

Pendal Group Limited
Level 14, The Chifley Tower
2 Chifley Square
Sydney NSW 2000
Australia
ABN 28 126 385 822



4 November 2020

Company Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

Pendal Group Limited Full Year Profit Announcement for the 12 months ended 30 September 2020

The following documents are attached for lodgement:

1. Appendix 4E
2. ASX Announcement
3. Annual Report
4. Analyst Presentation
5. Shareholder Update
6. Appendix 4G
7. Corporate Governance Statement
8. Corporate Sustainability Report •

Yours sincerely

A handwritten signature in black ink, appearing to read "Joanne Hawkins", written in a cursive style.

Authorising Officer

Joanne Hawkins
Group Company Secretary
Pendal Group Limited
Tel: +61 2 9220 2000

The future is worth
investing in



Overview

As a global investment management business we are focused on delivering superior investment returns through active management. Our people are our greatest asset; they contribute to the long-term sustainability and success of our business by delivering positive outcomes for our clients, shareholders and society.

At Pendal, we recognise the benefit and importance of identifying material sustainability risks in our business operations as well as our investments. We view effective management of these risks as critical to establishing a long-term sustainable business and delivering value to our stakeholders.

Our approach to corporate governance and the management of environmental, social and governance (ESG) risks are reported in our [Corporate Governance Statement](#) and Risk Management report (refer to page 16 of the [Pendal Group Annual Report 2020](#)) which are referenced regularly throughout this report. Links to our Group policies are available in our downloadable data pack [here](#).



Our people

Our people are our greatest assets.



Our clients

We partner with our clients for long-term success.



Our community & environment









We make a positive contribution to society.

Despite the challenges brought on by the COVID-19 pandemic, we continued to advance our sustainable initiatives during the year. We progressed our ESG integration processes, enhanced our governance framework, expanded our responsible investment capabilities, and further developed our stewardship practices.

FY20 Highlights

Highlights	People	Client	Community
Established Diversity and Inclusion (D&I) committees to champion initiatives and support our Group's D&I priorities			
Continued to expand our suite of responsible investment strategies with the launch of the Group's first Impact strategy, the Regnan Credit Impact Trust and onboarding of the Global Equity Impact team			
Boosted investment team knowledge of responsible investment topics through dedicated workshops run by our ESG specialist business, Regnan			
Managed COVID-19 related risks and enhanced governance processes to ensure business continuity, employee wellbeing and leading client service			
Enhanced our corporate governance framework and decision making processes			
Formed Community Committees to identify and prioritise opportunities for community engagement			
Improved overall employee engagement			
Implemented a new global HR system			

FY21 Priorities

Priorities	People	Client	Community
Enhance practices and continue to develop processes to avoid complicity in modern slavery and publish our first Australian Modern Slavery Statement under the Australian Modern Slavery Act 2018			
Continue to enhance ESG integration into our investment processes and broaden our product suite to meet evolving client needs.			
Implement ESG regulatory developments and publish a report to demonstrate application of the UK Financial Reporting Council's (FRC) Stewardship Code 2020			
Continue to enhance our approach to D&I			
Refine our value proposition to maintain alignment with the Group's strategy and a changing operating environment			
Continue managing COVID-19 risks and enhance our workplace environment and policies to better facilitate flexible working			
Continue to invest in technology to enhance our infrastructure, our client experience and leverage data from our new global HR system			



Our people

Our culture

Our inclusive and innovative culture is an integral part of our value proposition. It helps to create a positive working environment where people feel valued to do their best while supporting recruitment, development and retention.

Ethical behaviour and fostering a culture that requires employees to act with integrity and honesty ensures that we earn and maintain the long-term trust of our stakeholders and is critical to building a successful sustainable business. Conversely, poor behaviours can cause harm to our clients and damage our reputation, therefore the Board continues to place a high level of importance on ensuring our culture supports the best possible outcomes for all stakeholders.

We focus on creating a workplace that inspires passion, purpose and outstanding performance. To help maintain positive employee engagement we carry out a range of activities, including employee opinion surveys and regular business update meetings to monitor morale. We also have comprehensive recruitment and performance management processes to assess behaviour and conduct.

