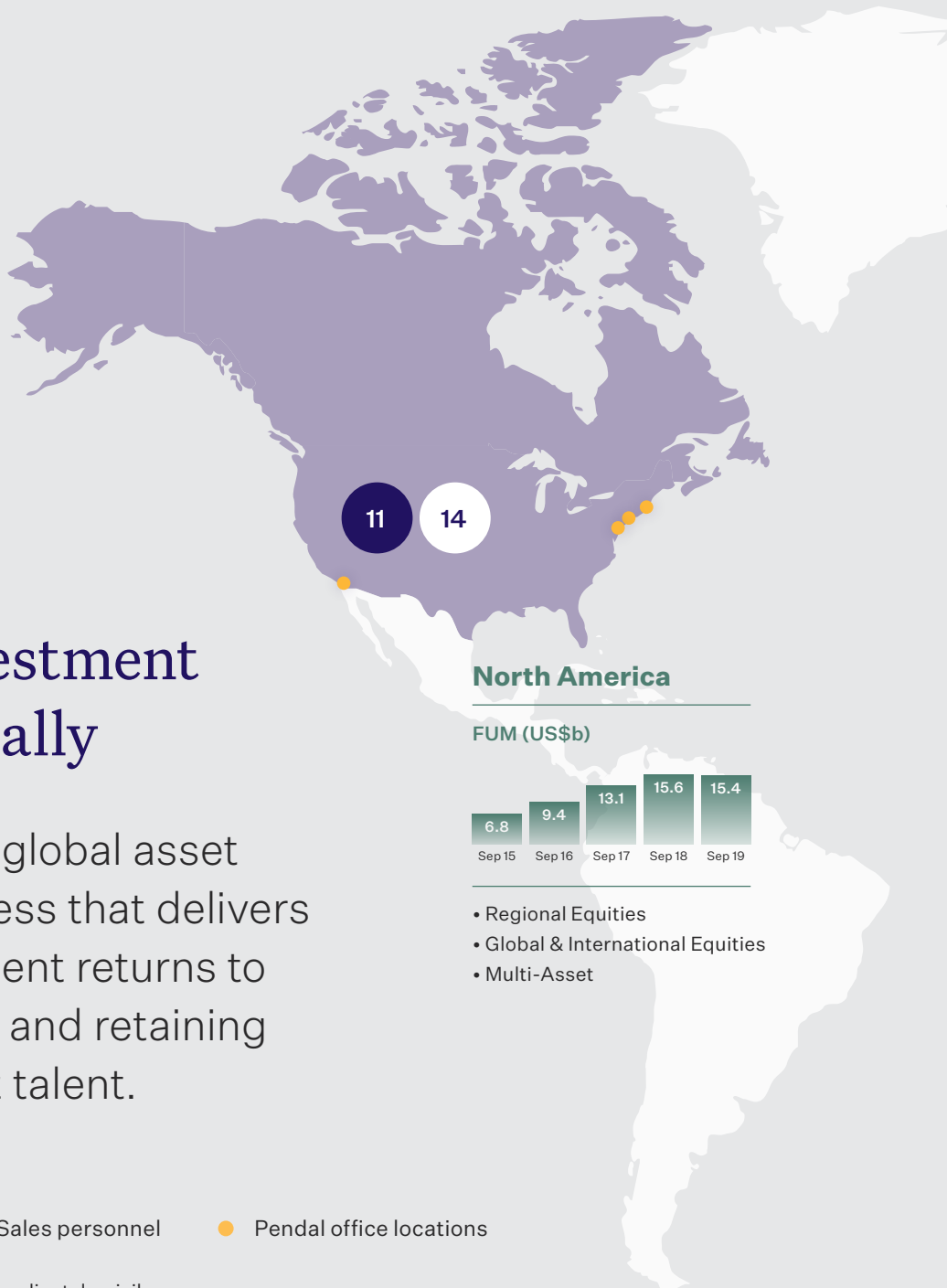


The future is worth
investing in





Delivering investment strategies globally

Our vision is to be a global asset management business that delivers exceptional investment returns to clients by attracting and retaining superior investment talent.

