,831	-	134,831
2010	680,534	310,539	-	2,149	14,461	327,149	290,000	617,149	63,385	-	63,385
R Burrows*											
2011	1,247,282	528,566	14,402	1,825	23,699	568,492	307,200	875,692	371,590	-	371,590
2010	1,004,296	512,137	14,402	1,825	23,461	551,825	220,000	771,825	232,471	-	232,471
C Doyle*											
2011	1,044,417	486,248	45,535	1,825	15,199	548,807	281,600	830,407	214,010	-	214,010
2010	1,129,727	441,950	44,596	1,825	14,461	502,833	300,000	802,833	326,894	-	326,894
C Green											
2011	700,197	353,391	-	1,825	15,199	370,415	204,800	575,215	124,982	-	124,982
2010	690,528	335,539	-	1,825	14,461	351,825	280,000	631,825	58,703	-	58,703
B Henderson											
2011	79,508	-	-	79,508	-	79,508	-	79,508	-	-	-
I Holyman*											
2011	837,085	363,377	-	1,825	48,738	413,940	175,100	589,040	248,045	-	248,045
2010	866,781	362,500	-	1,825	46,710	411,035	240,000	651,035	215,746	-	215,746
G Lloyd*											
2011	2,034,017	528,857	59,982	701,625	15,199	1,305,663	307,700	1,613,363	420,654	-	420,654
J Stewart											
2011	523,468	318,134	-	1,825	15,199	335,158	102,400	437,558	85,910	-	85,910
2010	475,568	285,539	-	1,825	14,461	301,825	135,000	436,825	38,743	-	38,743
R Vahtrick											
2011	16,946	14,206	-	23	2,717	16,946	-	16,946	-	-	-

Current executives who were in Acting Group Executive roles during the year[8]											
P Ryan											
2011	55,258	28,723	-	200	2,521	31,444	18,082	49,526	5,732	-	5,732
2010	426,722	253,978	-	1,825	24,122	279,925	130,000	409,925	16,797	-	16,797
S Singh											
2011	56,346	29,156	-	66	1,666	30,888	19,726	50,614	5,732	-	5,732
2010	442,398	255,539	-	601	14,461	270,601	155,000	425,601	16,797	-	16,797
Group Executives who departed during the year											
M Miller											
2011	244,804	266,417	-	3,298	20,848	290,563	-	290,563	(45,759)	-	(45,759)
2010	494,401	287,720	-	2,126	19,050	308,895	155,000	463,895	30,506	-	30,506
M Pancino											
2011	13,525	87,264	10,226	4,840	4,818	107,148	-	107,148	(93,623)	-	(93,623)
2010	416,644	305,054	30,485	1,825	14,461	351,825	-	351,825	64,819	-	64,819
R MacIntyre											
2011	534,604	66,426	-	430,522	9,800	506,748	-	506,748	27,856	-	27,856
2010	419,819	277,539	-	2,447	38,461	318,447	90,000	408,447	11,372	-	11,372
Total 2011	11,243,121	4,782,067	134,973	2,739,872	262,101	7,919,012	1,771,408	9,690,420	1,559,960	(7,259)	1,552,701
Total 2010	8,418,830	4,604,571	89,484	21,923	262,032	4,978,010	2,795,000	7,773,010	886,277	(240,457)	645,820
Total 2010 for CEO and Group Executives disclosed in 2010[8]	8,943,607	5,391,512	98,348	766,544	336,371	6,592,775	2,795,000	9,387,775	251,945	(696,113)	(444,168)

* Five highest paid officers of the group and company during the year ended 30 June 2011.

1. Cash salary is the ordinary cash salary received in the year
2. Non-monetary benefits relate to the salary sacrifice component of remuneration and represents benefits such as motor vehicles and car parking
3. Other short-term benefits relate to:
   - Salary Continuance and Death and Total and Permanent Disability insurance provided as part of the remuneration package,
   - interest on loans arising from shares issued under the ESPP (refer to page 51 'Loans to Group Executives under the ESPP'),
   - final payments in respect of executives who departed during or since the end of the year (including payout of accrued leave and termination benefits of $871,166 paid to D Deverall, $2,527 paid to M Miller, $4,665 paid to M Pancino and $430,112 paid to R MacIntyre),
   - sign-on payments in respect of executives who joined during the year (including cash sign-on payments of $500,000 to C Ryan and $700,000 to G Lloyd), and
   - payments in respect of relocation expenses to C Ryan ($136,400) and B Henderson ($79,508).
4. Cash profit sharing and other bonuses equate to the best estimate of the incentive performance bonus, based on available information at year end
5. Share-based remuneration has been valued using the binomial method which takes into account the performance hurdles relevant to each issue of equity instruments. The value of each equity instrument has been provided by PricewaterhouseCoopers.
6. Share-based remuneration is the amount expensed in the financial statements for the year and includes adjustments to reflect the most current expectation of vesting of LTI grants with non-market condition hurdles. For grants with non-market conditions including earnings per share hurdles, the number of shares expected to vest is estimated at the end of each reporting period and the amount to be expensed in the financial statements is adjusted accordingly. For grants with market conditions such as Total Shareholder Return hurdles, the number of grants expected to vest is not adjusted during the life of the grant and no adjustment is made to the amount expensed in the financial statements (except if service conditions are not met). The accounting treatment of non-market and market conditions are in accordance with Accounting Standards.
7. Share-based remuneration amount for C Ryan represents the accounting value of his sign-on grant of shares (or cash if shareholder approval is not obtained) to be expensed in the financial statements for the reporting period to 30 June 2011.
8. Represents accounting value of remuneration while in Acting Group Executive roles (ie 1 July 2010 to 10 August 2010).
9. The totals shown relate to executives disclosed in the 2010 Annual Report and so do not equal the 2010 totals for executives disclosed in this table.

