Perpetual

2011 Annual General Meeting
Addresses to shareholders

Chairman's speech

Mr Peter Scott, Chairman – Perpetual Limited

(125th anniversary)

The 28th of September 2011 was the 125th anniversary of Perpetual's founding in Sydney in 1886 as the Perpetual Trustee Company. Since then, we have helped millions of Australians manage, invest and protect their wealth. Some of these client relationships go back many generations.

Throughout this period, Perpetual has demonstrated, time and again, its capacity to adapt to and thrive on change. The past year has been no exception as we have begun to re-shape your company to meet the challenges ahead.

(Difficult market conditions continued in 2011)

There is no doubt that, like all fund managers, wealth advisers or corporate trustees in Australia and around the world, we have experienced a very difficult last few years.

The underlying financial performance of the company was broadly unchanged on 2010, and our share price was down 14% over the year – outcomes unacceptable to you, your Board and the company's management.

I will make further comments on our financial performance later. Firstly, I want to make some comments on the key external factors which impact the company.

Approximately 75% of our revenue remains closely tied to the direction of financial markets, which clearly are still dealing with the after-effects of the global financial crisis.

As you can see here, in the last decade, we saw markets rise in a consistent fashion up to 2007. However, since then volatility has increased significantly and we now find the All Ords index back at the level of six years ago.

The general uncertainty and market volatility has driven the net fund outflows we and others in the industry have witnessed. This chart shows the strong correlation between the Australian All Ordinaries index and net industry flows.

Another important factor that impacts the business is general investor and consumer sentiment. It influences people's attitudes on a number of investment decisions: whether and when to invest, what products to invest in, whether to buy residential property and so on.

In Australia, the ongoing discussion around regulatory reform for superannuation and financial advice has created further uncertainty for investors, advisers and financial services providers. Draft legislation has recently been released and your Board believes that your company is well placed to respond to any regulatory changes.

Given these factors and the time it is taking to fully resolve the significant debt and equity markets issues around the world, it is not surprising that investors remain cautious.

This has a direct influence on the revenue of our businesses.

Despite this challenging environment, we are approaching the future with enhanced confidence. Ultimately, Australians must continue to take charge of their financial wellbeing and they will continue to invest and seek advice from companies such as Perpetual.

While we cannot control financial markets, investor sentiment or the regulatory environment, we can control how we manage our businesses and respond to the changes taking place in our industry. Over the past year, we have sought to do just that.

(2011 has been a year of change and renewal)

The 2011 financial year was a year of significant change. During the year:

- We appointed a new Chairman;
- We were approached by private equity firm KKR with an incomplete proposal to buy the company;
- We dealt with significant market volatility and uncertainty;
- We appointed a new CEO; and
- We prepared for significant regulatory change in the financial advice industry

It has been a very busy year for the company.

I would like to address the issue of the approach by KKR in some detail as I know that many shareholders have raised this matter.

On 18 October 2010, we notified the market that KKR had approached us with an incomplete proposal to acquire your company.

I would like to emphasise again that this was only a proposal, not a formal offer for the company that could be put to shareholders for acceptance. It was indicative, incomplete, highly conditional and non-binding. It was essentially an expression of interest to engage in discussions with us, not a complete bid.

On 25 October 2010, your Board advised shareholders that we considered that the proposed offer price did not reflect Perpetual's value. However, your Board believed that it would be in shareholders' interest to commence exploratory discussions with KKR and establish if an offer that would deliver acceptable value to shareholders could be formulated.

Following extensive discussions, we advised the market on 20 December 2010 that talks had ended after both parties were unable to develop mutually acceptable terms for the proposal.

With the discussions with KKR ended, we completed our CEO search and appointed Chris Ryan in January 2011.

Since joining the company in February 2011, Chris has outlined the key principles by which we intend to run the company. In summary these are: greater discipline in the management of our business portfolio, a move to a lower and more flexible cost base and a more active management of capital.

(Well positioned in an attractive industry)

The industry in which we operate continues to have a strong fundamental and structural appeal.

Some of the long term drivers that underpin our three core businesses are shown on this chart, as are the current issues that are impacting on their immediate financial performance.

Australia has a well-established superannuation system, amongst the largest in the world, and the total superannuation pool to be managed by investment managers such as our Perpetual Investments business is expected to grow further if contribution levels are raised, as anticipated, from 9 to 12% of salaries.

We have an ageing population, which will peak in the next decade or so, leading to a rapid expansion in the need for high quality financial advice, as provided by our Private Wealth business. And as wealth is growing in our target High Net Worth segment, Australians are generally in need of independent advice relating to how they structure their financial affairs.

Australia is also a country of homeowners and demand for housing finance, even if cyclical at times, will continue to be strong, creating a positive environment for our Corporate Trust business.

Within this positive longer term outlook, our three core business units – funds management, wealth advice and corporate trustee services – position us well to generate good quality earnings for shareholders.

In all three businesses, we draw on our heritage of fiduciary duty to clients, which has never been more important than in the current uncertain environment.

In summary, while short-term factors are impacting demand, there are significant opportunities for us in what remains an attractive industry. It is an industry we have been operating in for a very long time, one that we know well and for which we have the right mix of businesses to pursue new opportunities.

