

Perennial – Small Companies Sustainable Future Trust

Ethical Survey, as voted by members of the Ethical Advisers Co-Op



Poor | Disappointing | Average | Appealing | Excellent

As voted by Ethical Adviser Co-op members. Find a specialised ethical adviser near you: www.ethicaladviserscoop.org/find-an-adviser.html

Fund Overview

This is an actively managed multi-asset Australian & NZ shares fund within Perennial Value, focused on small caps. It applies negative screening and actively applies ESG-related metrics.

Ethical Concerns

Investments

- ✘ Some investments in the Fund may be problematic (indirect association) for ethical investors, such as:
 - Secondary fossil fuel exposure: ALQ – provide services and technology to clients involved in coal/oil/gas/mining (e.g. BHP Billiton, Woodside).
 - Held until June 2019: Oz Minerals (Uranium through TORO holdings) & Mineral Resources – Gas exploration. These were removed following feedback and a review.

Other concerns

- ✘ Invest in some companies that are not ESG friendly but are actively engaged in reducing ESG impacts or improving ESG outcomes.

Good Points

- ✓ Fund excludes stocks with >10% revenue from Fossil fuels, Alcohol, Tobacco, Weapons, Forestry activities, Gambling activities, Unhealthy fast food.
- ✓ Some commitment to transparency by being a United Nations Principle for Responsible Investment ([UNPRI](#)) signatory but not RIAA certified.
- ✓ Good transparency of holdings ([LINK](#)) easily accessed via the public website but Poor shareholder voting ([LINK](#)) history on ESG issues. Website planned to be updated by September to incorporate shareholder engagement in detail.
- ✓ Positive contributing stocks include:
 - SIMS Recycling Solutions
 - Meridian Energy/Mercury - Renewable Energy
 - PolyNovo - Healthcare
- ✓ Perennial has a track record of a significant number of meetings with its small caps holdings to improve the activities of their ESG Activity. Perennial has provided examples to Ethical Advisers Co-op of its ESG engagement.
- ✓ As a significant fund manager in small caps, Perennial has significant influence on these companies. These views are then taken into account to the construction of the portfolio for the Fund [LINK](#).
- ✓ Data on carbon emissions reduction for the Trust provided in presentations indicating the Trust has 73% less Carbon Intensity of Revenues compared to the ASX Small Ordinaries as at July 2019.
- ✓ Provides an [Environmental Sustainability Policy](#) (Aug 2017) outlining its ethical screening process.

About the 'Ethical Survey'

About the Ethical Advisers Co-Op

The Ethical Advisers Co-op is a group of 35 financial advisers who are passionate about ethics and finance. The Co-op was established as a not-for-profit over 10 years ago to enable likeminded financial advisers to work together to represent the voice of the consumer. We work to shift the super and investment industry into being more ethically aligned with their clients' objectives. The Co-op's nationwide membership of ethical financial advisers help over 3,300 Australians make financial decisions and invest in line with their ethical values.

How the Leaf-System Works

The ethical rating is voted by Australian financial advisers who specialise in ethical investments (Co-op members). The advisers assess if fund ethics suit their average ethical client, and if it matches with the average client's expectations and objectives. The advisers consider how successful the fund is at; 1) removing industries and stocks harmful to the environment and society 2) including companies with environmental or social benefits, and 3) providing evidence of actions from the fund which benefit society and/or the environment. The quality of information the fund provides on its ethical policies, companies invested in, and proxy voting is important in assessing if a fund is as ethical as claimed. The final rating is an average of these votes.

Financial advisers are voluntarily participating to help ethical consumers gain a quick understanding of how the clients of a group of industry professionals view the ethics of each fund. The Co-op and the advisers do not receive any form of remuneration or reward for participating.

Further Research

Does your fund walk the talk?

The Australasian Centre for Corporate Responsibility (ACCR) – a not-for-profit shareholder advocacy organisation – pushes for transparency around whether your super fund 'walks the talk' on issues such as climate and human rights. You can find details on your super fund [here](#).

Is your fund investing in fossil fuels?

Market Forces is a not-for-profit delivering transparency on fossil fuel lending, insuring and investing within super funds, banks and insurance companies. You can see how exposed your super fund, bank or insurance company is to the fossil fuel industry [here](#).

If the fund is certified by the Responsible Investment Association Australasia (RIAA)

You can find more ethical and investment information for certified funds [here](#).

More information on this fund

For exact details of the fund's claimed ethics, costs and legal details see the fund's Product Disclosure Statement - available on their website.

Vote based on information last updated 25th August 2019