Investment personnel
 Sales personnel
 Pental office locations

Funds under management (FUM) classified by client domicile.

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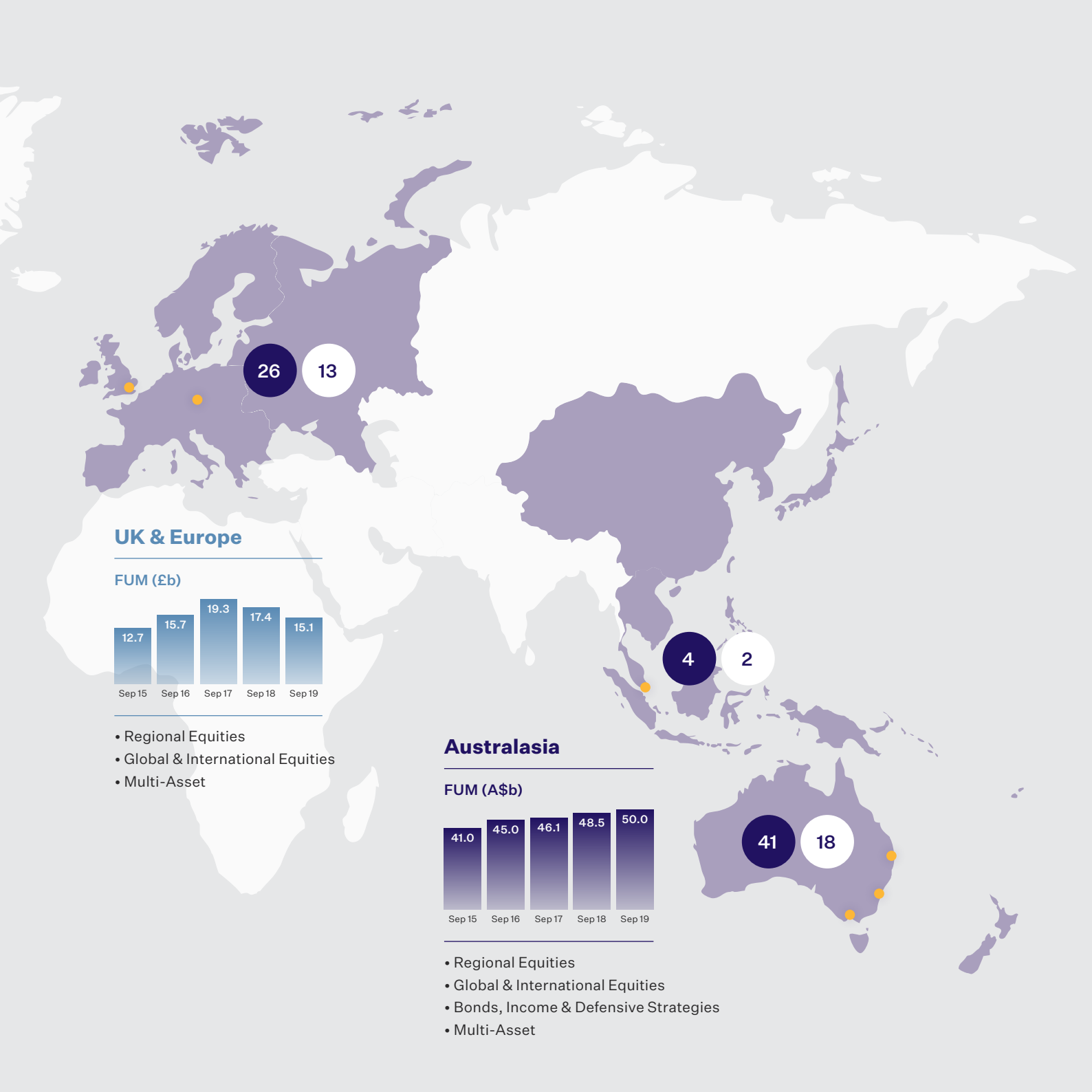
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Visit annual-report-2019.pentalgroup.com to review the Group's Annual Report 2019 online, including a video address from the Group CEO and the philosophies behind our investment strategies.

