Directors' report

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Directors' report for the year ended 30 June 2009

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 2009 and the auditor's report thereon.

1. Governance

Directors

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

Robert M Savage, Chairman and Independent Director
FASCPAS, FAICD, FAIM (Age 67)
Appointed as a director in 2001 and as Chairman in October 2005. He was formerly Chairman and Managing Director of IBM Australia and New Zealand. He is Chairman of David Jones Limited and a director of Fairfax Media Limited. He is Chairman of Perpetual's Nominations Committee and a member of the Audit Risk and Compliance Committee and People and Remuneration Committee.

Mr Savage brings to the Perpetual board his experience as a senior executive in Australia and the Asian region, including experience in people management and organisation effectiveness issues and several years as a non-executive director and chairman across a wide range of Australian companies.

Listed company directorships held during the past three financial years:

- David Jones Limited from October 1999 (current)
- Smorgon Steel Group Limited from April 2000 to August 2007
- Mincom Limited (Chairman) from May 2002 to May 2007
- Fairfax Media Limited from June 2007 (current).

Meredith J Brooks, Independent Director
BA, FIAA (Age 47)
Appointed as a director in November 2004. She was formerly Managing Director, US Institutional Investment Services for Frank Russell Company based in New York. Prior to that she held the position of Managing Director of Frank Russell Australasia for five years and was previously Director, European Funds based in London. Ms Brooks is Chair of Synergy & TaikOz Limited. 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.

E Paul McClintock AO, Independent Director
BA, LLB (Age 60)
Appointed as a director in April 2004. He is a director of investment banking firm McClintock Associates, a role he has held since 1985, apart from the period between July 2000 and March 2003, when he was Secretary to the Cabinet and Head of the Cabinet Policy Unit in the Australian Government. He is Chairman of Thales Australia, Medibank Private Limited and COAG Reform Council. 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
- Macquarie Infrastructure Investment Management Limited (the manager of Macquarie Infrastructure Group) from May 2003 (current).

Elizabeth M Proust, Independent Director
BA (Hons), LLB, FAICD (Age 58)
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 the Premier and Cabinet and Chief Executive Officer of the City of Melbourne. She is currently Chairman of Nestlé Australia Ltd, 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 (current).

Peter B Scott, Independent Director
BE (Hons), M.Eng.Sc (Age 55)
Appointed as a director in July 2005. 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 Ltd and a director of Stockland Corporation Limited. Mr Scott is an advisory board member of Pilotlight Australia and an advisory panel member of Laing O'Rourke Australia. He is a member of Perpetual's Investment Committee and People and Remuneration 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 (current).

Philip J Twyman, Independent Director
BSc, MBA, FIA, FIAA (Age 65)
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 (current).

David M Deverall, Managing Director
BE (Hons), MBA (Stanford) (Age 43)
Appointed Managing Director in September 2003. He held senior management positions at Macquarie Bank Limited for seven years including Group Head of the Funds Management Group and Head of Strategy, Analysis and Planning. Prior to this he was a strategy consultant with Bain and Company and The LEK Partnership. Mr Deverall is Chair of the Investment and Financial Services Association (IFSA) and a member of the Executive Council of the Faculty of Business at the University of Technology Sydney.

Mr Deverall brings to Perpetual a combination of strategic ability and commercial drive and skills in product innovation and experience in management across a broad range of investment products and services. He also possesses an extensive overall understanding of the wealth management and wider financial services industry.

Alternate directors

Roger Burrows, Alternate director
BCom, CPA (Age 45)
Alternate director for Mr Savage from December 2008. 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 three years as Group Chief Financial Officer.

Ivan D Holyman, Alternate director
BEc, LLB (Age 53)
Alternate director for Mr Deverall from May 2006. 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.

Directors who retired or resigned during the year

Alexander Stevens, Independent Director
MB BS (Hons), FRACS, MBA (AGSM), MAICD (Age 50)
Appointed as a director on 24 June 2008 and resigned on 3 February 2009 to resume his professional executive career. He was a member of Perpetual's Audit Risk and Compliance Committee and Investment Committee.

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.

Glenda Charles
Grad. Dip. Corp. Gov. ASX Listed Entities
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 ten years experience in company secretarial practice and administration and has worked in the financial services industry for over 20 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 2009 were:

Director	Board[1]		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
R M Savage[2]	12	12	2	2	-	-	2	2	7	7
M J Brooks	12	11	7	7	4	4	-	-	-	-
E P McClintock[3]	12	12	-	-	4	4	2	2	7	7
A Stevens[4]	7	7	4	4	2	2	-	-	-	-
E M Proust	12	11	7	7	-	-	2	2	7	7
P B Scott[5]	12	11	-	-	4	4	-	-	7	7
P J Twyman	12	12	7	7	4	4	2	2	-	-
D M Deverall[6]	12	12	-	-	-	-	-	-	-	-

1 Meeting held on 10 November 2008 was an unscheduled meeting
2 Robert Savage was appointed as a member of the Audit Risk and Compliance Committee on 11 May 2009
3 Paul McClintock was appointed as a member of the People and Remuneration Committee on 31 July 2008
4 Alexander Stevens was appointed to the board of Perpetual Limited on 24 June 2008. He was appointed as a member of the Audit Risk and Compliance Committee and Investment Committee on 31 July 2008. Mr Stevens resigned as a director on 3 February 2009
5 Peter Scott retired as a member of the Audit Risk and Compliance Committee on 31 July 2008
6 David Deverall retired from the Investment Committee on 31 July 2008

2. Operations

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 the Management Discussion and Analysis of Financial Condition and Results of Operations (MD&A).

For the financial year to 30 June 2009, Perpetual reported a profit after tax of $37.8 million compared to the profit after tax for the financial year to 30 June 2008 of $128.8 million.

The reconciliation of net profit after tax to underlying profit after tax for the 2009 financial year is as follows:

Reconciliation of underlying profit after tax	30 June 2009 $'000	30 June 2008 $'000
Net profit after tax attributable to equity holders of Perpetual Limited	37,749	128,813
Add/(less): Loss/(profit) on sale of investments (after tax)	6,081	(21,145)
Add: Restructuring costs (after tax)	8,115	-
Add: Exact Market Cash Fund losses (after tax)	13,810	25,796
Underlying profit after tax attributable to equity holders of Perpetual Limited	65,755	133,464

This table has been prepared in accordance with the AICD/Finsia principles for reporting underlying profit.

Dividends

Dividends paid or declared 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 2009				
Final 2008 ordinary	141	59,181	Franked	12 Sep 2008
Interim 2009 ordinary	40	16,986	Franked	13 Mar 2009
Total		**76,167**		
Declared after end of year				
After balance sheet date, the directors proposed the following dividend:				
Final 2009 ordinary	60	25,506	Franked	30 Sep 2009
Total		25,506		

Franked dividends declared and paid during the year were franked at 30 per cent.

The financial effect of dividends declared after year end are not reflected in the 30 June 2009 financial statements and will be recognised in subsequent financial reports.

State of affairs

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

- The consolidated entity sold a number of seed investments in Perpetual managed funds during the year
- The consolidated entity's net profit before tax decreased by $19.7 million as a result of its guarantee of the benchmark return to Exact Market Cash Fund investors
- The consolidated entity acquired smartsuper Pty Limited and Financial Pursuit Pty Limited for consideration totalling $22.4 million.

Events subsequent to reporting date

The directors are not aware of any 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 new 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 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.

3. Other

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 2009 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, did not perform any non-audit services in addition to their statutory duties (2008: Nil).

The board has a review process in relation to any non-audit services provided by the external auditor. The board will consider any non-audit services provided by the auditor and, in accordance with written advice provided by resolution of the Audit Risk and Compliance Committee, ensure it 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*.

The Lead Auditor's independence declaration for the 30 June 2009 financial year is included below.

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 with a resolution of the directors:

Robert Savage
Chairman

David Deverall
Chief Executive Officer and Managing Director

Sydney 19th August 2009

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 2009 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

Dr. Andries B Terblanché
Partner

Sydney 19th August 2009

4. 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 or summaries of documents that are underlined like this in this Corporate Responsibility Statement are set out 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 revised ASX Corporate Governance Council's Principles and Recommendations (ASX Principles).

The board considers that it complies with all the ASX Principles, and has done so throughout the reporting period.

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 management	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	*	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 chairperson should be an independent director	3	Yes
2.3	The roles of chairperson and Chief Executive Officer should not be exercised by the same individual	2	Yes
2.4	The board should establish a Nomination Committee consisting of a minimum of three members, the majority being independent directors	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	*	Yes
Principle 3 – Promote ethical and responsible decision-making			
3.1	Establish a code of conduct to guide the directors, the Chief Executive Officer (or equivalent), the Chief Financial Officer (or equivalent) and any other key executives as to: 3.1.1 the practices necessary to maintain confidence in the Company's integrity 3.1.2 the practices necessary to take into account their legal obligations and the reasonable expectations of stakeholders 3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	13	Yes
3.2	Disclose the policy concerning trading in Company securities by directors, senior executives and employees	14	Yes
3.3	Provide the information indicated in the guide to reporting on Principle 3	*	Yes

Principle/Recommendation		Relevant section(s)	Comply
Principle 4 – Safeguard integrity in financial reporting			
4.1	The board should 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 a 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 on Principle 4	*	Yes
Principle 5 – Make timely and balanced disclosure			
5.1	Establish and disclose written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance	19	Yes
5.2	Provide the information indicated in the guide to reporting on Principle 5	*	Yes
Principle 6 – Respect the rights of shareholders			
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings	20	Yes
6.2	Provide the information indicated in the guide to reporting on Principle 6	*	Yes
Principle 7 – Recognise and manage risk			
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies	15	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	15, 16	Yes
7.3	Disclose whether the board has received assurance from the Chief Executive Officer 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	16	Yes
7.4	Provide the information indicated in the guide to reporting on Principle 7	*	Yes
Principle 8 – Remunerate fairly and responsibly			
8.1	The board should establish a remuneration committee.	9	Yes
8.2	Distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	21[1]	Yes
8.3	Provide the information indicated in the guide to reporting on Principle 8.	*	Yes

* The whole of this Corporate Responsibility Statement covers off on the requirements to include information indicated in the 'guide to reporting' sections of the ASX Principles.