Remuneration components as a proportion of total remuneration[1]

Name	Fixed benefits %	Performance linked benefits		Total %	2011 STI (as % of Target)
		STI %	LTI %		
Managing Director					
C Ryan	84%	11%	5%	100%	33%
Former Managing Director					
D Deverall	100%	0%	0%	100%	0%
Current Group Executives					
R Brandweiner	52%	29%	19%	100%	51%
R Burrows	45%	25%	30%	100%	51%
C Doyle	53%	27%	20%	100%	51%
C Green	53%	29%	18%	100%	51%
B Henderson	100%	0%	0%	0%	N/A
I Holyman	49%	21%	30%	100%	51%
G Lloyd	64%	15%	21%	100%	51%
J Stewart	64%	20%	16%	100%	51%
R Vahtrick	100%	0%	0%	100%	N/A
Current executives who were in Acting Group Executive roles during the year					
P Ryan	57%	33%	10%	100%	51%
S Singh	55%	35%	10%	100%	65%
Group Executives who departed during the year					
M Miller	100%	0%	0%	100%	0%
M Pancino	100%	0%	0%	100%	0%
R MacIntyre	95%	0%	5%	100%	0%

1. The remuneration components are determined based on the 'Remuneration of Managing Director and Group Executives (accounting treatment)' table on page 49.

Loans to Group Executives under the ESPP

Name	Balance at the start of the year	Repayment of loan	Interest paid and payable for the year	Balance at the end of the year	Interest not charged [1]	Highest balance in period
	$	$	$	$	$	$
Departed Group Executives						
M Miller	2,889	(2,889)	-	-	164	2,889
R MacIntyre	5,932	(5,932)	-	-	260	5,932

[1] Interest not charged has been calculated at 10% on the weighted average loan balance as at 30 June 2011 and 30 June 2010, or for terminated specified executives, on the pro-rata loan balances for the period up to six months from the date of leaving employment. The terms of these loans are discussed in more detail in Note 26 of the Financial Statements.
The loans were available to all executives except for the current Managing Director and former Managing Director. They were also not available to the non-executive directors.

No other Group Executives have loans.

There are now no KMP with loans under the ESPP.

Option holdings of the former Managing Director

Name	Grant date	Exercise period	Exercise price	Held at 1 July 2010	Movement during the year: Granted	Movement during the year: Forfeited	Movement during the year: Exercised	Held at 30 June 2011	Vested & exercisable at 30 June 2011	Fair value per option at grant date[1]	Proceeds received on exercise
			$	No. of options	No. of options			No. of options	No. of options	$	$
Former Managing Director											
D Deverall [2]	Options granted prior to 1 July 2008 [3]			267,364	-	267,364	-	-	-		
	1 Jul 08	1 Jul 11 - 1 Jul 14	42.73	57,390	-	57,390	-	-	-	8.97	-
	29 Jun 09	1 Jul 12 - 29 Jun 19	28.34	47,585	-	47,585	-	-	-	9.58	-
	3 Jul 09	1 Jul 12 - 29 Jun 15	28.34	5,911	-	5,911	-	-	-	9.58	-
	1 Jul 10	1 Jul 13 - 29 Jun 16	28.74	-	76,606	76,606	-	-	-	5.47	-
		Aggregate Value[4]			$419,035	$27,087,496					

Options granted to the former Managing Director were granted from the Executive Option Plan. No other Group Executives hold options over Perpetual shares.

[1] Equity instruments issued have been valued by PricewaterhouseCoopers (PwC) using a Binomial Option Pricing model at grant date.

[2] Approval for the issue of options to D Deverall was obtained under ASX Listing Rule 10.14 at Perpetual's AGMs held on 19 October 2004, 17 October 2006, 30 October 2007, 28 October 2008 and 22 October 2009.

[3] These options were granted on 19 October 2004 (978; 100% forfeited in the current year), 1 July 2006 (29,950; 100% forfeited in the current year), 1 July 2007 (236,436; 100% forfeited in the current year).

[4] The aggregate value is calculated as the number of options at the exercise price.

[5] Percentage of total remuneration received as options for the former Managing Director (D Deverall) was 0%.