Additional information not included in the Annual Report is available on our website at:

- Corporate Sustainability & Responsibility Report 2019 at pend.al/CSR-2019
- Corporate Governance Statement 2019 at pend.al/CGS-2019



Regional Equities

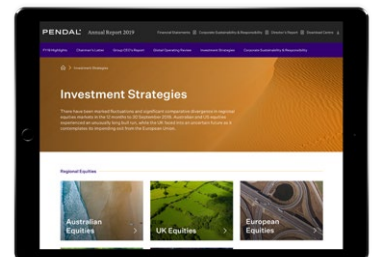
Australian Equities
UK Equities
European Equities
Asia ex Japan Equities
Japanese Equities
US Equities

Global & International Equities

Global & International Equities
Emerging Market Equities

Bonds, Income & Defensive Strategies

Multi-Asset



For a complete overview of our investment strategies, fund performance and our investment management teams, go to annual-report-2019.pendalgroup.com/investment-strategies

Strategic Developments

- Key global executive positions filled
- Moved to full ownership of Regnan
- Added US and UK sales resources
- Identified opportunities to leverage global scale

Result context

- Cash NPAT impacted by
 - Decline in performance fees
 - UK and European outflows
- FUM relatively steady – good support for cash and fixed interest and global equities investment strategies

Average FUM down 1% to

\$98.8 billion

Cash NPAT 19% lower to

\$163.5 million

Cash EPS decrease of 19% to

51.3 cents per share

Base management fees
down 4% to

\$482.6 million

Performance fees down 89% to

\$5.9 million

Dividend decreased by 13% to

45.0 cents per share



Global scale: established in markets representing 90% of investible assets¹



346 FTE employees across Australia, UK, Europe, US and Asia



82 investment professionals across 19 teams

¹ Strategic Insight, Willis Towers Watson and PwC



Chairman's Letter

Our strength is our people and our unrelenting conviction in the positions we take to build wealth for our clients and shareholders.

Being willing and able to respond to market changes and deploy creative strategies that tackle problems is what Pandal does best.

Where others see a problem, we see both a challenge and an opportunity.

Results

This year Pandal has reported a reduced profit on the previous year, for the first time in eight years. A confluence of events, including a significant reduction in J O Hambro Capital Management (JOHCM) performance fees and impacts on revenue as a result of investor sentiment in reaction to geopolitical and macro-economic events, have contributed to this outcome.

Our key measure of financial performance Cash Net Profit After Tax, was \$163.5 million, down by 19 per cent. This represents a reduction of 19 per cent in cash earnings per share to 51.3 cents.

A final dividend of 25 cents per share was declared, bringing total dividends for the year to 45 cents. Total Shareholder Return since listing is 188 per cent, which is well above the 67 per cent return of the Standard and Poor's ASX 200 Accumulation Index over the same period.

Cautious investor sentiment has seen some significant shifts out of equities and into bonds, which has affected both flows and margins. It is significant that the majority of Pandal's outflows have been from our European equity strategies, largely as a result of the turmoil of Brexit, along with the trade tensions impacting on global growth and the general 'flight to security' by investors.

In Australia, the ramifications of the Banking Royal Commission have affected investor trust and confidence. As a consequence, flows have been affected across the financial services industry and the diversified financials sector has experienced a de-rating in Australia as a result of prevailing conditions and changing investor sentiment.

Our underlying business, however, remains strong. Our business model built on geographical and business diversity helps us manage through the market cycles.