1 Full details of the remuneration policies and structures of Perpetual Limited and its controlled entities (Perpetual Group) are set out in the Remuneration Report on pages 16 to 41

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
- setting 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 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 goals with input from all board members.

The Managing Director reviews the performance of Perpetual's Executive Committee. The Executive Committee is Perpetual's senior management team and is made up of Perpetual's Managing Director and Group Executives. The Managing Director sets performance objectives for each Group Executive at the beginning of each financial year. The board's People and Remuneration Committee also reviews the performance objectives set for the Group Executives. The Managing Director carries out the performance review of the Group Executives against their objectives with input from appropriate stakeholders including board members. In 2009, the performance of the Managing Director and Group Executives was reviewed in accordance with the process previously outlined.

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

New directors also participate in an induction process designed to familiarise them with Perpetual's business, strategy, operations and management team. New directors are provided with an understanding of the roles and responsibilities of senior executives and the role of the board committees set out on page 11.

2. Board structure

The board currently comprises seven directors: six 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 the board 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 and professional skills of each director are set out on pages 2 to 3 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 he or she has any relationships that would materially affect the director's 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 annually in May and at any time when a change occurs that may affect a director's independence. Non-executive directors also advise the Chairman of any relevant information, and update the Chairman if their circumstances change at any time.

In determining the position of individual directors, the board has considered the relevant elements of the definition of independence adopted by the board. These elements include not:

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

Paul McClintock is a director of Macquarie Infrastructure Investment Management Limited, a company which operates in the financial services sector and whose businesses may, in part, compete with Perpetual.

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.

In the case of Paul McClintock, the board considered that in his position as director of Perpetual, he is sufficiently removed from Perpetual's operations so as to make the likelihood of any actual or perceived conflicts of interest between his Perpetual and his outside role minimal.

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 judgment in the interests of Perpetual shareholders.

4. Contracts with directors

In the 2009 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 also 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 2009 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, experience and independence. As set out in Perpetual's Policy on the Appointment of Directors, if a board vacancy arises, the board will appoint the most suitable candidate, having regard to the recommendation of the Nominations Committee. External consultants may be engaged to assist the board to identify qualified 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 new directors with Perpetual's business, strategy, operations and management team.

As specified by the ASX Listing Rules, 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 revitalise 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*.

On 3 February 2009, Alexander Stevens retired from the board in order to resume his executive career.

8. Meetings of the board

In the 2009 financial year, the board met 12 times, including a strategic planning session held over two days. 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 executive team on a range of strategic and operational issues. The Chief Financial Officer and Company Secretary attend all board meetings. Other senior executives attend board and committee meetings to report on particular issues and to engage in discussion on these issues.

9. Board committees

A key part of the board's governance structure is the four board committees. Each committee has written Terms of Reference.

Unless more frequent meetings are required, all committees except the Nominations Committee, generally meet at least quarterly. The Nominations Committee meets at least twice a year. The Managing Director attends all committee meetings except where matters relating to his own remuneration and performance are discussed. Attendance of directors at board and committee meetings is set out in the Directors' Report on page 4. The qualifications and skills of the members of each committee are set out on pages 2 to 3 of the Directors' Report.

There are four standing committees of the board. Their membership (as at the date of this report) and key responsibilities are set out below.

Audit Risk and Compliance Committee

Members: Philip Twyman (Chairman), Meredith Brooks, Elizabeth Proust and Robert Savage.

Changes to the committee since last Report:
Peter Scott: retired 31 July 2008
Alexander Stevens: retired 3 February 2009
Robert Savage: appointed 11 May 2009.

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 our external audit arrangements, the monitoring of the internal audit function, the effectiveness of risk management policies and the adequacy of our 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, Peter Scott and Philip Twyman.

Changes to the committee since last Report:
David Deverall: retired 31 July 2008
Alexander Stevens: retired 3 February 2009.

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 current members of the committee are independent non-executive directors.

People and Remuneration Committee

Members: Elizabeth Proust (Chairman), Robert Savage, Peter Scott and Paul McClintock.

Changes to the committee since last Report:
Paul McClintock: appointed 31 July 2008.

The committee's role is to monitor the Perpetual Group's people and culture policies and practices, 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. After considering advice from external remuneration advisers, the committee recommends remuneration for non-executive directors, the Managing Director, Executive Committee members and executives to the board, with whom ultimate responsibility for remuneration exists. The committee also reviews succession and career plans for key executives. All members of the committee are independent non-executive directors.

Nominations Committee

Members: Robert Savage (Chairman), Paul McClintock, Elizabeth Proust and Philip Twyman.

Changes to the committee since last Report: Nil

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 the board 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 and review of the performance of the board, its committees and individual directors annually. In 2009, the Chairman reviewed with each director, their individual performance and after obtaining feedback from the other directors, a nominated director has reviewed the Chairman's performance. The chairmen of the Investment, Audit Risk and Compliance and People and Remuneration Committees also led reviews of each committee. 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 page 3.

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 and PI Investment Management Limited which operates Perpetual's global equities business. The boards of both these companies include non-executive directors. These non-executive directors are not directors of any other Perpetual Group companies. 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 the fact that the boards of most subsidiaries do not comprise independent 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 our employees, which is free from discrimination of any kind. 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 good faith reports 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. Share dealings by directors and employees

Perpetual's overriding policy 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 one month periods commencing:

- 24 hours after announcement of the half-year and full-year financial results
- 24 hours after release of the Chairman's May letter to shareholders
- at the conclusion of the Annual General Meeting.

The Sharedealing 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 potentially price sensitive information through their position in the company.

Perpetual's Sharedealing Policy 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.

Employees who may have access to sensitive information in relation to Perpetual's investment activities (such as the asset management team) are required to obtain prior approval for personal trading in any securities.

Perpetual's Sharedealing Policy covers the suggested contents in ASX Principle 3.2 for a policy of its type.

15. Risk management

The board is committed to effective risk management and all executives are accountable for managing risk within their area of responsibility. They are also required to manage risk as part of their business objectives and Perpetual's approach to risk management is integrated across business processes.

Consistent with ASX Principle 7, Perpetual has specific policies and processes which deal with the key areas of business risk, financial risk and compliance risk. These policies cover areas such as information security, business continuity, compliance and regulatory obligations, whistleblowing, business operations, human resources requirements and occupational health and safety. Perpetual's Risk Management Framework is available on Perpetual's website.

Perpetual's Chief Risk Officer leads a centralised group of risk management professionals. The Risk Group provides the framework, tools, advice and assistance to enable business units and management to effectively identify, assess and manage risk, and through monitoring, provides the board and its committees with assurance of the effectiveness and efficiency of risk management. The Risk Group includes Perpetual's legal team which ensures Perpetual's legal risk is effectively managed.

The board is responsible for compliance with regulatory, prudential, legal and ethical standards as well as monitoring that management has an appropriate risk framework in place. The board reviews Perpetual's key risks semi-annually. The board review of key risks is underpinned by facilitated workshops coordinated by the Risk Group. The workshops promote open discussion between management and the Risk Group enabling key risks, controls and any weaknesses or gaps to be identified and managed.

The Audit Risk and Compliance Committee oversees the implementation and maintenance of Perpetual's risk management program. Regular reports are received by both the board and the Audit Risk and Compliance Committee from management on risk matters throughout the year.

Perpetual's Risk Management Framework also includes an internal audit function. The Head of 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. The mission of the internal audit function is to provide 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 meet with the Audit Risk and Compliance Committee in the absence of other management.

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 2009 together with the statements discussed in more detail in section 16 below.

16. Financial reporting

The board has adopted policies designed to ensure that the Perpetual Group's financial reports:

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

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

- the financial records of the company have been properly maintained in accordance with section 286 of the *Corporations Act 2001*
- the financial statements and notes thereto comply with the accounting standards and give a true and fair view of the financial position and performance of the Company and consolidated entity.

The Managing Director, Chief Financial Officer and Chief Risk Officer also 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 executives, 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 attends all board meetings. The statements made by the Managing Director, Chief Financial Officer and Chief Risk Officer are consistent with ASX Principles 7.2 and 7.3.

17. Audit process

The Perpetual Group's financial accounts 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 in the absence of all executives. The committee chairman meets with our audit partner at least once every quarter, also in the absence of executives including the Managing Director. The auditor has a standing invitation to meet with the committee, its chairman or with the Group's Chairman in the absence of management. The auditor attends board meetings at which the annual and half-yearly accounts are adopted.

18. Auditor independence

The board has in place policies relating to the quality and independence of the Group's external auditor. Those policies include the following:

- the Perpetual Group's audit must be tendered at least every seven years and after the fifth year, the board must make a positive decision each year on whether to retain existing arrangements
- the audit partner 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 Group companies for at least two years
- In addition, our policies prohibit our external audit firm being engaged to provide non-audit services that may materially conflict with its ability to exercise objective and impartial judgment on issues that may arise within our audit, such as:

  - 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 the 2009 financial year, the greater part of fees paid to our external auditor 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 and/or manager. It is the board's view that these audit services are appropriately provided by the Group's external auditor and are not services of a kind that might impair the impartial judgment of the external auditor in relation to the Group's audit.

The current external auditor is KPMG. The lead audit partner for the 2009 financial year was Dr Andries Terblanché and the engagement partner was Brendan Twining. This is the fifth year that Dr Terblanché has supervised our audit. According to Perpetual's rotation policies, Dr Terblanché will retire as Perpetual's lead audit partner and Andrew Yates will act as Perpetual's lead audit partner for the 2010 financial year. Brendan Twining has acted as engagement partner for two years.

19. 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 2001*. 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 executives 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. Perpetual also webcasts scheduled analysts' briefings and these can be found on the company's website along with media releases, briefings and annual reports for the last five years.

20. 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 Chairman's May letter to shareholders each year
- the Annual Report released in August each year
- providing a facility for shareholders to ask written questions in advance of the Annual General Meeting
- the Chairman's and Managing Director's addresses to the Annual General Meeting
- the posting of significant information on Perpetual's website as soon as it is disclosed to the market.