Value of unvested remuneration that may vest in future years

	Estimates of the maximum and minimum cost in future years relating to equity based remuneration granted by the Company					
	30 June 2012		30 June 2013		30 June 2014	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
Managing Director						
C Ryan	-	-	-	-	-	-
Former Managing Director						
D Deverall	-	-	-	-	-	-
Group Executives						
R Brandweiner	-	167,294	-	107,232	-	21,434
R Burrows	-	343,081	-	190,596	-	34,999
C Doyle	-	251,455	-	186,424	-	40,831
C Green	-	151,606	-	95,529	-	18,955
B Henderson	-	-	-	-	-	-
I Holyman	-	257,304	-	142,946	-	26,249
G Lloyd		132,325		145,115		39,372
J Stewart	-	102,917	-	72,797	-	15,574
R Vahtrick		-		-		-
Current executives who were in Acting Group Executive roles during the year						
P Ryan	-	80,039	-	47,996	-	8,750
S Singh	-	80,039	-	47,996	-	8,750
Group Executives who departed during the year						
M Miller	-	-	-	-	-	-
M Pancino	-	-	-	-	-	-
R MacIntyre	-	-	-	-	-	-

Unvested shareholdings of the Managing Director and Group Executives

Name	Grant date	Issue price	Vesting date	Held at 1 July 2010	Movement during the year Granted	Forfeited	Vested	Held at 30 June 2011	Fair value per share ($) TSR Hurdle	Fair value per share ($) non-TSR hurdle
				No of shares	No of shares			No of shares		
Managing Director										
C Ryan	-	-	-	-	-	-	-	-	-	-
	Aggregate Value				$0	$0	$0			
Former Managing Director										
D Deverall [1]	Shares granted prior to 1 July 2008 [2]			51,496	-	51,496	-	-		
	1 July 2008	42.73	1 July 2011	11,993	-	11,993	-	-	38.97	50.80
	29 June 2009	28.34	1 July 2012	18,083	-	18,083	-	-	21.30	28.01
	1 July 2010	28.74	1 July 2013	-	17,832	17,832	-	-	18.97	27.65
	Aggregate Value				$512,492	$5,562,385	$0	-		
Group executives										
R Brandweiner	Shares granted prior to 1 July 2008 [3]			1,359	-	1,359	-	-		
	1 October 2008	48.63	1 October 2011	4,112	-	-	-	4,112	38.97	50.80
	1 October 2009	38.15	1 October 2012	7,208	-	-	-	7,208	29.02	37.93
	1 October 2010	30.80	1 October 2013	-	11,931	-	-	11,931	20.59	30.80
	Aggregate Value				$367,475	$99,941	$0			
R Burrows	Shares granted prior to 1 July 2008 [4]			11,383	-	-	-	11,383		
	1 October 2008	48.63	1 October 2011	12,338	-	-	-	12,338	38.97	50.80
	1 October 2009	38.15	1 October 2012	15,727	-	-	-	15,727	29.02	37.93
	1 October 2010	30.80	1 October 2013	-	19,480	-	-	19,480	20.59	30.80
	Aggregate value				$599,984	$0	$0			
C Doyle	Shares granted prior to 1 July 2008 [5]			25,531	-	8,030	7,938	9,563		
	1 October 2008	48.63	1 October 2011	7,197	-	-	-	7,197	38.97	50.80
	1 October 2009	38.15	1 October 2012	9,174	-	-	-	9,174	29.02	37.93
	1 October 2010	30.80	1 October 2013	-	22,727	-	-	22,727	20.59	30.80
	Aggregate Value				$699,992	$554,938	$415,005			
C Green	Shares granted prior to 1 July 2008 [6]			2,291	-	2,291	-	-		
	1 October 2008	48.63	1 October 2011	4,112	-	-	-	4,112	38.97	50.80
	1 October 2009	38.15	1 October 2012	6,553	-	-	-	6,553	29.02	37.93
	1 October 2010	30.80	1 October 2013	-	10,551	-	-	10,551	20.59	30.80
	Aggregate Value				$324,971	$168,480	$0			
B Henderson	-	-	-	-	-	-	-	-	-	-
	Aggregate Value				$0	$0	$0			
I Holyman	Shares granted prior to 1 July 2008 [7]			11,992	-	5,873	-	6,119		
	1 October 2008	48.63	1 October 2011	9,253	-	-	-	9,253	38.97	50.80
	1 October 2009	38.15	1 October 2012	11,795	-	-	-	11,795	29.02	37.93
	1 October 2010	30.80	1 October 2013	-	14,610	-	-	14,610	20.59	30.80
	Aggregate Value				$449,988	$424,970	$0			