The FY20 employee surveys carried out across the globe showed a high level of engagement with a response rate of more than 80 per cent across the Group. The results from these surveys and other engagement activities provide valuable insights and inform our people strategy.

For more information about our employee engagement risks and associated controls refer to our [Corporate Governance Statement](#).

Diversity

We believe diversity of thought, skills and experience deliver great outcomes and support effective decision making.

Our Board and Group Executive are committed to broadening workplace diversity. This includes but is not limited to: embracing individual differences in: views, personal/work experiences, lifestyle, ethnicity, nationality, culture, religion, age, gender, disability, physical attributes, family responsibility, sexual orientation and education.

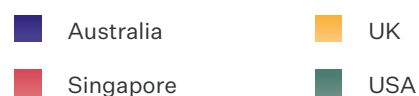
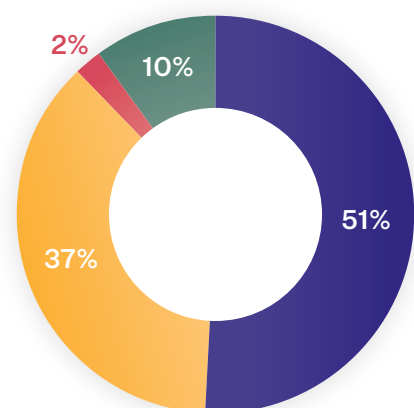
Our commitment to diversity and inclusion is reflected in our D&I Policy and is supported across the business by our D&I Strategy.

For example, the gender targets set by the Group are as follows:

- At least 40 per cent female representation on the Pandal Board by 2023. This was achieved in 2017 and has continued.
- At least 40 per cent female representation across the Pandal Group Executive teams by 2023

Full details of our approach to diversity and inclusion and performance metrics can be found in our [Corporate Governance Statement](#) and [data pack](#).

The diversity of our team is, in part, reflected in their location. The team is spread across four continents¹



¹ Based on Group headcount of 370 as at 30 September 2020

Health and wellbeing

The health, safety and wellbeing of our people is crucial for our success and continued retention of high-performing teams. Our wellbeing programs in Australia, UK and the US provide a comprehensive range of initiatives and benefits designed to equip our people with the tools and resources to own their wellbeing, with a strong focus on mental health and encouraging our employees to balance all aspects of their lives.

Throughout the COVID-19 pandemic, we have partnered with employee mental health education providers to deliver wellbeing seminars and supported local mental health activities.

Our Employee Assistance Program continued to ensure adequate support is available to employees to cope with a new environment and to support one another while working remotely.

Staff benefits include:

- Ongoing training sessions covering a range of topics to support mental and physical wellbeing
- Our Employee Assistance Program
- Private medical coverage
- A biennial program of health assessments
- A flu vaccination program.

Managing talent

To help develop and grow talent, we continue to evolve our personal and professional development program for employees. We provide support and guidance for employees looking to grow their career and to enhance their leadership qualities. We do this through offering internal mentoring programs, financial support to pursue education and industry association memberships.

Our talent identification and management processes complement detailed succession planning reviews in both corporate and investment teams, and help manage key person risk. The reviews establish short, medium and long-term action plans that support people growth and succession pathways for critical roles.

During the year we continued to enhance our performance and talent management processes with the introduction of a new global Human Resources Information System (HRIS). The innovative online system is a single repository of global employee data that will enhance HR reporting capabilities and enable improved data-driven people decisions. Additional functionality will be implemented in the coming year.

Governance and decision making

During the year, we enhanced our governance practices with the appointment of Non-Executive Directors to several of the Group's subsidiary boards. These boards play an important role in protecting the interests of our investors and ensuring local regulatory compliance.

Additionally our Global Executive Committee was expanded with the appointment of Nick Good, JOHCM CEO - USA. The Group now has CEOs in the key regions of Europe, UK & Asia (EUKA), US and Australia. Each CEO brings a unique set of skills and diverse insights, to support growth and our people on the ground in each jurisdiction.

Recognising and rewarding our people

Our reward and performance management frameworks reflect our business model and values and are designed to recognise and motivate our people to deliver the best outcomes.

We seek to instil an ownership mindset to ensure all employees are aligned with our shareholders and our investment professionals are aligned to client outcomes.