Perpetual holds its Annual General Meeting in October and a copy of the notice of Annual General Meeting is posted on the Perpetual website. 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 ASX Principle 6.2 and the *Corporations Act 2001*, 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.

21. Remuneration

Perpetual has formed a People and Remuneration Committee as recommended by the ASX Principles (Recommendation 8.1). Its role is set out on page 11 of this report. Details of board and executive remuneration are set out in the remuneration report which commences on page 16. The structure of non-executive director remuneration is clearly distinguished from that of executive directors and senior executives in accordance with the ASX Principles (Recommendation 8.2).

22. 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.

A management committee called the Sustainability Committee was established in November 2007. The committee includes the Managing Director of Perpetual as its chair. The committee is responsible for overseeing the strategic direction for Perpetual's sustainability initiatives which are discussed below and monitoring the implementation and continued development of the framework.

In June 2009, the board of Perpetual considered two of Perpetual's wholly owned subsidiaries becoming signatories to the United Nations Principles for Responsible Investment (UNPRI) in their capacity as investment managers. The UNPRI are a voluntary, aspirational initiative which provide a framework for integrating environmental, social and governance considerations into investment decision-making. The UNPRI are consistent with Perpetual's broad approach to sustainability across our businesses.

Perpetual has participated in the Carbon Disclosure Project since 2007. This is an example of Perpetual seeking to develop environmental performance in a transparent manner. As part of our 2009 response, we noted that Perpetual's direct carbon emissions increased for the 2007 – 2008 financial year by 2.86% due to increased office space acquired. However, actual emissions intensity fell by 21.65% when calculated on t/CO2-e / office space m2 or 15.06% when calculated on a t/CO2-e / average full time employee (equivalent) (including contractors). These reductions are primarily attributable to initiatives taken to reduce emissions within Perpetual's head office at Angel Place in Sydney. Further details are set out in Perpetual's response to the Carbon Disclosure Project 2009 which will be available at www.cdproject.net.

Perpetual operates one of the oldest philanthropic businesses in Australia. Perpetual has also established the Perpetual Foundation as a public charitable trust in 1998. It brings together the generosity of individuals and organisations with the expertise and resources of Perpetual, providing the community with valuable support. Perpetual's key objective is to promote thought leadership and best practice in philanthropy.

Through the Perpetual Foundation, we are able to offer opportunities for discussion in the areas of philanthropy and the social economy, by providing forums and commissioning research. Perpetual places particular emphasis on improved leadership, management and governance of non-profit organisations and their capacity to achieve sustainability for the long-term benefit of society.

Perpetual's key asset is its people. We recognise business sustainability as a key component to maximising long-term value for our stakeholders. We drive business sustainability by drawing on our expertise, knowledge and experience to promote best practice and to debate and foster change on issues which impact our people, our community and our environment.

Perpetual also supports its own employees who wish to give back to the community through its Staff Giving program. Through the program, Perpetual employees are able to make regular donations to ten community organisations from their pre-tax pay. Perpetual matches employees' donations through the Perpetual Foundation.

In the 2009 financial year Perpetual did not make any political donations.

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 welcomed.

5. Remuneration report

Dear Shareholder

Welcome to Perpetual's Remuneration Report for 2009. We aim to provide a report that is informative and clear while meeting high standards of disclosure. We hope that the explanations and descriptions which follow demonstrate a commitment to balancing appropriate employee reward and shareholder value.

In the current economic environment there has, understandably, been a lot of scrutiny and comment on the level of executive remuneration. During the year the People and Remuneration Committee (PARC) has undertaken an extensive review of our executive remuneration policy and arrangements in light of this and we confirmed our belief that Perpetual strikes an appropriate risk/reward balance that treats our staff, shareholders and clients fairly.

This review of remuneration showed that we have a strong and robust policy and structure in place. It is highly developed and well structured and so is a solid base for implementing any changes that may flow from the current Federal Government initiatives, such as the Productivity Commission's review of executive remuneration and the recent budget changes to employee share plans, while still staying true to our underlying philosophy of reward. We are confident therefore that whatever changes we might need to implement will be accommodated within our current policy and structure.

While executive compensation is a critical issue for us, it is important to note that the PARC focuses on a number of related areas. We see our role as one which equally focuses on crucial people issues such as executive development, talent and succession planning, and occupational health and safety. By focusing on these areas we aim to ensure that Perpetual's leaders are capable of effectively managing the organisation. The success of this strategy and focus is particularly evident this year with three Group Executive vacancies being filled through internal succession.

On behalf of the Committee I thank you for your interest in this report.

Elizabeth Proust
Chairman, People and Remuneration Committee

Key points to note for the year

- A major review of remuneration arrangements within Perpetual was undertaken
- There were no increases in directors' fees and they have not been increased since 1 July 2007
- There was no increase in fixed remuneration for the Managing Director
- Annual LTI grants, made in 2006 and due to vest in 2009, have been forfeited as the stretch TSR and EPS targets and hurdles set at the time of the grant were not met; only a very small number of grants with specific time-based targets vested
- Both UPAT and the STI pool have fallen by 51%. This highlights that while shareholders have been negatively impacted, so too have employees through a reduction in STI payments
- Fixed remuneration increases for senior managers were only granted for major increases in roles and responsibilities

Glossary

EPS
Earnings Per Share – The EPS hurdle requires that Perpetual's EPS growth for the testing period must meet or exceed the target set by the company. For the purposes of this performance hurdle, EPS is defined as basic Earnings Per Share (after tax) adjusted for:

- significant items (as noted in the accounts) and items determined at the discretion of PARC
- goodwill write-offs which represent more than 5% of the group's pre-tax profit for the year; and
- material capital restructuring that may have occurred over the relevant period, as determined by the PARC.

KMP
Key Management Personnel – these are the individuals who have the authority and responsibility for planning, directing and controlling the company's activities directly or indirectly. This includes directors, whether executive or otherwise, of the Perpetual consolidated group.

LTI
Long-Term Incentives – LTI is a key feature of Perpetual's remuneration strategy and is granted to ensure a level of equity participation that aligns remuneration with shareholder wealth creation. LTI are granted in the form of shares and, in selected cases, options.

PPP
Profit Participation Pool – PPP is created each year to fund STI for the majority of all employees. Its size is determined by the company's underlying profit after tax. The PPP is linked to profit performance, where increased profits fund a larger pool and decreased profits fund a smaller pool. We use Return on Equity (ROE) and Underlying Profit After Tax (UPAT) to govern the operation of the PPP. ROE is a measure to ascertain whether any amount accumulates in the PPP, while UPAT determines the size of the PPP.

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 net profit after tax income divided by weighted average shareholders' equity, expressed as a percentage.

STI
Short-Term Incentive – at-risk rewards paid for meeting annual targets aimed at progressing our longer term strategic agenda. Under the STI plan employees may, at Perpetual's discretion, be paid a discretionary incentive (less applicable taxes and superannuation) based on their individual performance as well as the performance of their team, their division and Perpetual as a whole.

TSR
Total Shareholder's Return – TSR is defined as share price growth plus dividends paid and reinvested on the ex-dividend date (adjusted for rights, bonus issues and any capital reconstructions) measured for a three-year period from the initial TSR measurement date.

UPAT
Underlying Profit After Tax – UPAT, for the purposes of calculating PPP, is defined as underlying profit after tax with the post tax amount of the profit pool added back, adjusted for any other items determined by the Board's Audit Risk and Compliance Committee and People and Remuneration Committee.

1 The role of the People and Remuneration Committee

The People and Remuneration Committee (PARC) is committed to fulfilling its responsibilities to shareholders through a keen focus on good governance, and in particular, the principles of accountability and transparency.

The PARC operates under delegated authority from the Board and its activities are governed by the Terms of Reference. The Committee's Terms of Reference is available on our website (http://www.perpetual.com.au), however it is shown graphically below.

As can be seen, the PARC's Terms of Reference are broad, with remuneration as well as executive development, talent management and succession planning being key areas of focus. This ensures a smooth transition as executives move around or leave the organisation, enabling continuity of management and development opportunities for others.

The members of the Committee for 2009 were:

- Elizabeth Proust (Chairman)
- Paul McClintock
- Robert Savage
- Peter Scott

The Committee met seven times during the year and attendance at these meetings is set out on page 4.

At the invitation of the Committee, David Deverall (Managing Director) and Janine Stewart (Group Executive People and Culture) attended meetings, except where matters associated with their own remuneration were 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. Hewitt Associates was appointed by the PARC during the year as our principal remuneration adviser following a comprehensive review of the market offering.

2 Overview of remuneration for 2009

This report sets out remuneration arrangements for all Perpetual employees, including directors and executives. The information in this remuneration report has been audited as required by section 308(3c) of the Corporations Act 2001.