Name	Grant date	Issue price	Vesting date	Held at 1 July 2010	Movement during the year			Held at 30 June 2011	Fair value per share ($) TSR Hurdle	Fair value per share ($) non-TSR hurdle
					Granted	Forfeited	Vested			
				No of shares	No of shares			No of shares		
G Lloyd	10 August 2010	31.33	10 August 2011	-	12,767	-	-	12,767	N/A	27.65
	1 October 2010	30.80	1 October 2013	-	21,915	-	-	21,915	20.59	30.80
	Aggregate Value				$1,074,972	$0	$0			
J Stewart	Shares granted prior to 1 July 2008 [8]			584	-	584	-	-		
	1 October 2008	48.63	1 October 2011	3,084	-	-	-	3,084	38.97	50.80
	1 October 2009	38.15	1 October 2012	3,931	-	-	-	3,931	29.02	37.93
	1 October 2010	30.80	1 October 2013	-	8,668	-	-	8,668	20.59	30.80
	Aggregate Value				$266,974	$43,940	$0			
R Vahtrick	-	-	-	-	-	-	-	-	-	-
	Aggregate Value				$0	$0	$0			
Current executives who were in Acting Group Executive roles during the year										
P Ryan	Shares granted prior to 1 July 2008 [9]			1,495	-	1,495	-	-		
	1 October 2008	48.63	1 October 2011	2,287	-	-	-	2,287	38.97	50.80
	1 October 2009	38.15	1 October 2012	3,538	-	-	-	3,538	29.02	37.93
	1 October 2010	30.80	1 October 2013	-	4,870	-	-	4,870	20.59	30.80
	Aggregate Value				$149,996	$109,942	$0			
S Singh	Shares granted prior to 1 July 2008 [10]			1,365	-	1,365	-	-		
	1 October 2008	48.63	1 October 2011	2,261	-	-	-	2,261	38.97	50.80
	1 October 2009	38.15	1 October 2012	3,538	-	-	-	3,538	29.02	37.93
	1 October 2010	30.80	1 October 2013	-	4,870	-	-	4,870	20.59	30.80
	Aggregate Value				$149,996	$100,232	$0			
Departed Executives										
M Miller	Shares granted prior to 1 July 2008 [11]			1,631	-	1,631	-	-		
	1 October 2008	48.63	1 October 2011	2,467	-	2,467	-	-	38.97	50.80
	1 October 2009	38.15	1 October 2012	8,519	-	8,519	-	-	29.02	37.93
	1 October 2010	30.80	1 October 2013	-	10,551	10,551	-	-	20.59	30.80
	Aggregate Value				$324,971	$889,885	$0			
M Pancino	Shares granted prior to 1 July 2008 [12]			2,294	-	2,294	-	-		
	1 October 2008	48.63	1 October 2011	5,140	-	5,140	-	-	38.97	50.80
	1 October 2009	38.15	1 October 2012	6,553	-	6,553	-	-	29.02	37.93
	Aggregate Value				$0	$667,656	$0			
R MacIntyre	Shares granted prior to 1 July 2008 [13]			7,241	-	2,283	4,958	-		
	1 October 2008	48.63	1 October 2011	1,028	-	1,028	-	-	38.97	50.80
	1 October 2009	38.15	1 October 2012	2,096	-	2,096	-	-	29.02	37.93
	Aggregate Value				$0	$292,718	$337,094			

[1] Approval for the issue of shares to D Deverall was obtained under ASX Listing Rule 10.14 at Perpetual's AGM held on 19 October 2004, 17 October 2006, 30 October 2007, 28 October 2008 and October 2009.

[2] These shares were granted on 1 July 2006 (7,130; 100% forfeited in the current year) and 1 July 2007 (44,366; 100% forfeited in the current year).

[3] These shares were granted on 1 October 2007 (1,359; 100% forfeited in the current year).

[4] These shares were granted on 31 March 2008 (11,383).

[5] These shares were granted on 4 December 2006 (1,645; 100% forfeited in the current year), 1 October 2007 (4,759; 100% forfeited in the current year) and 20 February 2008 (19,127; 9% forfeited in the current year and 41% vested in the current year).

[6] These shares were granted on 1 October 2007 (2,291; 100% forfeited in the current year).

[7] These shares were granted on 2 October 2006 (5,873; 100% forfeited in the current year) and 1 October 2007 (6,119).

[8] These shares were granted on 10 September 2007 (584; 100% forfeited in the current year).

[9] These shares were granted on 1 October 2007 (1,495; 100% forfeited in the current year).

[10] These shares were granted on 3 July 2006 (139; 100% forfeited in the current year) and 1 October 2007 (1,226; 100% forfeited in the current year).

[11] These shares were granted on 1 October 2007 (1,631; 100% forfeited in the current year).

[12] These shares were granted on 14 August 2006 (255; 100% forfeited in the current year) and 1 October 2007 (2,039; 100% forfeited in the current year).

[13] These shares were granted on 1 October 2007 (1,359; 100% forfeited in the current year), 3 December 2007 (2,941: 4% forfeited in the current year and 96% vested in the current year), 3 December 2007 (2,941: 28% forfeited in the current year and 72% vested in the current year).

[14] The aggregate value is calculated as the number of shares at the issue price.

8. Contract terms of executives

Contract terms for the current Managing Director

<table>
<tr><th>Contract Details</th><th>Chris Ryan, Managing Director and Chief Executive Officer from 14 February 2011</th></tr>
<tr><td>Term of contract</td><td>Open-ended</td></tr>
<tr><td>Fixed Remuneration</td><td>$1,225,000 per annum, reviewable in accordance with Perpetual’s policies.</td></tr>
<tr><td>STI</td><td>• Target STI of 100% of fixed remuneration
• Subject to the Board’s assessment of criteria, including threshold risk measures and behaviour objectives which must be met by the Executive for any STI to be awarded.
• Subject to the Board’s direction, the Executive may be required to apply the proportion of his actual STI payment in excess of 100% fixed remuneration to acquire Deferred Shares.</td></tr>
<tr><td>LTI</td><td>Eligible to receive LTI grants of 100% of fixed remuneration (or such greater amounts as may be determined by the Board from year to year) provided by way of either or both performance shares and options in such proportions determined by the Board, annually in its discretion.