While this positions us well on an ongoing basis, we did recognise immediate action was required and we have responded by moving towards a more focussed and aligned business.

Chris Ryan will talk in a few minutes about what we have done over the last six months to improve our competitive position and ensure we are able to generate appropriate returns for our shareholders.

He will also provide evidence of our stronger focus on providing the right products and services to our clients, who entrust their financial wellbeing to Perpetual.

(Financial results)

Perpetual Limited recorded a full year underlying profit after tax of $72.9 million and a net profit after tax of $62.0 million. While net profit after tax was down on the prior year, underlying profit was broadly unchanged.

The result is not unexpected in the context of subdued equity markets and continued volatility. We take some comfort from the fact that we have been able to maintain underlying profit levels in what has been an exceptionally tough year for the industry and global markets overall.

We calculated that at 31 October 2011, a 1% movement in the market changes our annualised revenue by $1.5 to $2 million.

As shown by this chart, financial markets failed to show any sort of momentum, from well before July 2010 until and indeed past June 2011.

In the 2011 financial year, the shaded area on this chart, the average All Ords index was only up around 2.7% and clearly this has again been a major influence on the profitability of your company.

We strengthened our financial position during the 2011 financial year. This provided the company with the flexibility to pay dividends in excess of our dividend policy. It also allowed us to undertake a share buy-back in the 2012 financial year while maintaining a conservative gearing ratio. This financial strength is in keeping with our long-standing values and positions us as a secure provider of financial services.

The financial result also reflects the investments we are making to further improve our ability to weather external influences by reconfiguring our portfolio of businesses, and by becoming more efficient in the way we operate these businesses.

Chris Ryan will take you through the individual businesses' results in more detail in his presentation.

(Shareholder dividends)

We understand the importance of dividends to our shareholders and the Board monitors the many factors that impact the quantum of the dividend throughout the year.

Our normal dividend policy is to pay out 80 to 100 per cent of net profit after tax on an annualised basis. Based on this policy, the full year dividend would have been in the range of 113 to 141 cents. Given our strong financial position, your Board decided to pay a dividend of 185 cents per share fully franked for the 2011 financial year.

This effectively amounts to the distribution of $19.7 million of surplus capital to all shareholders, in addition to the $70 million of capital returned via the off-market buy-back we conducted in the current financial year.

This buy-back was in line with our more active approach to the management of capital to ensure it is used efficiently to create value for shareholders. It is not expected to affect our flexibility to deploy capital for other shareholder value creating purposes.

(Governance)

During the year, we continued to review our remuneration practices to ensure they drive achievement of business strategy, incorporate high standards of governance and remain market competitive.

For a number of years, we have sought external, independent advice on remuneration matters. We recently appointed PricewaterhouseCoopers as our principal remuneration adviser and with their help we are making changes to strengthen the alignment of performance-based remuneration with shareholder outcomes.

Elizabeth Proust, chairman of the people and remuneration committee, will speak to our remuneration policies later.

I am privileged to lead a committed Board with a broad range of business and financial expertise. This has proved invaluable through the last few difficult years and will continue to be important as we re-position the company for the future.

As we previously advised, Meredith Brooks, who has served as a director since 2004, will not be standing for re-election. I thank Meredith for her substantial contribution throughout her tenure. It is our intention to replace Meredith but prior to doing so, we will conduct a Board succession planning review.

(Facing the future with confidence)

In summary, over our 125-year history, we have consistently demonstrated our resilience and adaptability. The changes we are now making will make us fitter, more efficient and more focussed on those things that we can control and in which we excel.

We operate in a country with an economy, regulatory regime and retirement funding system that are the envy of many.

We look forward to the future knowing that the multiple initiatives we are implementing will improve our ability to navigate the challenges of volatile financial markets. We now have a clear plan for growth, and are clearly focussed on providing excellent service to our clients and strong returns for our shareholders.