2.1 Managing Director and Group Executives – 30 June 2009 remuneration philosophy and outline

<table>
<tr><th>Item</th><th>Summary</th></tr>
<tr><td>Changes for 2009</td><td>The remuneration philosophy, structure and policy remained unchanged for the year ended 30 June 2009, however a major review of these important elements was undertaken in light of the various Federal Government initiatives in the area of executive remuneration.</td></tr>
<tr><td>Remuneration policy</td><td>The People and Remuneration Committee (PARC) has approved a remuneration policy for employees based on the following five key principles:
▪ Variable pay should be a feature of all employees' remuneration. For the Managing Director and Group Executives variable pay forms a significant part of overall remuneration. Fixed remuneration should be competitive with comparable roles in appropriate comparator organisations
▪ Variable pay is linked to shareholder wealth creation and individuals are clear on performance criteria
▪ Short-term incentive (STI) payments are based on yearly performance and are uncapped to allow for recognition of performance
▪ STI payments should be made out of operating profit of the company
▪ Equity participation within the company should be increased to encourage a sense of ownership, be appropriately tied to stretch targets and encourage retention of key individuals. At 30 June 2009 there was 7.9% of share capital in the employee share plans. 5.5% of this was held in unvested shares and 1.6% in unvested options. Unvested shares and options are subject to performance hurdles.
During the year the Board undertook an extensive review of remuneration philosophy and policy. With the backdrop of changing legislation and several government reviews of executive remuneration, the Board has reaffirmed these principles and the approach to remuneration for the 2009 year.</td></tr>
<tr><td>Managing Director and Group Executive remuneration structure</td><td>The way we structure remuneration for the Managing Director and Group Executives comprises three components:
▪ A fixed remuneration component (Fixed)
▪ A short-term incentive component (STI)
▪ A component related to longer-term performance and retention (LTI).
We seek to ensure that remuneration is fair, reasonable and performance is rewarded.
The target reward mix is determined with performance based, at-risk rewards increasing with the level of responsibility and criticality of the person's role.</td></tr>
<tr><td>Alignment with sound risk management</td><td>The structure of our remuneration ensures that risk management is a key performance metric in determining at-risk elements of reward, through specific performance goals and targets. Sound risk management practices include strict governance and deferred elements of remuneration to ensure a long-term focus and alignment to shareholders.</td></tr>
<tr><td>Fixed remuneration</td><td>Fixed remuneration is typically set around the corresponding median of the market for each employee. By participating in relevant remuneration surveys and closely monitoring the market, we develop remuneration policies by comparing 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 comparable companies.
We calculate fixed remuneration on a 'total cost to company' basis, including the cost of employee benefits such as motor vehicles, superannuation and car parking, together with fringe benefits tax (FBT) applicable to those benefits.
There are no guaranteed increases to fixed remuneration in employee contracts.</td></tr>
<tr><td>Short-term incentive (STI)</td><td>Short-term incentives are at-risk rewards paid for meeting annual targets aimed at progressing our longer term strategic agenda.
Four principles define our approach to short-term incentives:
▪ The majority of permanent employees are eligible to receive a STI payment
▪ Incentive payments are a significant part of senior employees' remuneration
▪ Incentive payments for most employees are funded out of underlying profits linking STI to shareholder wealth creation; incentive payments for a small number of other staff are based on achievement of specific performance targets
▪ Individual incentive payments are uncapped to allow for recognition of performance that significantly exceeds expectations.
For the majority of employees STI is paid through the Profit Participation Pool. It vests to employees and is available to them immediately, except where the STI payment exceeds two times the employee's target STI. In these cases the excess above two times will be automatically awarded as shares. These shares will vest immediately upon being granted to the employee, however they will not become tradeable until a period of three years have lapsed, even if this is beyond the employee's termination date. The cost of STI for employees whose STI is not paid through the Profit Participation Pool has been included in the 2009 UPAT figure.</td></tr>
</table>

Item	Summary
Long-term incentive (LTI)	A key feature of Perpetual's remuneration strategy is ensuring a level of equity participation that aligns remuneration with shareholder wealth creation. The key principles that underpin long-term incentives are that: ▪ we provide LTI as equity in the company so that employees feel a sense of ownership ▪ LTI grants represent an increasingly important proportion of senior employee remuneration ▪ we encourage sustained performance from our employees by setting challenging targets. LTI are granted in the form of shares and, in some cases, options. These typically vest over three years if Perpetual's Total Shareholder Return (TSR) exceeds that of a number of its peers and Earnings Per Share (EPS) exceeds a set target. If targets are met at the three-year testing point, then the LTI vests; if the targets have not been met they are retested at the four-year mark and, if at that point the targets have not been met, the LTI lapses and is forfeited.
Link to performance	A key tenet of our remuneration philosophy is that rewards are closely aligned to Perpetual's overall performance. Throughout this report, the various measures of company financial and non-financial measures for the year ended 30 June 2009 illustrate how these have impacted on remuneration outcomes.
Employment agreements	Core remuneration entitlements and terms and conditions of employment, including termination arrangements, are set out in each executive's employment agreement and summarised in this report.
Remuneration received in 2009	This report details the remuneration of the Managing Director and Group Executives for the year ended 30 June 2009. See tables on pages 29 to 38
Hedging and share trading policy	Perpetual's share dealing 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 in agreed trading windows throughout the year.

2.2 Non-executive directors – 30 June 2009 remuneration philosophy and outline

Item	Summary
Changes for 2009	There have been no changes to the fee structure for non-executive directors during the year ended 30 June 2009. It is worth noting that fees were last increased with effect from 1 July 2007 and fees will not increase for the coming year.
Remuneration policy	The company's remuneration policy for non-executive directors aims to ensure Perpetual can attract and retain suitably skilled, experienced and committed individuals to serve on the Board. 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 2009 were $1,717,369. 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. With the exception of the Chairman, they also receive fees for participating in board committees either as chairman or as a member of the committee. In addition to the base fee, Perpetual pays superannuation contributions of up to 9% of non-executive director fees, capped at the maximum superannuation contributions base prescribed under Superannuation Guarantee legislation. Employer superannuation contributions may be received in one of our staff superannuation funds or an eligible superannuation fund of their choice. Non-executive directors may also salary sacrifice additional superannuation contributions out of their base fee if they so choose.
Alignment with shareholder interests	In accordance with the company's constitution, non-executive directors are required to acquire a minimum of 500 Perpetual shares on appointment and at least 1,000 shares when they have held office for three years or more. The non-executive directors' share purchase plan allowed non-executive directors to sacrifice up to 50% of their directors fees to acquire shares in Perpetual. Shares acquired via fee sacrifice are not subject to performance targets as they are acquired in lieu of cash payment by the company. This Plan is now closed. Shares are held in the plan until the earlier of a period of ten years or until the director retires from the Board. Non-executive directors do not receive share options. Director's holdings held directly or indirectly are shown in the table on page 41.
Fees received in 2009	This report includes details of each non-executive director's remuneration for the year ended 30 June 2009. See page 40.
Retirement policy	Directors who have held office for three years since their last appointment must retire and seek re-election at the company's Annual General meeting (AGM). In order to revitalise the Board, 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 Board leadership or continuity.

2.3 Asset Manager remuneration arrangements

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

It is an arrangement that consists of fixed and variable components with the variable component primarily driven by investment performance outcomes over short- and long-term investment horizons. In many cases at-risk pay is paid outside the PPP and linked to outperforming benchmark indices which is aligned with client objectives. It is paid in a mixture of cash and shares and expensed as part of Perpetual's profit and loss. Where paid as shares, these shares vest progressively over many years. This provides for reward for performance and long-term retention outcomes.

3 Summary of company performance

The following table shows the five-year company performance. This performance determines how much STI and LTI are paid to staff.

Five-year company performance					
	Year ended				
Perpetual's five-year performance	30 June 2005	30 June 2006	30 June 2007	30 June 2008	30 June 2009
Net profit after tax reported ($'000's)	119,136	135,320	182,108	128,813	37,749
UPAT reported ($'000's)	95,769	122,436	145,336	133,464	65,755
Ordinary dividend per share declared with respect to the year ($)	2.60	3.26	3.60	3.30	1.00
Special dividend per share declared with respect to the year ($)	1.00	1.00	-	-	-
Total dividends ($)	3.60	4.26	3.60	3.30	1.00
Basic earnings per share – UPAT ($)	2.54	3.21	3.76	3.42	1.67
Closing share price ($)	57.43	73.15	78.51	42.77	28.55

4 Short-term incentives

Short-term incentives are at-risk rewards paid for meeting annual targets aimed at progressing our longer term strategic agenda.

4.1 How STI is funded

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

Some asset management employees, whose STI is linked explicitly to investment performance, are excluded from this pool. In addition, participants in the Private Wealth and Corporate Trust Sales Incentive Plans also have a proportion of their at-risk payments paid outside of the PPP.

The PPP is linked to profit performance, where increased profits fund a larger pool and decreased profits fund a smaller pool. We use Return on Equity (ROE) and Underlying Profit After Tax (UPAT) to govern the operation of the PPP.

ROE is a measure to ascertain whether any amount accumulates in the PPP, while UPAT determines the size 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 grow underlying profits.

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

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

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

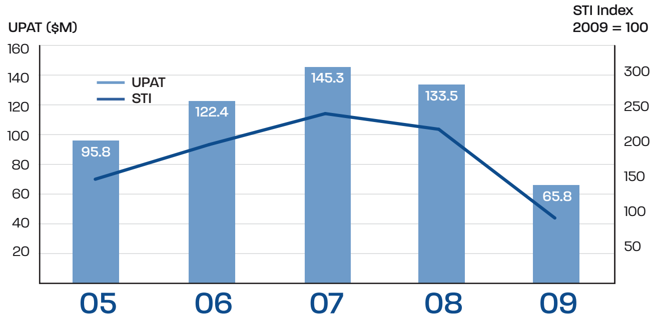
  UPAT is defined as underlying profit after tax with the post-tax amount of the profit pool added back, adjusted for items determined by the Audit Risk and Compliance Committee (ARCC) and People and Remuneration Committee (PARC).

4.2 Profit Participation Pool payments for 2009

Five-year company performance is shown in the table above. The relationship between STI and Perpetual's performance is further demonstrated in the graph on page 23 where the relative movement in total STI granted to all employees is shown against UPAT movements.

As described earlier in the report, one of the five key principles of our remuneration policy is that variable pay is linked to shareholder wealth creation. The chart below shows that both UPAT and the STI pool have fallen by 51%, highlighting the point that while shareholders have been negatively impacted, so too have employees through a reduction in PPP payments.

Short-term incentives and underlying profits (UPAT) are highly correlated



4.3 Allocation of the PPP

Each year performance targets and other performance goals are set for all employees, in line with division and company targets. These targets and goals are assessed throughout the year as part of the performance management process in which all employees participate. At year end, an annual assessment of each employee's performance is made based on these and the pool is then allocated based on relative divisional and employee performance. Divisional allocations and allocations to key management personnel are subject to PARC approval and, in the case of the Managing Director, the Board.

PPP payments are paid in cash except where the payment is more than two times the target STI, which, as detailed earlier, must be taken as shares with a three-year vesting period.

In addition, part of an employee's cash PPP payment may be sacrificed into shares under the Tax Deferred Share Plan if the employee chooses to do this. Shares acquired via this sacrifice are not subject to performance targets as they are acquired in lieu of cash payment by the company, however they must be kept in the plan until the earlier of one year from the date of grant or termination of employment, before they can be released. Note however that this share plan is now on hold pending the confirmation of the proposed legislation governing the taxation treatment of employee share plans. We will review the continued use of this plan once the impact of the final legislation is clear.