As a global asset manager, we are attuned to cycles. However, we always look to the long-term. We consistently execute our long-term strategy; we seek out long-term growth opportunities; our asset managers invest to deliver long-term returns for their clients; and, as a listed company, we seek to deliver sustainable, long-term growth for our shareholders.

We cannot control the markets, only our own actions. We expect and plan for market fluctuations, while always remaining true to label. Our strategy of diversification, our emphasis on investment independence, our operating platform supporting a diverse range of investment teams, and our disciplined approach to capital management means we have consistently delivered for shareholders and clients since listing. Based on these fundamentals, we are well positioned for the current volatility and uncertainty.

Continuing uncertainty causing negative investor sentiment

Reflecting on what I said in my letter last year, it is clear that we are still in times of uncertainty. The only real change seems to be that the level has heightened. Instability in the UK, under the all-pervading shadow of Brexit, dominates headlines. During 2019, the simmering trade war between the US and China has contributed to the negative sentiment and volatility.

No asset manager, global or otherwise, can be immune to this for long. Investors do not like uncertainty. Once you have uncertainty and ambiguity in equity markets, investors' decisions change and often change rapidly.

This is why we are seeing the current volatility in our business. It is most apparent in Europe where investors are selling equities and buying bonds, or alternatively going to cash. At the time of writing, the value of global bonds with negative coupon rates is approximately US\$17 trillion – a 174 per cent increase since October 2018. This growth is on a scale that we have never seen before.

The sector of diversified financials has experienced a significant de-rating. The decline in share price and the de-rating in the price-earnings ratio have been common features for asset managers across the globe. In the case of Pandal, our share price declined 16 per cent to \$7.39 during the year.

It is, of course, not the first time we have seen downturn in an equity cycle and it will certainly not be the last. The reason people invest in a company like Pandal is that they want exposure to a diversified global business with growth opportunities that can deliver superior returns over the long term. They also want to see that the exposure is managed in a methodical and disciplined way.

History is a great teacher and it shows us that equities outperform every other investment in the long term. Pandal's strategy in the face of this volatility is to manage and position our investments in a sustainable way over a period of years, not months. We ensure we have the best people managing our investments and we position ourselves to be in the markets with the most potential for long-term growth.

Remain debt free

As we continue to operate in a period of heightening volatility, the Board continues to apply a long-term view of balance sheet management in order to safeguard a strong capital position through market cycles. We have no debt.

We are well positioned to look at capabilities and products where we see good growth and long-term potential.

Seed capital

Our seed capital portfolio is an important element of our investment strategy and has been growing as investments have been made in new strategies.

Our approach to seed funding is prudent. When we invest to fund a new strategy, we do so on the understanding that it takes time and patience to build track record to support FUM growth.

Expansion in the US

Since the acquisition of the JOHCM business in 2011, our offshore presence has grown significantly and provided an increasing contribution to the Group's FUM and profit. Pandal had closing FUM of \$100.4 billion as at 30 September 2019. We have been able to increase our FUM from clients in North America to \$22.8 billion, which is more than 20 per cent of our total FUM. We have achieved that with a modest presence in that market.

As the largest equities market in the world, the US has great growth potential. In order to increase our growth in the US, during the 2019 Financial Year we enhanced our strong leadership by appointing Nick Good as CEO of the JOHCM US business. His mandate is quite simply to grow the business.

While the US represents our best prospect for growth, Europe remains the biggest portion of our business and has continuous growth potential. We employed an experienced leader in Alexandra Altinger to lead our business in the UK, Europe and Asia. Alexandra has broad experience across multiple markets.

Importantly, both JOHCM CEOs have strong track records of growing businesses through innovating and are acutely aligned to our culture of independent investment without following a 'house view'.

Business model is strong

Our core business model remains active investment in equities on behalf of our clients. Pental is a people business and a significant element of what we do is talent management.

Diversification remains one of our cornerstone strengths. Not all markets move in the same direction at the same time or the same speed. Our diversification out of Australia and into Europe, the UK, Asia and the US allows us to intelligently manage the volatility that will inevitably be a feature of every market.