Grants are divided into two equal tranches, with the following performance targets being applied to each tranche:

1. TSR performance target
If Perpetual’s TSR ranking relative to the comparator group is:
- less than the median, 0% vests;
- at the median, 50% vests;
- greater than the median but less than 75%, 50% plus 2% for every percentile increase vests; and
- 75% or above, 100% vests.

2. EPS performance target
If Perpetual’s growth in EPS is:
- less than or equal to the threshold EPS growth target, 0% vests;
- greater than the threshold EPS growth target but less than the maximum EPS growth target, 2% for every 0.1% of EPS growth in excess of threshold EPS growth target.
- at or above the maximum EPS growth target, 100% vests.

The TSR and EPS targets are tested on the third anniversary of the grant date. After this date, any unvested portion is forfeited.</td></tr>
<tr><td>Sign-on entitlements</td><td>In recognition of the remuneration foregone by Mr Ryan as a consequence of joining Perpetual, a sign-on entitlement was agreed:

(i) $500,000 gross (less applicable taxation) to be paid in cash three months after the commencement date; and
(ii) $600,000 in the form of performance shares (subject to shareholder approval) subject to vesting conditions (50% subject to a relative TSR hurdle and 50% subject to an EPS hurdle, as described above) measured over a two-year performance period (1 April 2011 to 1 April 2013). If shareholder approval is not obtained, Mr Ryan will receive a cash equivalent to the performance shares which would have become exercisable, subject to the satisfaction of the performance hurdles.</td></tr>
<tr><td>Relocation benefits</td><td>Reasonable costs associated with Mr Ryan’s relocation from Hong Kong to Sydney will be met by the Company in accordance with Perpetual’s Relocation Policy.</td></tr>
</table>

Termination of employment	The agreement contains provisions for the termination of Mr Ryan's employment as follows: (a) Termination by Mr Ryan on 12 months' notice in writing to the Board (or such shorter period as may be agreed). In the event the Board agrees to a notice period of less than 12 months, the agreement will be subject to no entitlement to receive a payment of fixed remuneration (or any other remuneration or amount) in respect of any period after termination date. There is no entitlement for STI for that financial year; and unvested STI held as shares, all unvested LTI and unvested share-based sign-on is forfeited. (b) Termination by the Company on 12 months' notice in writing (or such shorter period as may be agreed). The Executive is entitled a pro-rata STI for that financial year; and unvested STI held as shares, unvested LTI and unvested share-based sign-on due to vest within two years of the termination date, will remain eligible for vesting, subject to satisfaction of performance conditions in due course. Unvested LTI due to be tested after two years of the termination date is forfeited. (c) If the executive becomes incapacitated by illness or injury for an accumulated period of three months in any 12 month period, the Company may terminate this agreement by giving 12 months' notice in writing (or such shorter period as may be agreed). The Executive is entitled to a pro-rata STI for that financial year; and unvested STI held as shares, unvested LTI and unvested share-based sign-on due to vest within two years of the termination date, will remain eligible for vesting, subject to satisfaction of performance conditions in due course. Unvested LTI due to be tested after two years of the termination date is forfeited. (d) Termination without notice following an Agreed Material Diminution Event. Upon such termination, the company must, within 7 days, pay the Executive fixed remuneration in lieu of 12 months notice and a pro-rata STI for that financial year. Unvested STI held as shares, unvested LTI and unvested share-based sign-on due to vest within two years of the termination date, will remain eligible for vesting, subject to satisfaction of performance conditions in due course. Unvested LTI due to be tested after two years of the termination date is forfeited. (e) Termination by the Company for poor performance on six months' notice in writing (or such shorter period as may be agreed) or termination by the Company without notice. There is no entitlement for STI for that financial year; and unvested STI held as shares, all unvested LTI and unvested share-based sign-on is forfeited. (f) termination in the event of Mr Ryan's death - his estate is entitled to pro-rata STI for that financial year; and unvested STI held as shares, unvested LTI and unvested share-based sign-on remain eligible for vesting subject to satisfaction of performance conditions in due course. The agreement also provides that the Company may elect to make a payment in lieu of notice.

Contract terms for the former Managing Director

<table>
<tr><th>Contract Details</th><th>David Deverall, former Managing Director and Chief Executive Officer to 23 June 2011</th></tr>
<tr><td>Overview</td><td>Term of contract: From the date of the agreement (24 September 2007) until terminated in accordance with its terms.
Mr Deverall resigned with effect on 23 June 2011. In accordance with the terms of his contract, Mr Deverall received a termination payment based on a pro-rata of his previous year’s STI. All unvested shares and options lapsed upon cessation of employment.</td></tr>
<tr><td>Fixed Remuneration</td><td>$1,000,000 per annum, reviewable in accordance with Perpetual’s policies.</td></tr>
<tr><td>STI</td><td>STI of up to the maximum STI for previous year multiplied by the change in the Profit Participation Pool.
20% of the STI will be subject to the Board’s assessment annually of additional performance criteria.</td></tr>
<tr><td>LTI – Group</td><td>Eligible to receive LTI – Group grants equivalent to $1.025 million per annum (or such greater amounts as may be determined by the Board from year to year). 50% of the LTI – Group benefits is provided by way of performance shares and 50% by way of options.