5 Long-term incentives

Long-term incentives within Perpetual are paid as shares and options. This section provides details of the plans in place and provides an overview of how they work.

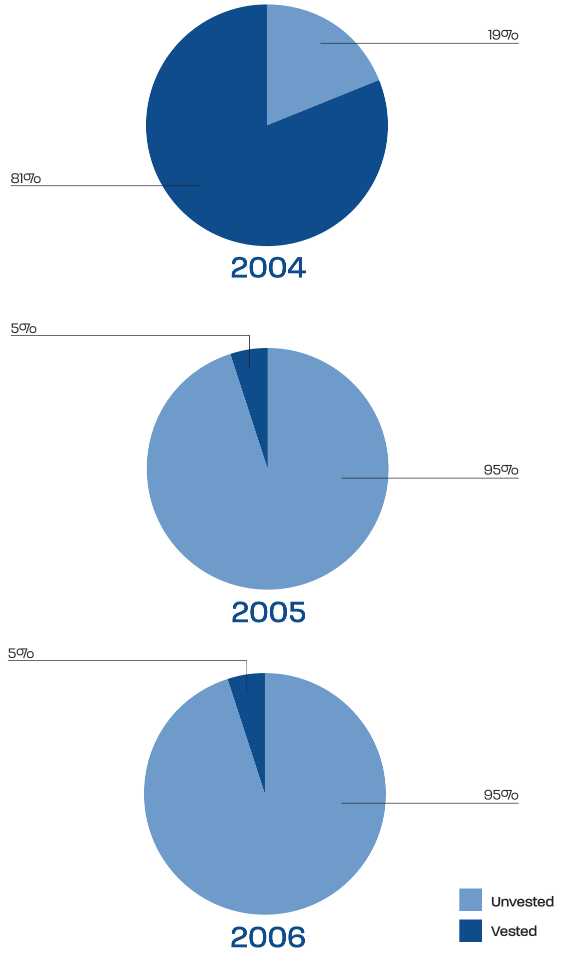
5.1 Unvested LTI issued to Key Management Personnel (KMP)

The following pie charts show the percentage of all LTI issued to KMPs from the 2004, 2005 and 2006 grants that actually vested. It can be seen that this has decreased dramatically in recent years, illustrating the clear link between company performance and reward at Perpetual.

The 2004 allocation was tested in 2007 and then the unvested shares were retested in 2008 – 19% remained unvested and hence were forfeited.

Similarly, the 2005 allocation was first tested in 2008 and then the unvested shares were retested in 2009. From this allocation, the pie chart shows that 95% of shares remained unvested and consequently forfeited.

The 2006 allocation was first tested in 2009 and the unvested shares will be retested in 2010. All shares that do not then vest will be forfeited.



5.2 Employee Share Plans

As at 30 June 2009, the proposed federal government changes to the legislation governing the taxation treatment of employee share plans effective 1 July 2009 was still not finalised, although the government has since provided further clarity. Except where otherwise noted, the following plans are suspended as at 30 June 2009 and we are closely monitoring the proposed legislation changes before we make any changes to the plans.

More detail on each of the plans is outlined on the next page.

The following are open plans currently on hold pending the finalisation of the proposed Federal Government changes to legislation covering employee share plans:

Plan	Description
Executive Share Plan (ESP) 197 members	This is the main plan used for LTI grants to employees, including the Managing Director and Group Executives
Deferred Share Plan (DSP) 7 members	This plan is used for a small number of employees as part of their at-risk remuneration arrangements. No KMPs participate in this plan
Tax Exempt Employee Share Purchase Plan (TESP) 203 members	This plan allows all employees, including the Managing Director and Group Executives, to purchase shares using a salary-sacrifice arrangement
Tax Deferred Employee Share Purchase Plan (TDESP) 95 members	This plan allows employees, including the Managing Director and Group Executives, to purchase shares using a salary-sacrifice arrangement
Executive Option Plan (EOP) 4 members	This plan is used for options granted as part of at-risk reward arrangements for the Managing Director and Group Executives

The following plan is currently open as there is no impact from the proposed Federal Government changes to the legislation covering employee share plans:

Plan	Description
Global Employee Share Trust (GEST) 9 members	This plan is used for a small number of employees in Perpetual's Ireland and UK operation as part of their at-risk remuneration arrangements. No KMPs are eligible to participate in the plan

The following plans are closed to new issues:

Plan	Description
Employee Share Purchase Plan (ESPP) 244 members	This plan was used for granting shares under a non-recourse loan arrangement. It has been closed for new issues for several years.
Non-Executive Director Share Purchase Plan (NEDSPP) 5 members	This plan was used only by non-executive directors

LTI arrangements for asset management employees based in Australia

The Deferred Share Plan (DSP) was established in 2005 to deliver LTI and retention arrangements for a number of key employees in the company's asset management team. 222,555 ordinary shares were issued to the DSP in the current financial year (in 2008 270,257 ordinary shares were issued). 151,222 shares in the DSP were eligible to vest during the financial year. Shares held in the plan vest over the long-term subject to achievement of predominantly investment performance-based targets.

The plan ensures the interests of these key employees are aligned with those of shareholders 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.

In addition to LTI, some asset management employees also receive short-term incentives in cash and shares based on investment performance targets.

LTI arrangements for asset management employees based in the United Kingdom and Ireland

The Global Employee Share Trust (GEST) was established in 2005 to deliver LTI and retention arrangements for key individuals located in Perpetual's offices in the United Kingdom and Ireland who are pivotal to the long-term success of Perpetual's global asset management performance.

In the current financial year, 13,331 shares were issued to the GEST (in 2008 12,749 shares were issued). 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 this time.

Other employee share schemes

The company has two further equity-based benefit programs generally available to all Perpetual employees – the Tax Exempt Employee Share Plan (TESP) and the Tax Deferred Employee Share Plan (TDESP). These plans superseded the Employee Share Purchase Plan (ESPP) which made its final issue of shares to Perpetual employees in December 2004. In addition, eligible Private Wealth and Corporate Trust employees have the potential to receive a share allocation under the TDESP as part of an annual sales-based incentive plan.

The ESPP and another inactive Plan, the Employee Reward Share Plan, are discussed in Note 27 to the Financial Statements.

Non-executive director share purchase plan

A share purchase plan for non-executive directors was approved by shareholders at the annual general meeting in October 1998. Under this plan, each non-executive director was able to sacrifice up to fifty percent of their directors' fees to acquire shares in the company. These shares were purchased four times per year at market value and have a disposal restriction of ten years, or when the director ceases to be a director of the company. Shares are held in the plan until the earlier of a period of ten years or until the director retires from the Board.

This Plan is now closed.

5.3 Executive share program and executive options program

Executive shares

The Executive Share Plan (ESP) was approved by shareholders at the 1997 AGM and amended at the 1999 AGM.

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 issue date or announcement date for relevant individuals.

Shares are either purchased on market or issued by the company to satisfy grants made to the Managing Director, group and other executives and are held in trust for a maximum of ten years. They are subject to forfeiture if performance targets and tenure conditions are not met.

The Managing Director and Group Executives receive dividends and have voting rights while the shares are held in trust; the only exception to this is, as approved by the PARC in 2009, future share grants with business targets will have dividends reinvested, with the reinvested shares being subject to the same targets as the underlying shares. No loan is made available or consideration payable by the executives to acquire shares under the ESP, although the Managing Director and Group Executives can elect to take a portion of their STI in the form of shares under a sacrifice arrangement though the Tax Deferred Employee Share Plan (TDESP). Shares acquired via this salary sacrifice are not subject to performance targets as they are acquired in lieu of cash payment by the company. Refer to the tables showing unvested and vested share holdings for the Managing Director and Group Executives on pages 33 to 35 for further details.

Executive options

The Executive Option Plan (EOP) was approved by shareholders at the 1998 Annual General Meeting.

Options are granted over unissued ordinary shares. The exercise price, determined in accordance with plan rules, 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.

No consideration is payable to acquire the option and no voting or dividend rights are attached to the option or the unissued ordinary share underlying the option.

When exercisable, each option is converted into one ordinary share of Perpetual Limited. Options vest over three or four years, depending upon when and if performance targets are met. All vested options are exercisable on the vest date. Options expire at the end of the six-year exercise period. Refer to the table 'Option holdings of Managing Director and Group Executives' on page 32 for details of options granted.

The following sections provide an overview of the LTI and how it works.

Overview of targets

LTI performance targets are directly linked to company performance.

Managing Director and Group Executives

Each performance share or option grant is divided into two equal tranches, with the following targets being applied to each respective 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 Perpetual.
- The second tranche vests based on growth in Perpetual's Earnings Per Share (EPS).

TSR is defined as share price growth plus dividends paid and reinvested on the ex-dividend date (adjusted for rights, bonus issues and any capital reconstructions) measured for a three-year period from the initial TSR measurement date.

Performance shares are held in trust for a maximum of ten years from grant date, while vested options may be exercised up to the sixth anniversary of grant date.

TSR target

The TSR target requires TSR growth to be equal to or better than the median, or fifty percent of the companies listed on the S&P/ ASX100 (excluding listed property trusts), after which a sliding TSR scale applies.

Sliding TSR scale

Perpetual's growth in TSR relative to S&P/ASX100	Percentage of performance 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 target

The EPS target requires EPS growth (from grant date to vest date) to be equal to or greater than the target set by the PARC and this is tested annually. This target, which is currently ten percent per annum, may be reviewed by the PARC from time to time. 100% of performance shares and options vest if EPS growth is at or above the target; none vest if the target is not achieved.

Vesting schedule for Managing Director and Group Executives

Perpetual's Growth in EPS	Percentage of performance shares and options that will vest
EPS growth less than target	0
EPS growth at or above target	100

The achievement of this performance hurdle provides evidence of the company's growth in earnings.

Business target

Certain Group Executives also receive LTI allocations which are linked to achievement of stretch business targets. These targets include achievement of specific targets related to profit growth, achievement of targeted funds under management, including succession planning for their respective business units.

The shares will vest on a scale specific to each business target.

During the year the PARC determined that dividends for unvested grants with business targets in the future are reinvested into further Perpetual shares and are also subject to the same targets as the original grant.