Through the cycles, we stay true to label and make disciplined and methodical decisions that deliver long-term value and growth for our clients, and thus our shareholders.

ESG expertise: a growth opportunity

During the year we moved to full ownership of our co-founder's stake in Regnan, a respected environmental, social and governance (ESG) organisation. This closer alignment with Regnan is consistent with our strategy of responding to our clients' preferences and supporting our objectives to improve investor outcomes through our thought leadership on ESG matters.

Making Regnan part of Pental will enhance Regnan's capability and service proposition to its clients by enabling it to leverage the fundamental insights of a highly regarded investment management organisation across equities, fixed income and multi-asset portfolios.

Governance

The Board takes corporate governance very seriously and considers an ongoing review of procedures as an integral element of our business strategy. In 2018 we sought to strengthen and enhance Board performance through an independent expert review, the recommendations of which we have been assiduously implementing. The election of Non-executive Directors Sally Collier and Christopher Jones to the Board at the 2018 Annual General Meeting reflects our continual Board renewal and the inclusion of international, and internationally experienced, Directors.

Outlook

Searching for short-term consistency in financial markets is like looking for right-angles in a thundercloud. Markets are shaped by people buying and selling and driven by sentiment and individual views of the future. Rational thoughts become clouded. Emotions come into play. The best thing your Board can do in uncertain times as custodians of your investment in Pental Group is to plan and manage for heightened risk and diligently work for the long term.

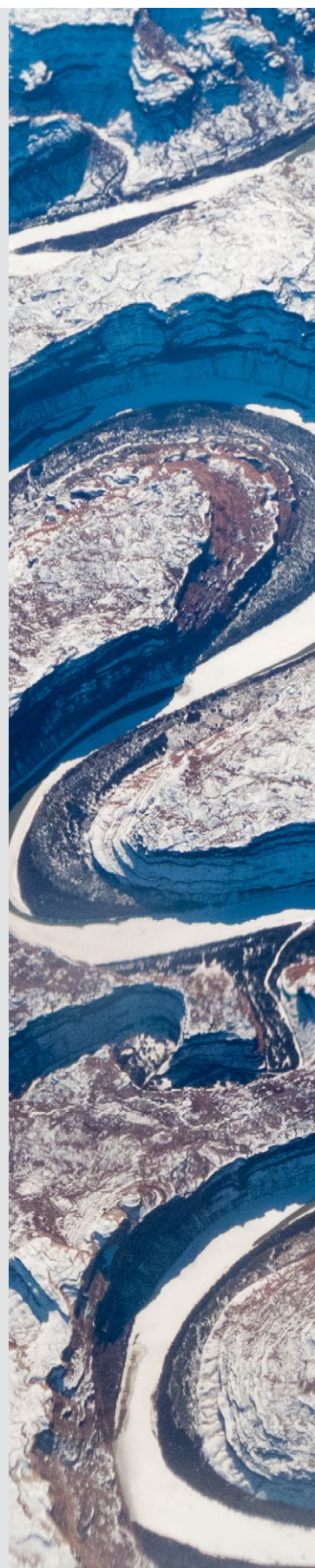
Our strength is our people and our unrelenting conviction in the positions we take. Being willing and able to respond to uncertainty and deploy creative strategies that tackle problems is what Pental does. Where others see a problem, we see both a challenge and an opportunity.

It is our strategic commitment to diversification across geographies, clients, investment teams and products, as well as our investing for long-term growth, that has guided us through numerous market cycles and made us a leading global asset management business.

I would like to thank the management team and all our people for their personal contribution. I would also like to acknowledge my Board colleagues for their resolve, commitment and support for the long-term success of the business.