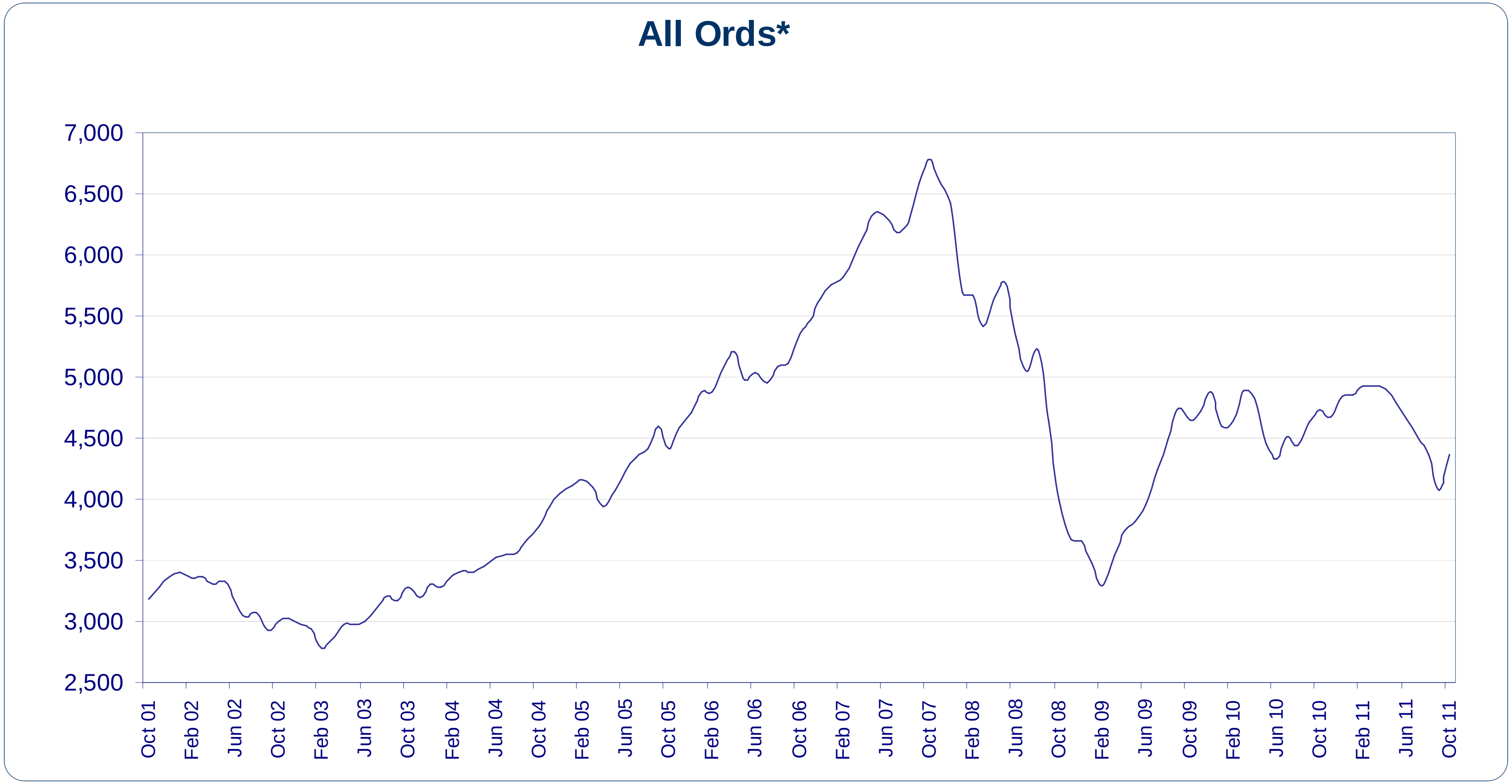
I thank you, our shareholders, for your support, as well as my fellow directors and our staff for their commitment to Perpetual and its values.