Other employees

Prior to 30 June 2006, LTI performance targets for a small number of other employees were the same as the Managing Director and Group Executives.

For these other employees, excluding the Managing Director and Group Executives, who received LTI allocations after 30 June 2006 the performance target used is linked only to EPS. The TSR target is no longer used as EPS represents a measure that better aligns performance with their responsibilities.

Target testing and retesting guidelines

An initial three-year performance testing period applies to TSR and/or EPS targets. Three-year TSR/EPS performance is calculated and tested against these targets on the third anniversary of grant date. If the target is not met, it is retested on the fourth anniversary of grant date, against four-year TSR/EPS targets. If the target is not met after this testing, the portion of the LTI that has not vested is forfeited.

For other employees who received LTI allocations after 30 June 2006, there is no retesting of the EPS target if the target is not achieved on the third anniversary of the grant date.

Termination of employment (both performance shares and options)

If an employee leaves the company, any unvested shares will be forfeited at the termination date, except as noted below:

- If an employee dies or resigns due to total and permanent disability, all unvested shares vest to the employee at the death or termination date
- If an employee is made redundant or retires, the employee will be entitled to a pro rata portion of the grant calculated on the basis of the length of their employment (inclusive of 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 calculated based on the most recent performance targets to determine the number of shares that will vest.

Dilution limits for share plans

The Board has discretion as to the number of shares to be issued under employee incentive plans, and this discretion is subject to applicable restrictions under the Corporations Act 2001, ASX Listing Rules and Perpetual's governance policy.

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.

Share dealing approval

Any share dealings whether personal or 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

6 Key Management Personnel

Key Management Personnel (KMP) are the individuals who have the authority and responsibility for planning, directing and controlling the company's activities directly or indirectly. This includes directors, whether executive or otherwise, of the consolidated entity. The following were KMP of Perpetual during the financial year.

Name	Position
Non-executive directors	
Robert Savage	Chairman and Independent Director
Meredith Brooks	Independent Director
Paul McClintock	Independent Director
Elizabeth Proust	Independent Director
Peter Scott	Independent Director
Philip Twyman	Independent Director
Managing Director	
David Deverall	Chief Executive Officer and Managing Director Group Executive Australian Equities[1]
Group Executives	
Richard Brandweiner	Group Executive Income and Multi Sector
Roger Burrows	Chief Financial Officer[2]
Cathy Doyle*	Group Executive Perpetual Investments Business Services Chief Operating Officer Australian Equities
Emilio Gonzalez*	Group Executive Global Equities
Christopher Green	Group Executive Corporate Trust[3]
Ivan Holyman	Chief Risk Officer[4]
John Nesbitt*	Group Executive Private Wealth
Matt Pancino	Group Executive Operations[5]
Janine Stewart	Group Executive People and Culture[6]
Eric Wang*	Group Executive Superannuation and Investment Solutions[7]

KMPs who departed during the year

Non-executive directors	
Alexander Stevens	Independent Director[8]
Group Executives	
Phillip Vernon*	Group Executive Corporate Trust[9]

* The five highest paid officers of the Group and Company during the year ended 30 June 2009.

1 In addition to his role as CEO and Managing Director Mr Deverall is also Group Executive Australian Equities. In this capacity he has a strategic leadership role providing oversight of the Australian Equities division, including regular reviews of the financials, together with fee negotiations, management of customer relationships, and major recruitment activities
2 Alternate director to Robert Savage, appointed 1 December 2008
3 Appointed 1 October 2008
4 Alternate director to David Deverall, appointed 23 May 2006
5 Appointed 1 September 2008
6 Appointed 29 September 2008
7 Held the position of Chief Operating Officer up to 17 September 2008, at which time he was appointed to this role
8 Termination date 3 February 2009
9 Termination date 31 December 2008

Related party disclosures

KMPs have not entered into material contracts with the company or members of the consolidated entity since the end of the previous financial year and there were no material contracts involving KMP's interests subsisting at the year end.

7 Appendices

Index to tables

Details of Managing Director and Group Executives remuneration for 2009

Remuneration of Managing Director and Group Executives

The following table shows the remuneration amounts recorded in the financial statements in the year.

	Total	Fixed remuneration					STI	Fixed remuneration & STI	LTI		
		Short-term			Post employment	Total fixed remuneration	STI		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											
D Deverall											
2009	195,925	956,043	-	3,106	43,958	1,003,107	331,000	1,334,107	(315,679)	(822,503)	(1,138,182)
2008	3,146,483	950,000	-	4,635	50,000	1,004,635	535,329	1,539,964	534,172	1,072,347	1,606,519
Group executives											
R Brandweiner											
2009	434,335	322,637	-	2,116	13,745	338,498	78,000	416,498	17,837	-	17,837
2008	405,703	208,994	-	2,311	10,323	221,628	203,000	424,628	(18,925)	-	(18,925)
R Burrows											
2009	825,018	489,173	13,344	1,825	47,745	552,087	98,000	650,087	174,931	-	174,931
2008	276,225	133,332	2,915	513	3,282	140,042	99,917	239,959	36,266	-	36,266
C Doyle*											
2009	1,066,376	445,522	40,733	1,825	13,745	501,825	120,000	621,825	444,551	-	444,551
2008	855,326	396,730	38,359	2,037	13,129	450,255	198,809	649,064	206,262	-	206,262
E Gonzalez*											
2009	1,160,712	486,255	-	3,638	13,745	503,638	100,000	603,638	448,187	108,887	557,074
2008	762,709	489,739	-	6,232	13,129	509,100	272,531	781,631	(34,348)	15,426	(18,922)
C Green											
2009	652,800	319,682	-	3,200	13,745	336,627	225,000	561,627	91,173	-	91,173
2008	-	-	-	-	-	-	-	-	-	-	-
I Holyman											
2009	655,053	306,571	1,983	3,083	95,945	407,582	25,000	432,582	222,471	-	222,471
2008	488,447	304,362	-	4,383	60,176	368,921	120,692	489,613	(1,166)	-	(1,166)
J Nesbitt*											
2009	1,067,025	488,247	12,977	1,825	98,776	601,825	125,000	726,825	326,837	13,363	340,200
2008	861,865	552,100	10,600	2,189	42,300	607,189	233,598	840,787	21,078	-	21,078
M Pancino											
2009	463,981	295,987	32,558	1,510	17,116	347,171	100,000	447,171	16,810	-	16,810
2008	-	-	-	-	-	-	-	-	-	-	-
J Stewart											
2009	355,103	266,589	-	1,370	18,745	286,704	60,000	346,704	8,399	-	8,399
2008	-	-	-	-	-	-	-	-	-	-	-
E Wang*											
2009	854,853	372,952	13,304	4,532	13,745	404,533	-	404,533	200,259	250,061	450,320
2008	638,049	279,428	9,873	1,720	10,325	301,346	258,407	559,753	20,439	57,857	78,296
Departed group executives											
G Doherty											
2009	-	-	-	-	-	-	-	-	-	-	-
2008	106,171	375,971	-	2,139	6,565	384,675	-	384,675	(278,504)	-	(278,504)
P Vernon *											
2009	825,790	371,463	31,250	586,901	6,872	996,486	-	996,486	(170,696)	-	(170,696)
2008	529,568	323,065	59,623	6,513	13,129	402,330	116,000	518,330	11,238	-	11,238
Total 2009	**8,556,971**	**5,121,121**	**146,149**	**614,931**	**397,882**	**6,280,083**	**1,262,000**	**7,542,083**	**1,465,080**	**(450,192)**	**1,014,888**
Total 2008	8,070,546	4,013,721	121,370	32,672	222,358	4,390,121	2,038,283	6,428,404	496,512	1,145,630	1,642,142

*Five highest paid officers of the group and company during the year ended 30 June 2009

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 represent benefits such as motor vehicles and car parks

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 31 'Loans to Managing Director and group executives under the ESPP') and final payments in respect of executives who departed during or since the end of the year (including termination benefits of $585,000 paid to P Vernon)

4 Cash profit sharing and other bonuses equate to the best reasonable estimate of the incentive performance bonus, based on available information at year end

5 Equity compensation has been valued using the binomial method which takes into account the performance hurdles relevant to each issue of equity instrument. 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. The accounting treatment of non-market and market conditions are in accordance with AIFRS.

In addition to the previous table that shows the accounting treatment of share and option based remuneration components, the following table sets out the actual market value of shares on the date they vested and options on the date they were exercised during the year. This highlights the alignment between shareholder return and employee reward.

Actual remuneration of Managing Director and Group Executives

The table below shows the remuneration amounts received in the year.

	Total	Fixed remuneration & STI	LTI		
			Share-based[1]		Total LTI
			Shares vested	Options exercised	
		$	$	$	$
Managing Director					
D Deverall					
2009	1,334,107	1,334,107	-	-	-
2008	3,589,667	1,539,964	-	2,049,703	2,049,703
Group Executives					
R Brandweiner					
2009	416,498	416,498	-	-	-
2008	452,149	424,628	27,521	-	27,521
R Burrows					
2009	650,087	650,087	-	-	-
2008	239,959	239,959	-	-	-
C Doyle					
2009	621,825	621,825	-	-	-
2008	686,662	649,064	37,598	-	37,598
E Gonzalez					
2009	2,095,002	603,638	-	1,491,364[2]	1,491,364
2008	1,551,647	781,631	-	770,016	770,016
C Green					
2009	644,031	561,627	82,404	-	82,404
2008	-	-	-	-	-
I Holyman					
2009	432,582	432,582	-	-	-
2008	692,022	489,613	202,409	-	202,409
J Nesbitt					
2009	726,825	726,825	-	-	-
2008	1,043,196	840,787	202,409	-	202,409
M Pancino					
2009	447,171	447,171	-	-	-
2008	-	-	-	-	-
J Stewart					
2009	346,704	346,704	-	-	-
2008	-	-	-	-	-
E Wang					
2009	404,533	404,533	-	-	-
2008	678,713	559,753	118,960	-	118,960
Departed Group Executives					
G Doherty					
2009	-	-	-	-	-
2008	3,101,938	384,675	350,549	2,366,714	2,717,263
P Vernon					
2009	996,486	996,486	-	-	-
2008	857,149	518,330	114,669	224,150	338,819
Total 2009	**9,115,851**	**7,542,083**	**82,404**	**-**	**1,573,768**
Total 2008	12,893,102	6,428,404	1,054,115	5,410,583	6,464,698

1 Share-based remuneration represents the fair value of shares vested and options exercised during the year. Shares and options have been valued based on their market value on the date shares vested and options exercised.