Grants are divided into two equal tranches, with the following performance targets being applied to each tranche:

1. TSR performance target
If Perpetual’s TSR ranking relative to the comparator group is:
- less than the median, 0% vests;
- at the median, 50% vests;
- greater than the median but less than 75%, 50% plus 2% for every percentile increase vests; and
- 75% or above, 100% vests.

2. EPS performance target
If Perpetual’s growth in EPS is:
- less than 10% per annum, 0% vests; and
- at 10% or more, 100% vests.

The TSR and EPS targets are first tested on the third anniversary of the grant date. If any portion remains unvested, it is retested on the fourth anniversary of the grant date. After this date, any unvested portion is forfeited.</td></tr>
<tr><td>LTI – Business
One-off grant made on 1 July 2007</td><td>Eligible to receive LTI - Business grants up to $6,000,000. 50% of the LTI – Business benefit is provided by way of shares and 50% by way of options. LTI Business benefit will vest on 30 June 2012 subject to compound annual growth in EPS targets and UPAT targets.

A threshold compound annual growth in EPS of 11% measured over five years is required before any shares or options can vest in 2012.

Once the threshold is achieved, vesting operates as follows:
- vesting of 10% of the total shares and options occurs upon achievement of compound annual growth in EPS of 11% and required UPAT target;
- 100% of the shares and options will vest if compound annual growth in EPS is 20% and required UPAT target is achieved;
- a sliding scale of vesting operates if compound annual growth in EPS is greater than 11% and below 20% and required UPAT targets are achieved.

There is an opportunity for accelerated vesting as at 30 June 2010 of up to 67% ($4,000,000) of the original benefit. A threshold compound annual growth in EPS of 15% is required before any shares or options can vest in 2010. Once the threshold is achieved, vesting operates as</td></tr>
</table>

	follows: - vesting of shares and options valued at $2,000,000 occurs upon achievement of a compound annual growth in EPS of 15% and required UPAT target; - shares and options valued at a total of $4,000,000 will vest upon achievement of a compound annual growth in EPS of 25% and required UPAT target; - a sliding scale of vesting operates if compound annual growth in EPS is greater than 15% and below 25% and required UPAT targets are achieved. Mr Deverall is not permitted to transfer or exercise any shares or options that vest under these accelerated vesting provisions until after 30 June 2011. If accelerated vesting is achieved, the balance of the LTI-Business will vest on 30 June 2012 subject to the original targets. There is no provision for retesting if performance targets are not achieved as of 30 June 2012. Any shares and options that do not vest will be forfeited as at 30 June 2012.
Termination of employment	Mr Deverall can resign by providing 12 months' notice. Perpetual can terminate Mr Deverall's employment at any time by providing 12 months' notice; immediately for misconduct or other circumstances justifying summary dismissal; as a result of Mr Deverall's illness by providing 12 months' notice; and for poor performance by providing 6 months' notice. When notice is required, the Company can make a payment in lieu of all or part of any notice period. **Immediate termination without notice in certain circumstances** STI – no entitlement in respect of year in which termination occurs. LTI – Group – shares and options not vested at termination date are forfeited. LTI – Business – shares and options not vested at termination date are forfeited. **Termination by Perpetual on notice or due to illness – 12 months' written notice (for payment in lieu)** STI – pro-rated, based on prior year entitlements. LTI – Group - eligible to receive vesting of shares and options that have not vested at the termination date for a period of 24 months after the termination date, subject to the original performance hurdles and performance period. LTI – Business – entitled to the greater of a pro-rata proportion of shares and options (subject to performance targets measured at the date of termination) and 1/10 of the LTI – Business. **Termination by Perpetual due to poor performance – 6 months' written notice (or payment in lieu)** STI – no entitlement in respect of year in which termination occurs. LTI – Group – shares and options not vested at the termination date are forfeited. LTI – Business – entitled to the greater of a pro-rata proportion of shares and options (subject to performance targets measured at the date of termination) and 1/10 of the LTI – Business. **Voluntary termination – 12 months' written notice (or payment in lieu)** STI – pro-rated, based on previous year entitlements. LTI – Group – shares and options not vested at the termination date are forfeited. LTI – Business – shares and options not vested at the termination date are forfeited. **Death of Mr Deverall** STI – pro-rata entitlement based on previous year's STI. LTI – Group – eligible to receive vesting of shares and options that have not vested at the termination date, subject to the original performance hurdles and performance period. LTI – Business – eligible to receive allocated but unvested equity at the discretion of the Board.