Thank you

Peter Scott
Chairman

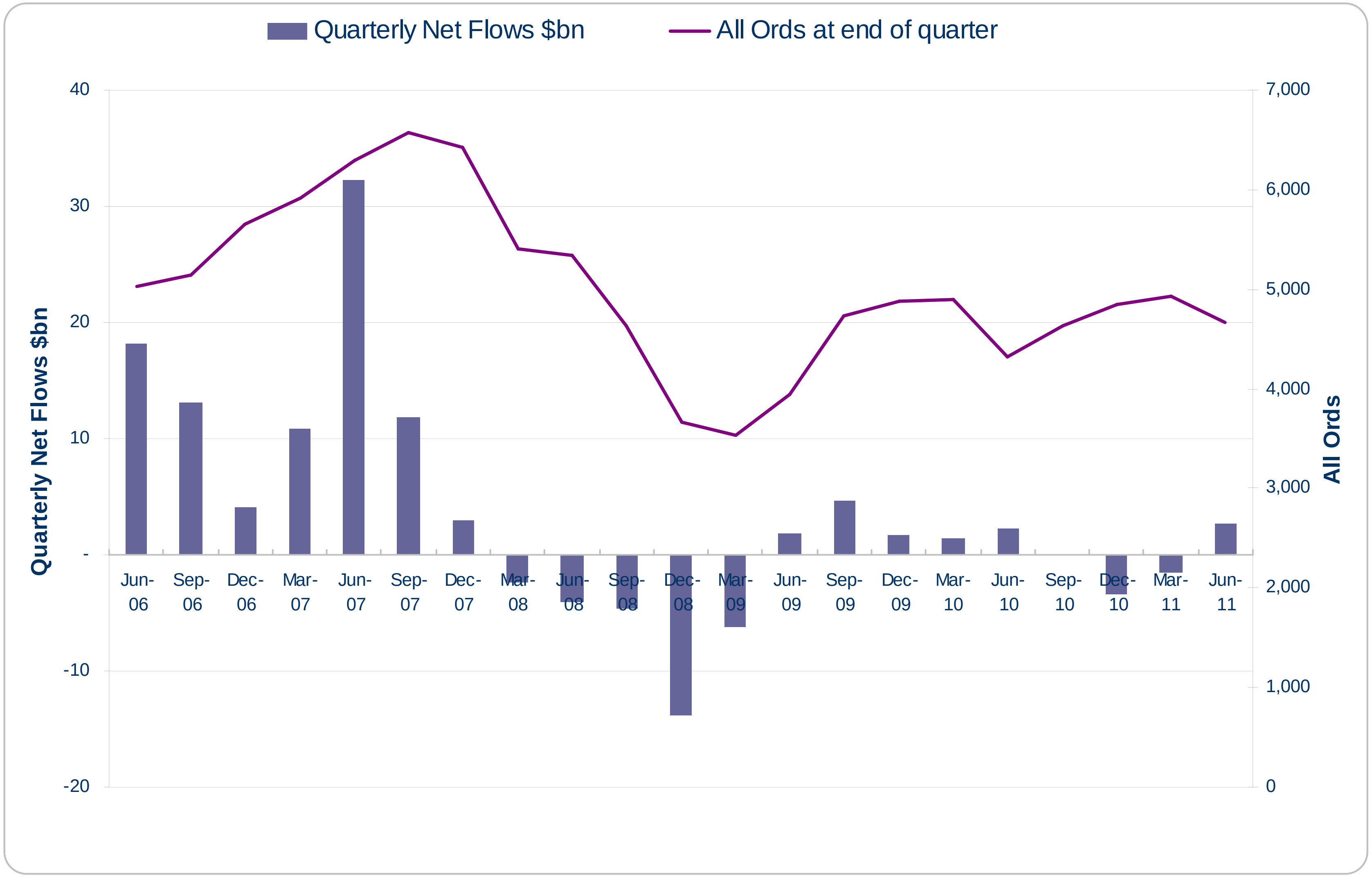
Celebrating 125 years in Australia

All Ordinaries Index 10-year trend



***: at end of month**

Market movement and industry flows



Flows source: Latest available data – Plan for Life (June 2011)

Quality earnings: impacted short term but supported long term by structural environment

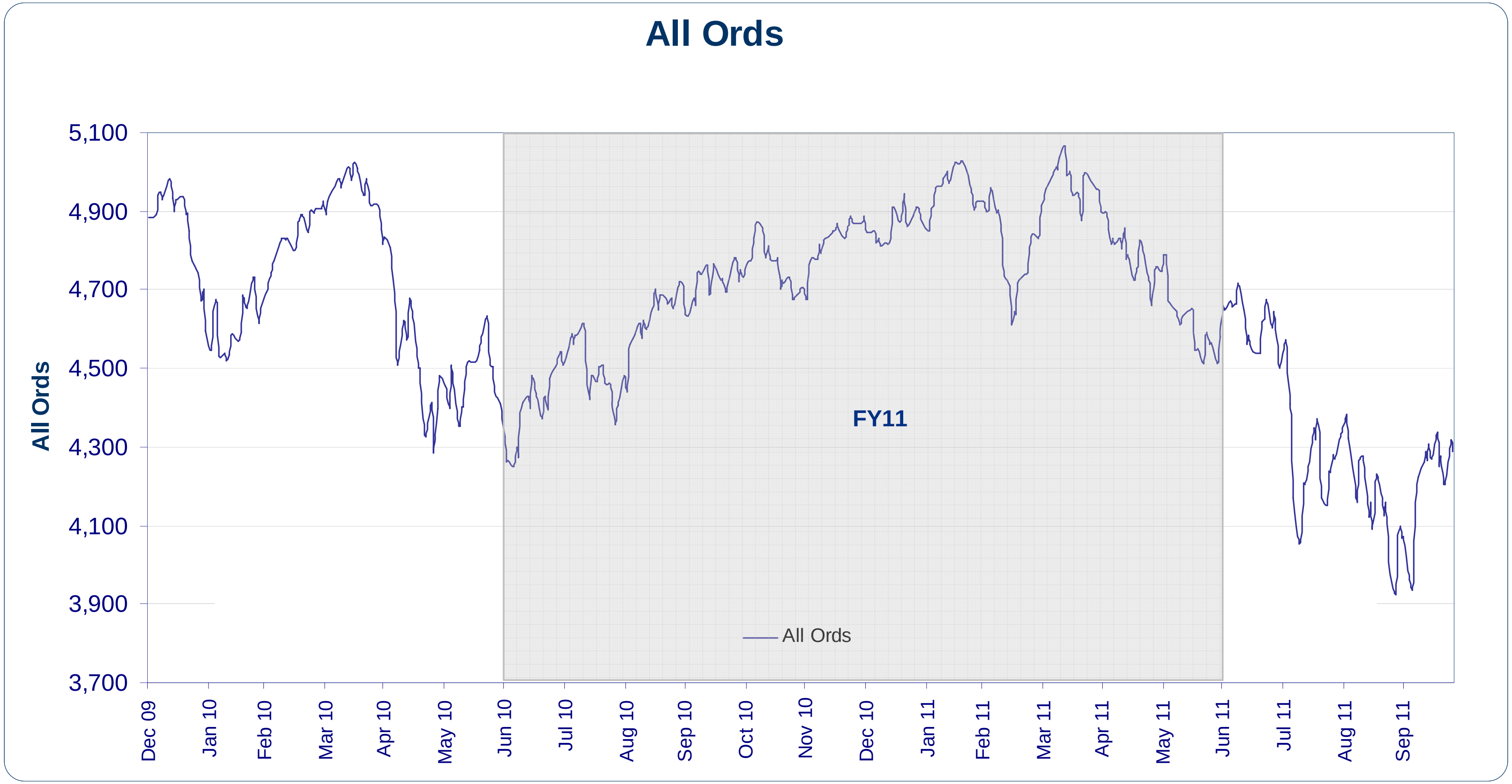
Business Units	**Perpetual Investments**	**Private Wealth**	**Corporate Trust**
Long-term structural drivers of demand	Large super system Contribution level increase	Demographics HNW wealth growth Under-advised	Nation of home-owners
Short-term impacts on demand	Equity market volatility and performance High interest rates	Poor investor sentiment	Economic concerns Cautious consumers