2 These options were granted in 2002

Fixed remuneration and remuneration components as a proportion of total remuneration[1]

Name	Contract terms fixed remuneration[2]	Fixed benefits %	Performance linked benefits		Total %
			STI %	LTI %	
Managing Director					
D Deverall	1,000,000	512	169	(581)	100
Group Executives					
R Brandweiner	325,000	78	18	4	100
R Burrows	550,000	67	12	21	100
C Doyle	500,000	47	11	42	100
E Gonzalez	500,000	43	9	48	100
C Green	350,000	52	34	14	100
I Holyman	425,000	62	4	34	100
J Nesbitt	600,000	56	12	32	100
M Pancino	350,000	75	22	3	100
J Stewart	300,000	81	17	2	100
E Wang	400,000	47	-	53	100
Departed Group Executive					
P Vernon	N/A	121	-	(21)	100

1 The remuneration components are determined based on the 'Remuneration of Managing Director and Group Executives' table on page 29. The negative balances include adjustments made in the year to reflect the most current expectations of vesting of LTI grants with non-market condition hurdles.

2 Fixed remuneration period 12 months to 31 August 2009.

Loans to Managing Director and 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
	$	$	$	$	$	$
Group Executives						
R Brandweiner	3,903	(398)	-	3,505	291	3,903
E Gonzalez	8,965	(941)	-	8,024	664	8,965
Departed Group Executive						
P Vernon	9,318	(9,318)	-	-	418	9,318

1 Interest not charged has been calculated at 9% on the weighted average loan balance as at 30 June 2009 and 30 June 2008, 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 38 of the Financial Statements.

2 The loans were available to all executives except for the Managing Director. They were also not available to the non-executive directors.

3 Other than those disclosed above, no other Group Executive had loans at the beginning and end of the period.

Option holdings of Managing Director and Group Executives

Name	Grant date	Exercise period	Exercise price	Held at 1 July 2008	Movement during the year: Granted	Movement during the year: Forfeited	Movement during the year: Exercised	Held at 30 June 2009	Vested and exercisable at 30 June 2009	Fair value per option at grant date[1]	Proceeds received on exercise
			$	No. of options	No. of options			No. of options	No. of options	$	$
Managing Director											
D Deverall[2]	Options granted prior to 1 July 2007[3]			65,912	-	6,840	-	59,072	978	-	-
	1 Jul 07	30 Jun 10 - 1 Jul 13	79.17	134,625	-	-	-	134,625	-	11.92	-
	1 Jul 07	30 Jun 12 - 1 Jul 13	79.17	67,313	-	-	-	67,313	-	11.92	-
	1 Jul 07	1 Jul 10 - 1 Jul 17	79.17	34,498	-	-	-	34,498	-	11.92	-
	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	-
		Aggregate value			$970,653	$322,027	-				-
Group Executives											
E Gonzalez	Options granted prior to 1 July 2007[4]			33,334	-	-	33,334	-	-	-	-
	20 Jan 09	30 Jun 13 - 20 Jan 15	31.42	-	182,215	-	-	182,215	-	6.60	-
		Aggregate value			$1,202,619	-	$409,342				$1,082,022
J Nesbitt	9 Jun 09	30 Jun 12 - 9 Jun 19	28.34	-	58,939	-	-	58,939	-	9.06	-
		Aggregate value			$533,987	-	-				
E Wang	31 Mar 08	31 Mar 11 - 31 Mar 13	52.71	75,301	-	-	-	75,301	-	9.96	-
		Aggregate value			-	-	-				-

Options granted to the Managing Director and Group Executives are granted from the Executive Option Plan. Other than those disclosed above, no other Group Executives hold options over Perpetual shares.

1 Equity instruments issued have been valued by PricewaterhouseCoopers 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 and 28 October 2008

3 These options were granted on 1 July 2004 (6,840; 100% forfeited in the current year), 19 October 2004 (978), 1 July 2005 (28,144) and 1 July 2006 (29,950)

4 These options were granted on 28 October 2002 (33,334)

5 Percentage of total remuneration received as options for the Managing Director and Group Executives are: D Deverall (-420%), E Gonzalez (9%), J Nesbitt (1%) and E Wang (29%)

Value of unvested compensation grants that vest in future years

	30 June 2010			30 June 2011			30 June 2012		
	Shares	Options	Total	Shares	Options	Total	Shares	Options	Total
D Deverall	301,157	292,552	593,709	257,092	185,659	442,751	200,139	110,983	311,122
R Brandweiner	21,695	-	21,695	30,095	-	30,095	8,165	-	8,165
R Burrows	276,129	-	276,129	287,663	-	287,663	35,000	-	35,000
C Doyle	493,038	-	493,038	260,927	-	260,927	14,289	-	14,289
E Gonzalez	481,918	223,256	705,174	361,082	280,346	641,428	380,223	255,014	635,237
C Green	20,530	-	20,530	30,095	-	30,095	8,165	-	8,165
I Holyman	174,719	-	174,719	93,959	-	93,959	18,372	-	18,372
J Nesbitt	424,783	160,352	585,135	366,384	164,806	531,190	312,653	213,802	526,455
M Pancino	25,903	-	25,903	37,619	-	37,619	10,207	-	10,207
J Stewart	15,397	-	15,397	22,571	-	22,571	6,124	-	6,124
E Wang	281,957	277,845	559,802	223,335	222,276	445,611	12,248	-	12,248

Vested shareholdings of Managing Director and Group Executives

Name	Balance at the start of the year	LTI Shares vesting in the period	Other changes during the year	Balance at the end of the year *
	No. of shares			
Managing Director				
D Deverall	35,540	-	-	35,540
Group Executives				
R Brandweiner	402	-	-	402
E Gonzalez	69,134	-	19,145	88,279
C Green	-	2,056	-	2,056
I Holyman	2,736	-	-	2,736
J Nesbitt	7,527	-	(110)	7,417
E Wang	600	-	-	600
Departed Group Executive				
P Vernon	1,580	-	-	1,580

*or date of departure for Group Executives who departed in the year.

Other changes during the year represent shares acquired via bonus sacrifice, conversion of options into shares and disposal of shares. Disposals during the year include E Gonzalez (14,189) and J Nesbitt (110).

Other than those disclosed above, no other Group Executive had vested shareholdings at the beginning and end of the year.

Unvested shareholdings of Managing Director and Group Executives

Name	Grant date	Issue price $	Vesting date	Held at 1 July 2008 No. of shares	Movement during the year: Granted	Movement during the year: Forfeited No. of shares	Movement during the year: Vested	Held at 30 June 2009 No. of shares	Fair value per share TSR hurdle $	Fair value per share non-TSR hurdle $
Managing Director										
D Deverall[1]	Shares granted prior to 1 July 2007[2]			16,121	-	1,955	-	14,166		
	1 July 2007	79.17	1 July 2010	31,735	-	-	-	31,735	57.22	80.08
	1 July 2007	79.17	30 June 2012	12,631	-	-	-	12,631	N/A	73.76
	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
	Aggregate value				$1,024,933	$92,041				
Group Executives										
R Brandweiner	Shares granted prior to 1 July 2007[3]			1,500	-	111	-	1,389		
	1 October 2007	73.54	1 October 2010	1,359	-	-	-	1,359	57.22	80.08
	1 October 2008	48.63	1 October 2011	-	4,112	-	-	4,112	38.97	50.80
	Aggregate value				$199,967	$5,513				
R Burrows	31 March 2008	52.71	31 March 2011	11,383	-	-	-	11,383	57.22	52.71
	1 October 2008	48.63	1 October 2011	-	12,338	-	-	12,338	38.97	50.80
	Aggregate value				$599,997					
C Doyle	4 December 2006	72.92	4 December 2009	1,645	-	-	-	1,645	52.13	72.92
	1 October 2007	73.54	1 October 2010	4,759	-	-	-	4,759	57.22	80.08
	20 February 2008	52.28	1 January 2011	19,127	-	-	-	19,127	N/A	52.28
	1 October 2008	48.63	1 October 2011	-	7,197	-	-	7,197	38.97	50.80
	Aggregate value				$349,990					
E Gonzalez	Shares granted prior to 1 July 2007[4]			15,744	-	-	-	15,744		
	1 October 2007	73.54	1 October 2010	10,878	-	-	-	10,878	57.22	80.08
	1 October 2008	48.63	1 October 2011	-	16,450	-	-	16,450	38.97	50.80
	20 January 2009	31.42	30 June 2013	-	39,783	-	-	39,783	N/A	31.42
	Aggregate value				$2,049,945					
C Green	Shares granted prior to 1 July 2007[5]			2,056	-	-	2,056	-		
	1 October 2007	73.54	1 October 2010	2,291	-	-	-	2,291	57.22	80.08
	1 October 2008	48.63	1 October 2011	-	4,112	-	-	4,112	38.97	50.80
	Aggregate value				$199,967		$150,026			
I Holyman	Shares granted prior to 1 July 2007[6]			11,162	-	817	-	10,345		
	1 October 2007	73.54	1 October 2010	6,119	-	-	-	6,119	57.22	80.08
	1 October 2008	48.63	1 October 2011	-	9,253	-	-	9,253	38.97	50.80
	Aggregate value				$449,973	$40,580				
J Nesbitt	Shares granted prior to 1 July 2007[7]			12,943	-	817	-	12,126		
	1 October 2007	73.54	1 October 2010	10,878	-	-	-	10,878	57.22	80.08
	1 October 2008	48.63	1 October 2011	-	16,450	-	-	16,450	38.97	50.80
	9 June 2009	29.74	30 June 2012	-	20,174	-	-	20,174	N/A	29.74
	Aggregate value				$1,399,938	$40,580				