Termination provisions for Group Executives

Term	Who	Conditions
Duration of Contract	Brian Henderson	4 years from the commencement date (unless terminated earlier in accordance with the termination provisions)
	All other Group Executives	Ongoing until notice is given by either party
Notice to be provided by Group Executive to terminate the employment agreement	Geoff Lloyd	4 months, where notice is given within 24 months of the commencement date
		6 months, where notice is given on or after 24 months of the commencement date
	Janine Stewart	12 weeks
	Paul Ryan	2 months
	Shailendra Singh	2 months
	All other Group Executives	3 months
Notice to be provided by Perpetual to terminate the employment agreement for poor performance	Geoff Lloyd	12 months, where notice is given within 24 months of the commencement date
		6 months, where notice is given on or after 24 months of the commencement date
	Roger Burrows	6 months
	Janine Stewart	12 weeks
	Paul Ryan	2 months
	Shailendra Singh	2 months
	All other Group Executives	3 months
Notice to be provided by Perpetual to terminate the employment agreement without cause	Geoff Lloyd	12 months, where notice is given within 24 months of the commencement date
		6 months, where notice is given on or after 24 months of the commencement date
	Roger Burrows	6 months
	Ivan Holyman	3 months' notice plus 3 weeks per completed year of service (up to 52 weeks)
	Janine Stewart	12 weeks
	Paul Ryan	2 months
	Shailendra Singh	2 months
	All other Group Executives	3 months
Termination payments and/or benefits to be made on termination without cause	**Payment in lieu of notice**	
	All Group Executives	Group Executives are entitled to payment in lieu of any unexpired part of the notice period
	STI	
	All Group Executives	Subject to the terms and conditions of the STI Plan.
	LTI	
	All Group Executives	Subject to the terms of the Offer and LTI Plan

Term	Who	Conditions
Termination for cause	**Payment in lieu of notice**	
	All Group Executives	None – immediate termination for cause
	STI	
	All Group Executives	Subject to the terms and conditions of the STI Plan.
	LTI	
	All Group Executives	Subject to the terms of the Offer and LTI Plan
Post-employment restraints	Geoff Lloyd	4 months non-solicitation restraint, where notice is given within 24 months of the commencement date
		6 months non-solicitation restraint, where notice is given on or after 24 months of the commencement date
	All other Group Executives	6 month non-solicitation restraint

9. Remuneration of Non-executive Directors

Remuneration Policy
The company's Remuneration Policy for Non-executive Directors aims to ensure we can attract and retain suitably skilled, experienced and committed individuals to serve on the Board.

Non-executive Directors do not receive performance-related remuneration and are not entitled to receive performance shares or options over Perpetual shares.

Fee framework
Non-executive Directors receive a base fee. Except for the Chairman, they also receive fees for participating in Board Committees (other than the Nominations Committee), either as Chairman or as a member of a Committee.

Non-executive Directors' fees	2010/11 $	2011/12 $
Chairman	468,500	468,500
Directors	170,000	170,000
Audit Risk and Compliance Committee Chairman	40,000	40,000
Audit Risk and Compliance Committee Member	20,000	20,000
People and Remuneration Committee Chairman	28,500	28,500
People and Remuneration Committee Member	14,250	14,250
Investment Committee Chairman	28,500	28,500
Investment Committee Member	14,250	14,250
Nominations Committee Member	14,250	Nil

In addition to their base fee, they receive superannuation contributions of up to 9% of Non-executive Director fees, capped at the maximum prescribed under Superannuation Guarantee legislation. They may receive employer superannuation contributions in one of Perpetual's employee superannuation funds or in a complying fund of their choice. Non-executive Directors may also salary-sacrifice superannuation contributions out of their base fee if they wish.

Total remuneration available to Non-executive Directors is approved by shareholders and is currently $2,250,000, as approved at the 2006 annual general meeting. Total fees paid to Non-executive Directors in 2011 were $1,951,994. More details are provided on page 65.

Alignment with shareholder interests
The constitution requires Non-executive Directors to acquire a minimum of 500 Perpetual shares on appointment and at least 1,000 shares when they have held office for three years.

The Non-executive Directors' Share Purchase Plan (now closed) allowed Non-executive Directors to sacrifice up to 50% of their directors' fees to acquire shares in Perpetual. Shares acquired in this way are not subject to performance targets, as they are acquired in place of cash payments. Following changes to tax rules, this plan was closed on 1 July 2009.

Shares are held in the plan until the earlier of 10 years or retirement from the Board.

Non-executive Directors do not receive share options. Directors' holdings held directly or indirectly (for example, through a superannuation fund) are shown on page 66.

Retirement Policy
Non-executive Directors who have held office for three years since their last appointment must retire and seek re-election at the annual general meeting.

In order to revitalise the Board, Perpetual's Non-executive Directors agree not to seek re-election after three terms of three years. However, the Board may invite a non-executive director to continue in office beyond nine years if it is advantageous to the company for reasons such as leadership or continuity.

Contract terms and Non-executive Director fees and responsibilities*

	Robert M Savage[1]	Peter B Scott[2]	Meredith J Brooks	Paul V Brasher	Philip Bullock[3]	E Paul McClintock	Elizabeth M Proust	Philip J Twyman
	$	$	$	$	$	$	$	$
Board fees (per annum)								
Chairman	468,500	468,500	-	-	-	-	-	-
Independent Director	-	-	170,000	170,000	170,000	170,000	170,000	170,000
Committee fees (per annum)								
Audit Risk and Compliance Committee								
Chairman	-	-	-	-	-	-	-	40,000
Member	-	-	20,000	20,000	-	-	20,000	-
People and Remuneration Committee								
Chairman	-	-	-	-	-	-	28,500	-
Member	-	-	-	14,250	14,250	14,250	-	-
Investment Committee								
Chairman	-	-	-	-	-	28,500	-	-
Member	-	-	14,250	-	14,250	-	-	14,250
Nomination Committee								
Member[4]	-	-	-	-	-	14,250	14,250	14,250
Appointed	August 2001 as Director and October 2005 as Chairman	July 2005 as Director and October 2010 as Chairman	November 2004	November 2009	June 2010	April 2004	January 2006	November 2004

* In addition to committee fees, directors are entitled to minimum superannuation guarantee contributions.