We regularly monitor market benchmarks to ensure we are paying our employees fairly for their skills and ability. Additional information on our remuneration and reward framework is available in our [Remuneration Report](#).

Employee turnover remained lower than the industry average¹ at

5.2 per cent per year

Australian equities focus on cultural heritage

Throughout the year, the issue of cultural heritage risks for resource companies was thrust into the spotlight with revelations of the destruction of ancient Aboriginal rock shelters at Juukan Gorge. While issues around native title and benefit sharing with traditional owners have been discussed in engagement with resource companies for a few years, this incident, and the heightened public scrutiny that resulted, has elevated reputational and stakeholder risks across the resource sector more broadly. In a multi-month program of engagement, the team engaged at board, executive and site level with five companies operating in the Pilbara region of Western Australia to make known our wishes that companies take a more holistic approach to stakeholder issues, and to demonstrate that they do not just rely on legal minimums in making decisions.



¹ Survey data compiled by the Financial Institution Remuneration Group.



Our clients

Building our responsible investment capabilities

In addition to providing traditional investment strategies, we have a vision to grow our responsible investment business, primarily under the Regnan brand, and to become a global leader in this space. We already have a long heritage in providing responsible investment products. As at 30 September 2020, we had approximately \$3.1 billion in funds under management in dedicated responsible investment strategies across multiple asset classes.

We recognise that several drivers - from client interest and regulatory changes, through to the presentation of ESG factors material to valuations - reinforce the need for us to continue building our capabilities and our access to high quality, investment-relevant research. While our business model is “investment led”, meaning our investment professionals independently determine their investment strategies, we are providing the means for them to have access to in-house ESG professionals and education to progressively factor ESG factors into their investment processes.

Our Regnan business unit provides high quality ESG research and thought leadership, which is shared with our fund managers via education and knowledge workshops. We believe this provides a competitive advantage and empowers our portfolio managers to better understand the impact of ESG risks and considerations in their processes.

During FY20, a number of our core investment strategies enhanced the integration of ESG factors into their investment process and we see this trend continuing.

Expanding our ESG offering

We continue to meet our clients' needs with a growing suite of ethical, sustainable and impact investment products and have steadily increased the number of people in dedicated responsible investment roles.

Leveraging our strong reputation in this growing sector, we expanded our Regnan investment capabilities during the year with the launch of the Group's first Impact product, the Regnan Credit Impact Trust. The Trust invests in Australian fixed-income securities, with a focus on investing in Impact bonds to generate social and environmental outcomes, alongside returns.

Additionally, we on-boarded a four-person Global Equity Impact team in the UK. The Regnan Global Equity Impact Solutions strategy will be launched in the December quarter of 2020 and will be distributed globally.

Other highlights during the year included the launch of a sustainable managed portfolio, a collaboration between Pandal Australia, Regnan and AMP. The portfolio will be offered to financial advisers and clients through the MyNorth wrap platform.

Additionally, the Pandal Multi-Asset Target Return Fund became a fully ESG-integrated, sustainable liquid alternatives strategy. The fund incorporates exclusionary ethical screens and positive sustainability considerations into: portfolio construction and security selection processes, and the impact of the investment. The fund is the first of its kind to achieve Responsible Investment Certification².

JOHCM and International Select Team

Throughout the year, the JOHCM Global and International Select team collaborated with Regnan on a multi-month engagement with a food producer across several ESG priorities. Regnan's bespoke research on the company and deep ESG expertise supported a better-informed view of the company's risk profile and shaped the objectives sought in their collaborative engagement. Throughout the year the company has implemented several changes directly addressing priority areas. The company acknowledged that the feedback enhanced their understanding of business risks and the value in pursuing a more sustainable business model.

² Through the Responsible Investment Certification program administered by the Responsible Investment Association of Australasia (RIAA). You can find out more about the program on their website www.responsibleinvestments.com.au

Stewardship and engagement

As responsible stewards of our clients' assets, we engage with investee companies and exercise our voting rights. Through proxy voting and ongoing dialogue with the management of companies in which we invest, we aim to better manage risk, effect change and protect value for our clients over the long term.