					Movement during the year					
Name	Grant date	Issue price $	Vesting date	Held at 1 July 2008 No. of shares	Granted	Forfeited No. of shares	Vested	Held at 30 June 2009 No. of shares	Fair value per share TSR hurdle $	Fair value per share non-TSR hurdle $
M Pancino	Shares granted prior to 1 July 2007[8]			2,120	-	-	-	2,120		
	1 October 2007	73.54	1 October 2010	2,039	-	-	-	2,039	57.22	80.08
	1 October 2008	48.63	1 October 2011	-	5,140	-	-	5,140	38.97	50.80
	Aggregate value				$249,958					
J Stewart	10 September 2007	75.24	10 September 2010	584	-	-	-	584	N/A	75.24
	1 October 2008	48.63	1 October 2011	-	3,084	-	-	3,084	38.97	50.80
	Aggregate value				$149,975					
E Wang	Shares granted prior to 1 July 2007[9]			4,006	-	481	-	3,525		
	1 October 2007	73.54	1 October 2010	4,079	-	-	-	4,079	57.22	80.08
	31 March 2008	52.71	31 March 2011	14,228	-	-	-	14,228	N/A	52.71
	1 October 2008	48.63	1 October 2011	-	6,169	-	-	6,169	38.97	50.80
	Aggregate value				$299,998	$23,891				
Departed Group Executives										
P Vernon	Shares granted prior to 1 July 2007[10]			8,557	-	8,557	-	-		
	1 October 2007	73.54	1 October 2010	5,439	-	5,439	-	-	57.22	80.08
	Aggregate value					$992,953				

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 and 28 October 2008

2 These shares were granted on 1 July 2004 (1,710; 100% forfeited in the current year), 19 October 2004 (245; 100% forfeited in the current year), 1 July 2005 (7,036) and 1 July 2006 (7,130)

3 These shares were granted on 1 October 2004 (111; 100% forfeited in the current year), 30 September 2005 (745) and 2 October 2006 (644)

4 These shares were granted on 30 September 2005 (7,453) and 2 October 2006 (8,291)

5 These shares were granted on 17 July 2006 (4,796; 43% vested in the current year)

6 These shares were granted on 1 October 2004 (817; 100% forfeited in the current year), 30 September 2005 (4,472) and 2 October 2006 (5,873)

7 These shares were granted on 1 October 2004 (817; 100% forfeited in the current year), 30 September 2005 (5,217) and 2 October 2006 (6,909)

8 These shares were granted on 14 August 2006 (255) and 2 October 2006 (1,865)

9 These shares were granted on 1 October 2004 (481; 100% forfeited in the current year), 30 September 2005 (1,729) and 2 October 2006 (1,796)

10 These shares were granted on 1 October 2004 (463; 100% forfeited in the current year), 30 September 2005 (2,981; 100% forfeited in the current year) and 2 October 2006 (5,113; 100% forfeited in the current year)

Shares granted to the Managing Director and Group Executives are granted from the Executive Share Plan. Grants of performance shares after 30 June 2003 contain 50% of shares with performance hurdle linked to TSR and 50% of shares with performance hurdle linked to EPS. Where applicable, the fair value of shares with a TSR performance hurdle are disclosed. The fair value of TSR-linked shares is calculated by PwC using valuation techniques which take into account the probability of vesting as reflected in the fair value at grant.

Contract terms for the Managing Director

Contract details	David Deverall, Chief Executive Officer and Managing Director
Term of contract	Mr Deverall's appointment as Chief Executive Officer and Managing Director continues from the date of the agreement (24 September 2007) until terminated in accordance with its terms
Fixed remuneration	$1,000,000 per annum, reviewable in accordance with Perpetual's policies
STI	STI of up to STI for previous year multiplied by the change in the Profit Participation Pool For 2009, the baseline STI is $1,375,000 20% of the STI will be subject to the Board's assessment annually of additional performance criteria
LTI – Group	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 portions The first portion is subject to a TSR target. If Perpetual's growth in TSR relative to the comparative group is: ▪ less than the median, 0% vests; ▪ at the median, 50% vests; ▪ greater than the median but less that 75%, 50% plus 2% for every percentile increase vests; and ▪ 75% or above, 100% vests. The second portion is subject to an EPS 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
LTI – Business – one-off grant	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% 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 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

Contract details	David Deverall, Chief Executive Officer and Managing Director
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 (or 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, provided the performance targets are met LTI – Business – entitled to the greater of a pro-rata proportion of shares and options (subject to performance targets) 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) 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 for a period of 24 months after the termination date, provided performance targets are met LTI – Business – 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, provided the performance targets are met

Termination provisions for Group Executives

The material terms for the Group Executives are summarised below

Term	Who	Conditions
Duration of contract	All Group Executives	Ongoing until notice is given by either party
Notice to be provided by Group Executive to terminate the employment agreement	John Nesbitt	6 months
	Janine Stewart	12 weeks
	All other Group Executives	3 months
Notice to be provided by Perpetual to terminate the employment agreement for poor performance	John Nesbitt	12 months
	Roger Burrows	6 months
	Janine Stewart	12 weeks
	All other Group Executives	3 months
Notice to be provided by Perpetual to terminate the employment agreement without cause	John Nesbitt	12 months
	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
	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
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	All Group Executives	6 month non-solicitation restraint

Non-executive director fee schedule

	2009 $	2010 $
Chairman	455,000	455,000
Directors	165,000	165,000
Audit Risk and Compliance Committee Chairman	38,500	38,500
Audit Risk and Compliance Committee Member	19,250	19,250
People and Remuneration Committee Chairman	27,500	27,500
People and Remuneration Committee Member	13,750	13,750
Investment Committee Chairman	27,500	27,500
Investment Committee Member	13,750	13,750
Nominations Committee Member	13,750	13,750

Note: In addition to the base fee, Perpetual pays superannuation contributions to non-executive directors of up to 9% of non-executive director fees, capped at the maximum superannuation contributions base prescribed under Superannuation Guarantee legislation. Employer superannuation contributions may be received in one of our staff superannuation funds or an eligible superannuation fund of their choice.

Contract terms of engagement and non-executive director fees and responsibilities*

	Robert M Savage	Meredith J Brooks	E Paul McClintock[1]	Elizabeth M Proust	Peter B Scott[2]	Alexander Stevens[3]	Philip J Twyman
	$	$	$	$	$	$	$
Board fees (per annum)							
Chairman	455,000	-	-	-	-	-	-
Independent Director	-	165,000	165,000	165,000	165,000	165,000	165,000
Committee fees (per annum)							
Audit Risk and Compliance Committee							
Chairman	-	-	-	-	-	-	38,500
Member	-	19,250	-	19,250	19,250[2]	19,250[3]	-
People and Remuneration Committee							
Chairman	-	-	-	27,500	-	-	-
Member	-	-	13,750[1]	-	13,750[2]		-
Investment Committee							
Chairman	-	-	27,500	-	-	-	-
Member	-	13,750	-	-	13,750	13,750[3]	13,750
Nomination Committee							
Member	-	-	13,750	13,750	-	-	13,750
Appointed	August 2001 as Director and October 2005 as Chairman	November 2004	April 2004	January 2006	July 2005	June 2008 **Resigned February 2009**	November 2004

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

1 E Paul McClintock was appointed as a member of the People and Remuneration Committee on 31 July 2008

2 Peter B Scott retired as a member of the Audit Risk and Compliance Committee and was appointed as a member of the People and Remuneration Committee on 31 July 2008

3 Alexander Stevens was appointed as a member of the Audit Risk and Compliance Committee and Investment Committee on 31 July 2008

Remuneration received by non-executive directors

	Total		Short-term		Post employment		Share-based	
			Cash salary, fees and short-term compensated absences[1]		Pension and Superannuation		Equity settled [1,2]	
	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $
R M Savage	468,745	468,129	335,378	427,688	72,700	40,441	60,667	-
M J Brooks	211,745	211,129	198,000	198,000	13,745	13,129	-	-
E P McClintock	232,636	219,629	174,891	140,500	13,745	13,129	44,000	66,000
E M Proust	225,495	220,202	200,750	174,073	13,745	13,129	11,000	33,000
P B Scott	207,797	220,370	166,552	203,803	13,745	13,129	27,500	3,438
P J Twyman	244,745	244,629	176,000	149,000	13,745	13,129	55,000	82,500
Non-executive directors who retired during the year								
S V McPhee	-	73,664	-	68,833	-	4,831	-	-
A Stevens	126,206	2,712	117,780	2,712	8,426	-	-	-
Total	1,717,369	1,660,464	1,369,351	1,364,609	149,851	110,917	198,167	184,938

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 percent of their fees to acquire shares in the company

2 Shares issued as remuneration have been valued and recorded as remuneration as at the date of issue

3 Non-executive directors do not receive any non-cash benefits as part of their remuneration other than shares acquired on page 41

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

	Ordinary shares		Dividends received		Options		Registered scheme interests[1]	
	2009 No.	2008 No.	2009 $	2008 $	2009 No.	2008 No.	2009 $	2008 $
Non-executive directors								
R M Savage	9,380	7,246	13,417	27,245	-	-	4,484,416	6,207,945
M J Brooks	5,500	4,500	8,345	20,690	-	-	1,545,392	-
E P McClintock	8,485	6,810	12,596	21,349	-	-	170,528	196,792
E M Proust	3,147	2,728	5,005	8,137	-	-	-	-
P B Scott	2,047	1,000	1,979	3,760	-	-	56,744	51,753
P J Twyman	8,772	5,677	11,013	16,024	-	-	2,526,899	3,758,911
Non-executive director who retired during the year								
A Stevens	1,500	1,500	2,715	-	-	-	-	-

1 Amounts invested in Perpetual's products

Non-executive director holdings held directly or indirectly

	Balance at the start of the year, or for directors appointed in the year, the date of appointment	Shares acquired via fee sacrifice during the year[1]	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			
Non-executive directors				
R M Savage	7,246	2,134	-	9,380
M J Brooks	4,500	-	1,000	5,500
E P McClintock	6,810	1,675	-	8,485
E Proust	2,728	419	-	3,147
P B Scott	1,000	1,047	-	2,047
P J Twyman	5,677	2,095	1,000	8,772
Non-executive director who retired during the year				
A Stevens	1,500	-	-	1,500

1 Shares acquired or issued four times throughout the year