Financial performance reflects subdued markets

	FY11 $m	FY10 $m	FY11 v FY10
Underlying Profit After Tax	**72.9**	**72.8**	**0%**
Total significant items	(10.9)	17.7	
Net Profit After Tax (NPAT)	**62.0**	**90.5**	**(31%)**
Dividend per Ordinary Share (cps)	**185.0**	**210.0**	

At 31 October 2011, a 1% movement in the All Ordinaries Index changes annualised revenue by approx. $1.5m - $2.0m

All Ordinaries Index 2010-2011



Perpetual

Perpetual

2011 Annual General Meeting
Addresses to shareholders

CEO speech

Mr Chris Ryan, Managing Director and Chief Executive Officer – Perpetual Limited

Good morning.

I am pleased to address my first Perpetual Annual General Meeting and look forward to meeting you afterwards.

(Perpetual strengths)

When I joined this iconic company in February this year, I told shareholders, clients and staff that there were five key reasons why I accepted the opportunity to lead Perpetual into its next phase of development.

Perpetual is an exceptional brand, held in high regard by the industry and the public alike. The company also has a unique scale and independence, which allows it to be a major player in its chosen segments but at the same time gives it the flexibility to respond to the evolving environment in which it operates.

We also have significant depth of talent, to which we have added further expertise this year, as I will explain later. Our executive team is very experienced and highly regarded and our asset management teams have an exceptional standing within the industry.

Financially, our portfolio of businesses allows us to generate quality earnings streams, offering diversification across multiple financial services activities. Importantly, as our Chairman observed earlier, Perpetual also has the financial strength required to protect and grow its businesses, and create returns for shareholders.

Although these five qualities provide Perpetual with a strong platform, it is important that we reflect on our performance and look at how we meet challenges and take advantage of opportunities.

(A new approach)

When I started in my new role, my first priority was to review Perpetual's portfolio of businesses, our strategy, and our capabilities. This review confirmed Perpetual's strengths but also highlighted areas in which we needed immediate improvement.

Firstly, we have to be more rigorous in how we manage our portfolio of businesses. We need to focus our energy and resources on the things we do best and can add the most value for clients and shareholders.

In other words, areas where we have a competitive advantage, a strong brand and value proposition to clients and the ability to create growth in demand.

We had a good hard look across the business portfolio and made the necessary decisions to achieve this objective.
Next, I turn to cost and efficiency.

A more flexible cost base will improve our ability to respond to changing conditions and opportunities. By actively managing our costs, we are reducing the expenses across the company and freeing up resources to invest in growth areas.

Evidence of that has been the expansion of our services range in Private Wealth and our growing presence in major state capitals, such as Brisbane, Melbourne, Adelaide and Perth.

As our Chairman pointed out earlier, we have also become more active in managing our capital. If we are not able to invest excess capital with conviction in a business strategy that adds value for shareholders in a reasonable timeframe, then we intend to return it.

This is what we did with both the payment of dividends above our payout policy and our recently completed off-market share buy-back.

(A great company with a sharper focus)

I would like to return to the overview of our businesses and their performance drivers as shown by our Chairman earlier and give you a snapshot of some of our actions in response to the challenging environment over the last six months.

In Perpetual Investments:

We closed our Dublin-based investment operation and appointed Wellington Management to manage our international share funds. This provides a world class solution for our clients and has already resulted in improved product ratings. It is also expected to generate around $7 million in after tax annualised savings.

We developed the Secured Private Debt Fund series, a new generation mortgage product that caters to the growing need for retirement income products. This product has already raised over $175 million.

We sold the smartsuper self-managed superannuation fund administration business, as it was not integral to the value-added advice and investment solutions we offer.

In Private Wealth:

Our objective to provide a wider range of solutions to our existing clients and attract new clients led us to outsource our portfolio administration system for Private Wealth clients. The ongoing implementation of this project will provide us with a SuperWrap, an essential solution for our target High Net Worth segment.

It is also a further example of efficient cost management, allowing us to concentrate on the solutions we provide to clients, and underpinning organic and inorganic growth in our Private Wealth business on an ongoing basis.

In Corporate Trust:

We are adding additional asset classes to our client offer, such as covered bonds, now that legislation authorising the issuance of such bonds by financial institutions has been passed. We are also implementing initiatives to grow revenues in our trust and fund services area.

These are just a few practical examples of how we are developing better solutions for clients and improving our competitive position. We are confident this will help create value for our shareholders now and in the long term.

(Strengthened management team)

Perpetual has a talented executive team, but the company will benefit from the new perspectives and different experience that new talent brings to our organisation. In my first months at Perpetual, I identified two areas where we needed a fresh perspective and a different leadership. To this end, I appointed two new group executives for the key functions of operations and marketing.

Richard Vahtrick joined us from IBM in June to lead our operations and IT teams. He brings more than 30 years of international and Australian experience in operations, IT and finance and has already identified a number of opportunities for us to move to a more flexible and efficient cost structure.

We also need to build on our brand strengths by better communicating how we can help our clients achieve their goals.