We prioritise those companies and issuers where we have identified areas of concern, or where our shareholding affords us greater influence, so we may drive improved practices.

During the year we improved our client reporting on engagement activities to enhance client insights. This involved showcasing our active approach to engagement by combining statistical and proxy voting data with case studies and advocacy highlights.

In 2021 our UK business will publish its first Stewardship Report to demonstrate how it has applied the Stewardship Code 2020 published by the FRC. The FRC's significant updates to the Code include reporting expectations about the activities and outcomes of stewardship, and a more explicit focus on ESG.

Pendal Australia Proxy Voting - Australian and global equities voting activity for Pendal Australia funds

	Total items voted	For	Against	Abstain	Other ³
Percentage of total resolutions (proposals)	99.81%	91.59%	8.07%	0.49%	7.59%

JOHCM Proxy Voting - Global equities voting activity for JOHCM funds

	Total items voted	For	Against	Abstain	Other
Percentage of total resolutions (proposals)	98.76%	94.30%	4.65%	1.05%	0.00%

³ 'Other' includes Management Say on Pay (MSOP) proposals and where Pendal did not vote on a proposal due to administrative and other reasons, including where a shareholding was divested prior to the voting cut-off date.

Please note individual funds may place differing votes on the same resolution and therefore the percentage of total resolutions may include more than one voting position per resolution.

Pendal BIDS team (Australia) engagement with a European railway company

While this issuer had otherwise strong sustainability credentials, particularly on climate change, a deterioration in safety performance and a lack of disclosure on management's response raised concerns. Prior to making an investment decision, our BIDS team worked with Regnan to develop a plan of action for engagement to address these shortcomings. They then held a detailed discussion with the issuer, probing safety performance across employee, contractor, and customer segments, and encouraged disclosure enhancement, conveying the materiality of safety to the team's evaluation of the company's sustainability performance.



We actively participate in a range of industry bodies and initiatives, working collaboratively with our peers to promote greater acceptance of responsible investment practices and to support the management of ESG risks and opportunities in the best interests of all stakeholders.

Notable industry participation in FY20 included:

- Ongoing contribution to the Australian Sustainable Finance Initiative (ASFI)
- Participation and contribution of thought leadership at the UK's Investment Association (IA) industry forums

- Involvement in the Financial Services Council (FSC) ESG Working Group and the RIAA Human Rights Working Group
- Active participation in the Investor Group on Climate Change (IGCC)
- Collaboration with the Principles for Responsible Investment (PRI).

A complete list of our industry associations and partnerships are available [here](#).



Our community & environment

Contributing to our communities

We are proud of the positive impact that we have in our communities and encourage our employees to volunteer their time and talent to manage and champion charitable endeavours. Our regional Community Committees organise fundraising initiatives and identify and encourage opportunities. This ensures that support is given to charities or causes to which employees feel connected to.

In the wake of the devastating bushfires in Australia of 2019/2020, a global initiative was introduced whereby the Group matched donations made by employees to registered charities supporting the Australian bushfire recovery process. An additional 'leave type' was also created for Australian employees directly affected by the bushfires or involved in voluntary emergency services.

Pendal Australia's ongoing strategic charity partnership with the Running for Premature Babies Foundation continued during the year. Contributions included fundraising at a virtual trivia night as well as a food drive for parents caring for premature babies at the Royal Hospital for Women (Sydney).

Our employees also supported the following charities:

Health & wellbeing

- R U Ok? Day
- Beyond Shame Beyond Stigma
- Massachusetts Association for Blind and Visibly Impaired
- British Heart Foundation
- Thinking of Oscar

Society

- Red Cross Beirut Appeal
- NHS Charities COVID-19 Urgent Appeal
- WHO COVID-19 Relief

Diversity & Inclusion

- School Home Support
- Daughters of Tomorrow
- Show Racism the Red Card

JOHCM UK Equity Income Fund engagement with an oil and gas major

In the year, the team engaged with an international oil and gas company, after identifying concerns about its capital allocation priorities. It was clear that the company needed to accelerate its investments in low carbon and renewable energy projects and that, to fund this multi-year move, its regular dividend distribution would have to be lowered. Despite the shortfall in income that shareholders would receive, the team felt that such a move would be in all stakeholders' interests and in time would reduce the company's cost of capital. Subsequently the company announced a 50 per cent cut in their annual dividend to fund an ambitious expansion of their low carbon activities, as well as announcing a commitment to steadily reduce its hydrocarbon production over the next decade.