[1] Robert Savage retired as Chairman of the Nominations Committee on 23 July 2010 but remained as a Member of that Committee until his retirement from the Board on 26 October 2010.

[2] Peter Scott became Chairman of the Board on 26 October 2010 and retired from the People and Remuneration Committee on 26 October 2010.

[3] Philip Bullock was appointed as a member of the Investment Committee and the People and Remuneration Committee on 9 August 2010.

[4] From 1 July 2011, there will be no fees paid to members for serving on the Nominations Committee

Remuneration of the Non-executive Directors (accounting treatment)

Name	Total		Short-term Cash salary, fees and short-term compensated absences [1,2]		Post employment Pension and Superannuation		Share-based Equity settled	
	2011	2010	2011	2010	2011	2010	2011	2010
	$	$	$	$	$	$	$	$
R M Savage	156,235	469,461	147,376	447,421	8,859	22,040	-	-
P B Scott	402,303	206,961	387,104	192,500	15,199	14,461	-	-
P V Brasher	219,449	133,969	169,449	83,969	50,000	50,000	-	-
M J Brooks	219,449	212,461	204,250	198,000	15,199	14,461	-	-
P Bullock	210,711	14,955	195,512	13,750	15,199	1,205	-	-
E P McClintock	242,199	234,461	227,000	220,000	15,199	14,461	-	-
E M Proust	247,949	262,915	232,750	248,454	15,199	14,461	-	-
P J Twyman	253,699	245,461	238,500	231,000	15,199	14,461	-	-
TOTAL	1,951,994	1,780,644	1,801,941	1,635,094	150,053	145,550	-	-

[1] Cash salary is the ordinary cash salary. Under a share purchase plan for non-executive directors approved by shareholders on 20 October 1998, non-executive directors may sacrifice up to 50 per cent of their fees to acquire shares in the company.

[2] Non-executive Directors do not receive any non-cash benefits as part of their remuneration.

Shares, options, dividends and units held by non-executive directors

	Ordinary shares		Dividends received		Options		Registered scheme interests [1]	
	2011	2010	2011	2010	2011	2010	2011	2010
	No.	No.	$	$	No.	No.	$	$
R M Savage	9,787	9,609	10,863	15,560	-	-	2,943,086	2,015,797
P B Scott	2,291	2,140	4,353	3,410	-	-	93,065	73,888
P V Brasher	1,000	1,000	2,000	1,050	-	-	637,045	497,825
M J Brooks	6,156	5,753	11,700	9,165	-	-	1,598,841	1,568,458
P Bullock	1,000	1,000	2,000	-	-	-	-	-
E P McClintock	9,203	8,768	17,747	14,102	-	-	202,821	188,674
E M Proust	4,401	3,245	8,564	5,227	-	-	-	-
P J Twyman	8,107	8,107	15,214	13,543	-	-	1,412,253	2,045,167

[1] Amounts invested in Perpetual's products

Non-executive Director holdings held directly or indirectly

Name	Balance at the start of the year, or for directors appointed in the year, the date of appointment	Shares acquired via salary sacrifice during the year	Other changes during the year	Balance at the end of the year, or for directors who retired in the year, the date of retirement
	No of shares			
R M Savage	9,609	-	178	9,787
P B Scott	2,140	-	151	2,291
P V Brasher	1,000	-	-	1,000
M J Brooks	5,753	-	403	6,156
P Bullock	1,000	-	-	1,000
E P McClintock	8,768	-	435	9,203
E Proust	3,245	-	1,156	4,401
P J Twyman	8,107	-	-	8,107

Directors' Report For The Year Ended 30 June 2011 (continued)

Chief Executive Officer's and Chief Financial Officer's Declaration

The Chief Executive Officer and Chief Financial Officer declared in writing to the Board, in accordance with section 295A of the *Corporations Act 2001* that the financial records of the Company for the financial year have been properly maintained, the Company's financial reports for the year ended 30 June 2011 comply with accounting standards and present a true and fair view of the Company's financial condition and operational results. This statement is required annually.

Non-audit services

During the year KPMG, the Company's auditor, performed other non-audit services in addition to their statutory duties amounting to $288,000 (2010: Nil).

The Board has a review process in relation to any non-audit services provided by the external auditor. The Board considered the non-audit services provided by the auditor and, in accordance with written advice provided by resolution of the Audit Risk and Compliance Committee, is satisfied that the provision of these non-audit services by the auditor is compatible with, and does not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services are subject to the corporate governance procedures adopted by the Company and are reviewed by the Audit Risk and Compliance Committee to ensure they do not impact the integrity and objectivity of the auditor;
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants,* as they do not involve reviewing or auditing the auditor’s own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

The Lead Auditor's independence declaration for the 30 June 2011 financial year is included at the end of this report.

Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Order, amounts in the financial report and the Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of the directors:

Peter B Scott	Chris Ryan
Chairman	Chief Executive Officer and Managing Director

Sydney 26 August 2011

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: The Directors of Perpetual Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Andrew J Yates
Partner

Sydney

26 August 2011