For that reason, I have appointed Brian Henderson to lead our marketing and communications efforts. Brian brings more than 20 years of senior international marketing experience to Perpetual, most recently with highly regarded international financial services company Fidelity.

Under his guidance, we have just launched our new advertising campaign, which directly communicates our core values and expertise. In these challenging times, it is important that we invest to get our fair share of voice in the marketplace.

(A stronger focus on the client)

Our greater focus on producing the right outcomes for our clients is also shaping the way our executive team is approaching the management of our business units.

In asset management, we aim to better identify emerging client demand and develop solutions that leverage our strengths as an active value manager, build on our significant strengths in fixed income and draw on our partnerships such as that with Wellington Management for our International Share Fund.

The investment teams, under the leadership of Cathy Doyle and Richard Brandweiner, are working hard to develop additional investment products and solutions that will help our clients achieve long-term financial security.

In addition to his role leading our Private Wealth business I have also appointed Geoff Lloyd as Head of Retail Sales for Perpetual Investments, so that we have a cohesive and integrated approach to client servicing across all key business lines.

In Private Wealth, we continue to focus on the needs of key client groups in the high net worth sector. We integrated our recent advice acquisitions, Fordham and Grosvenor, which have broadened our capabilities and client offerings for business owners and professionals.

While more acquisition opportunities are presenting themselves, we will continue to be disciplined in making such investments.

In Corporate Trust, led by Chris Green, our clients view us as a leader in mortgage securitisation services and we are selectively broadening our offering to other asset classes. We also continue to invest in, and better market, the specialist services we can provide to third party funds.

Through stronger technology solutions and better productivity management, we will look to improve the efficiency and profitability of our mortgage lending services.

While the implementation of these initiatives started at the end of the 2011 financial year, our renewed focus and commitment is gaining momentum.

Our Chairman already provided an overview of the Group result. I would now like to discuss the performance of our individual business units in the past year.

In the 2011 financial year, Perpetual Investments achieved a 7% increase in profit before tax, to $73.3 million, on slightly lower revenues of $225.0 million. Average funds under management through the year increased slightly from $26.9 to $27.2 billion, in line with industry experience.

Perpetual has endured many different market cycles and the investment team, while going through transitions from time to time, has continued to produce market-leading returns for our clients, as shown on this table. You will note the multiple plusses indicating where our asset managers have outperformed their benchmarks.

Perpetual has once again been recognised for this outstanding investment performance in the past year, winning a number of industry awards.

Turning to Private Wealth, as a wealth adviser, this business is based on providing the best quality advice to financially successful individuals, families, businesses and not-for-profit organisations.

Part of Private Wealth is our Philanthropy business, which is instrumental in supporting the positive impact that is made by many Australians by providing them with tailored advice and services to help them fulfil their charitable intentions.

The Private Wealth business achieved a 5% increase in funds under advice, to $8.7 billion, and a 15% increase in revenues, to $116.2 million, demonstrating that our previous acquisitions are delivering. Profit before tax did decline to $13.3 million as we made substantial investments in preparing the business for future growth.

As a corporate trustee, we have consistently demonstrated our expertise and integrity, and are the market leader in securitisation services, primarily for mortgage backed assets.

Profit before tax for Corporate Trust was up slightly, to $25.3 million, with total revenues growing 11% to $97.2 million. The past year has been challenging for this business as mortgage volumes have weakened across the Australian market.

Nevertheless, Corporate Trust remains in a strong position and has been a very important contributor to our ability to produce good returns for our shareholders.

Shareholders can read more about the performance of our three business units in the Annual Report.

(market environment)

Investors' current caution is understandable but ultimately, in order to grow their wealth over the long term and generate adequate income in retirement, they will need to invest much more widely than in fixed income and cash products.

I also believe that, similar to the experience in the US, as our superannuation system continues to grow, the demand for non-superannuation investments will grow in tandem as more high net worth clients reach their contribution limits and want to diversify how their wealth is held.

We strongly believe in the relationship between risk and return and, whilst in times like these that belief is challenged by some, the enduring validity of this relationship will continue.

When confidence returns to the market and investors are again prepared to deploy their funds into equities, I believe they will be increasingly selective in choosing a fund manager with strong values and track record, such as Perpetual.

For that reason, having a clear focus on what we do well is essential for our success.

(Earnings outlook for 1st half 2012)

Now, turning to the financial outlook for the company for the six months ending 31 December 2011.

Based on markets as at 31 October 2011, we expect our underlying profit after tax for the period to be in the range of $26 to $31 million.

This excludes the $10 million after tax restructuring charge announced on 15 August 2011 in relation to the closure of our Dublin-based in-house international share fund manufacturing capability.

The profit outlook reflects, in the main, the decline in equity markets experienced since 1 July 2011.

As our Chairman mentioned earlier, markets have not shown any positive momentum since the start of the current financial year.

The average All Ords for the four months to 31 October 2011 was around 10.5% lower than the average level seen in the six months ending 30 June 2011.

This guidance assumes no other impairments and is subject to there being no material deterioration in financial markets and business conditions over the remainder of calendar 2011.

(conclusion)

As I mentioned earlier, we have a company with talented people, a great brand, and considerable strengths in the markets in which we choose to compete, all of which are supported by a promising long-term outlook.