Modern slavery

Modern slavery is a form of human rights abuse estimated to affect 40 million people globally. It relates to human trafficking and slavery-like practices such as servitude, forced labour, deceptive recruiting, forced marriage and debt bondage.

Modern slavery is more than just a regulatory requirement. At Pental, we believe we have a fundamental duty to help address these types of harmful practices.

Regulation to address modern slavery is now in place in the UK and Australia. We welcome these regulations and broader efforts to eliminate modern slavery around the world. We believe our actions in this space will not only help vulnerable people, but enhance our ability to manage risks within the Group and the investments we make on behalf of clients.

In the UK we are required to report under the UK Modern Slavery Act 2015. Our Modern Slavery Act Statement is available [here](#) on the JOHCM website.

From 2021, Pental Group is required to comply with the Australian Modern Slavery Act 2018, which has additional components to that of the UK.

During FY20, a cross-function working group enhanced several practices to better identify our potential contribution as a business to eradicating modern slavery, and avoid complicity in modern slavery practices.

Enhancements included:

- Ongoing development and improvement of the vendor risk management and outsourcing framework to assess our suppliers and outsourced service providers and to better understand their operations and business model to identify modern slavery risks.
- Application of technology to support human rights-related company and country risk assessments, as well as monitoring services which help alert us to potential incidents.
- Introduction of mandatory training for all staff to raise awareness of modern slavery and communicate expectations to employees of the role they play in assisting Pental to manage modern slavery risks.
- Design of a proprietary assessment tool to assess modern slavery risk within our Australian equities' holdings, to support more detailed reporting for Australian clients who also need to meet their own obligations under the Australian Act.

Further enhancements will continue in FY21 and the first annual Modern Slavery Statement under the Australian Act will be published in March 2021.

Climate

Pental Group acknowledges that climate-related risks present significant challenges for humanity and the planet, with consequences for physical and financial assets

Responding to climate-related risks and opportunities requires ongoing attention. We seek to evolve our approach in line with improving scientific understanding and a tightening regulatory environment, as the world transitions to a low-carbon economy.

We welcome the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This has provided a framework to enable companies, and investors alike, to better articulate how risks and opportunities stemming from a changing climate will impact their business or investments, with a view to support whole-of-system financial stability.

We are committed to sharing our perspectives with our clients, and other stakeholders, as well as supporting industry calls for more robust and relevant climate-related disclosure. As part of our commitment to responding to climate change we continue to evolve our response over the course of FY21.

Carbon emissions

Emissions	Pental Australia	JOHCM	Total - Group	Notes
Scope 1* - Tonnes CO ₂ e	0	0	0	
(*direct emissions from known or controlled source)				
Scope 2* - Tonnes CO ₂ e	341.1	N/A	341.1	Pental Australia emissions only
(*indirect emissions from purchased energy utilities)				
Scope 3* - Tonnes CO ₂ e	-	-	248.3	Group corporate travel (flights, accommodation, taxis) only
(*all other indirect emissions)				

Given the nature of our business, emissions from our own business operations are immaterial. However, as we enhance our centralised reporting functions across the Group, we will be able to better understand a key aspect of our Scope 3 emissions - those emissions from activities associated with our investments.

Waste management

Due to the nature of our business and employee numbers, Pental has a very small direct environmental footprint. Irrespective, we continue to seek to minimise the environmental impact of our operations through the introduction of initiatives to support this goal.

In FY20, we reduced our impact on the environment through the introduction of a waste management system and enhanced printing systems. To ensure we monitor our impact moving forward, we have set a target to reduce waste going to landfill by 20 per cent by the end of calendar year 2020.

Waste management - Pental Group Head Office only

Waste type	KG	Percentage of total waste
Landfill	2554.7	60.80%
Secure bin (paper)	613.7	14.61%
Paper	584.6	13.91%
Mixed recycling	239.2	5.69%
Organic waste	209.7	4.99%
Total	4201.9	100%