James Evans,
Chairman





Group Chief Executive Officer's Report

The 2019 Financial Year has been one of the toughest on record for Pandal, with investor caution about the world's prospects exacerbated by ongoing geopolitical turmoil. Our business is heavily reliant on global investment flows, which, by their very nature, are cyclical and heavily influenced by investor sentiment. Despite record market levels in some regions, investors have become more risk averse, which has affected flows into our own investment strategies. A number of our key strategies have also underperformed.

Headwinds are part of the cyclical nature of our business and whilst challenges may persist, I am confident about the future given the quality of our people, strength of our balance sheet and our clear strategy to invest and seek opportunities to grow our business.

Significantly, lower performance fees were the primary factor for a 19 per cent reduction in our Cash NPAT. Performance fees declined 89 per cent, from \$54.5 million the prior year to \$5.9 million. Operating profit, pre-performance fees, was down by eight per cent and total funds under management were \$100.4 billion, a slight decline from \$101.6 billion the previous year. Average funds under management, which is a key driver of revenue, was down one per cent to \$98.8 billion. A change in the asset mix that we manage on behalf of clients also impacted margins, as investors switched out of equities and into lower margin asset classes, such as cash.

There were outflows in our UK and (in particular) European investment strategies, amid the tide of uncertainty surrounding the Brexit negotiations and concerns about growth in the EU, which led to outflows of \$2.7 billion from our European strategies and \$0.4 billion from our UK strategies. In contrast, we continued to see good flows from US clients totalling \$0.5 billion, predominantly into our International and Emerging Market strategies. In Australia, we saw strong interest in our Cash and Fixed Income strategies, which raised \$2.2 billion through the institutional channel. Outflows from the Westpac book totalled \$3.3 billion for the year largely because of the ongoing run down of the legacy book and withdrawals reflecting changes in the Westpac superannuation portfolios.

There was significant volatility in markets over the past 12 months. The first quarter of the financial year was particularly weak, on anticipation of interest rate hikes – which quickly turned to multiple rate cuts in the New Year. Global trade tensions, which escalated in the first half of the 2019 calendar year, have contributed to a much more sanguine outlook for growth, with the prospects of recession rising. The impact of the US-China trade war is being felt strongly in highly open economies

including in Europe where investor concerns were exacerbated by the ongoing uncertainty surrounding Brexit.

With a lack of inflation globally, central banks have been responding by lowering rates and maintaining a very accommodative stance on monetary policy. Official interest rates have been cut, and global bond yields have fallen sharply, leading to a surge in the outstanding amount of negative yielding debt. In turn, this has turbo-charged asset markets in a way that has distorted them, and created a challenge for active managers, particularly value managers. We have witnessed this first-hand, and those investment strategies with a value bias have been significantly underperforming.

A feature of the market rally has also been the 'narrow leadership' – when a small group of stocks is contributing to the bulk of market returns – led by large cap growth stocks. Large cap growth stocks have substantially outperformed value stocks, alongside a rally in 'bond proxies'. Ultra-low interest rates partly explain this phenomenon, but so does the advent of technological innovation and adaptation that has created dominant businesses with high growth and high profitability.

Growth in passive investments further fuelled the willingness to invest according to market size and not company value. Active managers who have witnessed passive money being invested in increasingly riskier, and arguably more expensive assets in the past, are reluctant to chase the market.

Whilst this environment of dovish central banks has favoured passive management, the embedded risks in market indices warrants consideration and navigation that only active management can provide. Over longer periods, active management that focuses on investing in stocks with good fundamentals has mitigated risks embedded within markets and added value for investors. Despite many equity indices running at historical highs, market valuations (as measured by the index P/E multiple) have stayed somewhat stable, disguising the valuation divergence beneath the headline index. The chase to defensive yield and growth, amid a low interest rate and growth environment, has pushed these stock valuations to

significantly higher levels. Companies not in those categories, irrespective of the quality of the fundamentals, have been de-rated. This has been particularly acute for value managers.