The current environment is challenging, but it also creates significant opportunities, and the strong platform we have allows us to pursue these opportunities and create value from them for our shareholders.

We are now exercising greater discipline and focus in that pursuit, and we look forward to the next year with confidence and enthusiasm.

Much is yet to be done and this process continues as I speak. I look forward to updating you on our progress over the next year.

Thank you

Chris Ryan
Chief Executive Officer and Managing Director

Celebrating 125 years in Australia

A new approach to improve performance

✓ Greater discipline in management of business portfolio

✓ Active management of costs and move to more flexible cost base

✓ More active management of capital

Improved exposure to structural growth factors and response to short-term challenges

Business Units	**Perpetual Investments**	**Private Wealth**	**Corporate Trust**
Long-term structural drivers of demand	Large super system Contribution level increase	Demographics HNW wealth growth Under-advised	Nation of home-owners
Short-term impacts on demand	Equity market volatility and performance High interest rates	Poor investor sentiment	Economic concerns Cautious consumers
Our responses	Dublin Product innovation smartsuper	Project ICE New capabilities	Covered bonds Trust and fund services

Strengthened management team and client focus

CHRIS RYAN
Managing Director &
Chief Executive Officer

ROGER BURROWS
Chief Financial Officer

IVAN HOLYMAN
Chief Risk Officer

RICHARD VAHTRICK
Group Executive
Operations

JANINE STEWART
Group Executive
People and Culture

BRIAN HENDERSON
Group Executive
Marketing

GEOFF LLOYD
Group Executive Private
& Head of Retail Sales

CHRIS GREEN
Group Executive
Corporate Trust

CATHY DOYLE
Group Executive
Equities

RICHARD BRANDWEINER
Group Executive
Income and Multi Sector

Perpetual Investments: improved financial performance in volatile environment

	FY11 $m	FY10 $m	FY11 v FY10
Revenue	225.0	227.7	(1%)
Profit before tax	**73.3**	**68.8**	**7%**
Closing Funds Under Management ($b)	27.2	26.9	1%

Continued strong relative outperformance

Excess/(under) performance p.a. – gross as at end June 2011									
Period	**Industrial Share Fund**	**Australian Share Fund**	**Smaller Companies Fund**	**Concentrated Equity Fund**	**International Share Fund**	**Diversified Income Fund**	**Share Plus Fund**	**Ethical Share Fund**	**Global Resources Fund**
1 year	-0.41%	+3.17%	+14.72%	+1.79%	-3.54%	+4.07%	+5.36%	+0.33%	+23.39%
3 years	+2.60%	+3.88%	+9.71%	+4.80%	+1.32%	+1.08%	+4.07%	+11.24%	+6.72%
5 years	+2.59%	+2.49%	+7.44%	+3.55%	+0.65%	-0.49%	+3.42%	+4.86%	N/A
7 years	+1.85%	+2.58%	+4.15%	+2.46%	N/A	N/A	+2.59%	+3.75%	N/A
10 years	+3.59%	+3.80%	+6.87%	+4.60%	N/A	N/A	N/A	N/A	N/A

Private Wealth: investing in stronger market position and future growth

	FY11 $m	FY10 $m	FY11 v FY10
Revenue	116.2	100.8	15%
Profit before tax	**13.3**	**17.4**	**(24%)**
Closing Funds Under Advice ($b)	8.7	8.3	5%

Corporate Trust: profit stable in challenging year

	FY11 $m	FY10 $m	FY11 v FY10
Revenue	97.2	87.5	11%
Profit before tax	**25.3**	**25.1**	**1%**
Closing Funds Under Administration ($b)	205.8	210.5	(2%)
Number of PLMS matters ('000s)	240	199	21%

Outlook

	Six months to 31 Dec 2011 (1H12) $m
Underlying Profit After Tax (UPAT)	**26 – 31**

Note:

- Excludes approx. $10m in after tax restructuring charge in relation to the closure of the Dublin operations
- UPAT outlook is based on markets at the end of October 2011 and assumes no other impairments and is subject to there being no material deterioration in financial markets and business conditions over the remainder of calendar 2011
- Full details in ASX announcement dated 3 November 2011

Perpetual

2011 Annual General Meeting
Addresses to shareholders

Remuneration Committee Chairman's speech

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

Good morning ladies and gentlemen, fellow shareholders.

Today, I will provide an overview of our remuneration policies and outcomes for the past year. The full details were provided in the Remuneration Report, which was released to the market at the same time as the company's 2011 financial results on 26 August 2011. The Remuneration Report is also contained in our Annual Report, and available on our website.

We have recently seen the introduction of a number of reforms to the director and executive remuneration provisions in the Corporations Act, most notably the two-strikes process.

It is pleasing to note that the two major institutional proxy advisers are recommending a vote in favour of the Remuneration Report. We have also held discussions with the Australian Shareholders Association and reiterated our rationale for the change in the long-term incentive EPS hurdle, which I presented to shareholders at last year's AGM. The ASA has indicated it intends to vote against the Report.

At this AGM, we have a very close vote on the Remuneration Report and we take note of this as evidence that we need to continue the review of our current remuneration practices, which I will summarise shortly.

As I mentioned, we have been in dialogue with the ASA, with proxy advisers, and with our shareholders to discuss our practices to-date and we will continue this engagement in the future.

(Year in review)

The 2011 financial year saw a change in 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.

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

- the refinement of our remuneration guiding principles. These are described in section 3.1 of the 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 adviser to the Board, to provide specialist advice on executive remuneration and other group-wide remuneration matters.

We believe our remuneration practices are sound and demonstrate a clear link between executive and shareholder outcomes. Of course, we have continued to refine our remuneration practices in light of new legislation and market practice.

For the 2012 financial year, we will make some changes to our short-term incentive arrangements for staff to further improve the link between the successful execution of our business strategy and staff rewards.

(Link to company performance)

A key component of executive remuneration at Perpetual is performance-based incentives, with all executives having a significant proportion of their remuneration linked to their performance and that of the company. Fixed remuneration for the Managing Director makes up 34% of total opportunity, with performance-based short-term and long-term incentives making up the balance. For Group Executives, on average, fixed remuneration makes up 38% of total opportunity. This remuneration mix is consistent with industry standards.

As illustrated in the Remuneration Report, there is a clear correlation between the Company's performance over both the short and long term and the value of incentives received by executives.

<u>Short-term Incentives</u>

Of those Key Management Personnel eligible to be considered for a short-term incentive, the outcomes were between 33% and 51% of their respective targets, reflecting the tough environment we have been operating in and our performance.

In respect of the broader employee population, the Board approved a discretionary allocation to the Perpetual Performance Pool, primarily to supplement the short-term incentives of employees who are not part of the Key Management Personnel group and who would otherwise have received short-term incentive awards significantly below their target levels for the third consecutive year. All of these employees were high performers.

<u>Long-term Incentives</u>

Vesting of long-term incentives is typically subject to service conditions, as well as Total Shareholder Return and Earnings Per Share growth performance hurdles, measured over a three-year performance period. In other words, the long-term incentives are directly linked to company performance.

Shareholders will have noted on page 42 of our Annual Report that less than 10% of grants made in 2006, 2007 and 2008 actually vested, illustrating the clear link between company performance and remuneration at Perpetual.

No long-term incentives held by Key Management Personnel vested during the 2011 financial year, other than a portion of a business-based long-term incentive made to Cathy Doyle, Group Executive Equities, in February 2008. Grants made in October 2006 and October 2007 were forfeited as the performance hurdle was not met on re-test. The initial test of the performance hurdle for grants made in October 2008 was not met and no shares have vested.

Following consultation with proxy advisers, the Australian Shareholder Association and our shareholders, we made changes to the grant testing process and since 1 July 2010, grants are subject to just one test date rather than two.

(Fixed remuneration)

Turning now to fixed remuneration, Perpetual’s approach to determining fixed remuneration levels is to target the median of the relevant market for each role.

<u>Managing Director and CEO</u>

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. This was benchmarked against CEOs of leading listed companies in the diversified financial services industry (*excluding* CEOs of the major banks and other financial services companies in the S&P/ASX 20).

<u>Group Executives</u>

For the 2011 financial year, increases of 8.3 per cent on average were granted to Group Executives. This reflected the increase in experience and the expanded responsibilities 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 predecessors, with a view to transitioning to market levels as they developed in their new roles.

These increases followed the 2010 financial year, when there were no increases in fixed remuneration for the Group Executives, except in the case of promotion or significant increases in roles and responsibilities.

(Sign-on payments)

Under certain circumstances, Perpetual will award sign-on payments to new executives. We believe these payments are appropriate, having regard to the remuneration that was foregone by the executive as a consequence of leaving their previous employment. There is strong demand for talent and this is the price we have to pay to secure the best resources from within a competitive market.

Perpetual's approach to sign-ons is that where these are agreed, we seek to align them to the form (that is cash or equity) of the foregone entitlement and the timing that the foregone entitlement would otherwise have vested. The quantum of the sign-on takes into account the likelihood of vesting and the portion of the performance period that has elapsed. In no case, do we compensate for vested incentives.

In recognition of the remuneration foregone by Chris Ryan as a consequence of joining Perpetual, a sign-on payment of $500,000 (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 per cent Total Shareholder Return and 50 per cent Earnings Per Share growth), measured over two years.

Sign-on payments of $700,000 cash (less tax) and $400,000 in shares were made to Geoff Lloyd, Group Executive Private Wealth. The sign-on shares granted to Mr Lloyd vested on 10 August 2011.

(Non-executive Director fees)

An increase in fees of approximately three per cent for the Board and Committees was supported by shareholders at our previous AGM and applied for the 2011 financial year. 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 the 2012 financial year. Further, from 1 July 2011, there will be no fees paid to members for serving on the Nominations Committee.

It should be noted that in 2006, shareholders approved an increase in the non-executive director fee pool to $2.25 million and actual fees awarded, at $1.9 million, are currently well below this level.

In summary, we believe our remuneration practices are sound and demonstrate a clear link between executive and shareholder outcomes. Your Board continues to assess our remuneration practices to ensure they drive achievement of our business strategy.

I can advise that, in the opinion of the Group’s auditors, KPMG, the Remuneration Report of Perpetual Limited for the year ended 30 June 2011 complies with Section 300A of the Corporations Act 2001.

I commend the Remuneration Report for your adoption.