This occurrence is not unique to equity market indices. Looking at the global corporate bond market, for example, there has been a substantial increase of less creditworthy borrowers in the system. Growth of lower-rated, BBB bonds has gone from 25 per cent in 2006 to around 50 per cent of the global corporate bond market. Regardless of quality, passive managers have gravitated towards these issuers on the back of a mandate to replicate the index, in a period where yield is being chased, albeit with a riskier proposition.

A number of our investment strategies have underperformed in this environment and, while this is disappointing, we remain steadfast in our investment approach that has produced strong results for our clients over the long term. Arguably, given the nature of markets, this is the time to take active positions. Speaking to our investment managers, there are compelling investment opportunities that are being ignored as investors apply a high discount to a world of uncertainty.

We know that challenging times often present the best opportunities. Cyclicalities and expectation of 'mean reversion' are still the ways of the financial world, and there are growing signals that chasing yesterday's winner is an increasingly risky strategy. This requires patience – but it can be rewarded very swiftly, as when markets turn, they can do so quickly.

A resolution to the US-China trade war, a breakthrough on Brexit, a normalisation of interest rates or even regulatory imposition on high profile tech stocks could easily bring about a material change in investor sentiment.

As independent investment managers without a single 'house view', we draw on our experience and knowledge, supported by detailed research, to create highly active portfolios that are not simply following market sentiment. This means in certain periods we will endure periods of underperformance as long as the belief in the investment strategy we adopt remains sound.



“

We stay true to our commitment to investment independence, the attraction and retention of investment talent, and diversification across markets, clients and geographies.

Our strategy is to ensure that where mistakes have been made, we learn from them, but we must also remain resolute, even in extreme periods. Our clients will ultimately reward us for doing what we believe is in their best interest.

Pendal relies on its strengths – our people, our product and our distribution. They represent my priorities in ensuring the Pendal Group will continue to pursue long-term growth in a way that delivers value to shareholders and clients alike. We direct our energy and resources into the consistent execution of our strategy and into areas where we see the best opportunity for long-term growth. We stay true to our commitment to investment independence, the attraction and retention of investment talent, and diversification across markets, clients and geographies. Our balance sheet remains free of debt and this provides a very solid platform for growth.

As a talent management business, it is incumbent on us to continuously seek investment talent that creates long-term value for clients and shareholders. To that end, we maintain a program of broadening our investment capability, either through development of internal talent and new extension strategies or by attracting new investment talent to the business.

Globally, compliance costs are being driven higher by a trend of increased regulation. As I observed last year, this is raising barriers to entry and makes it difficult and costly for teams to 'go out on their own'. Pendal's business proposition becomes even more attractive to talented investment managers whose values align with our own. In an environment where positive industry flows have been difficult to achieve, we have witnessed an increased level of activity in discussions about attracting talent to the business.

Our senior executive team was significantly boosted this year with the appointment of two regional CEOs to lead our JOHCM business. Having dedicated CEOs for our US business and our UK, Europe and Asia business will sharpen our focus, enable us to better seek out opportunities and increase our ability to anticipate and react to changes in the market. In Nick Good (in the US) and Alexandra Altinger (in the UK, Europe and Asia), we have executives of the highest calibre whose successful track records demonstrate a commitment to growth.

We have appointed a permanent Global Chief Risk Officer as well as a new Investment Director for JOHCM and Pendal Australia. All these appointments come with significant experience and deep market knowledge. They are excited to be with the firm, they provide me with a strong team to navigate the market and industry challenges and to execute on our growth strategy.

This year has seen a focus on supporting products that were launched the previous year, as well as streamlining our product range where there has been little client demand. The previous year's focus was on developing solutions that met investor income needs.

We see growing demand for income offerings as a result of an ageing population worldwide, driven by increasing life expectancy and a likely shift to income-generating, low volatility investment strategies. In 2018, we launched three products to be marketed in this space, being the JOHCM Global Income Builder Fund, the Pendal Dynamic Income Fund and the Pendal Multi-Asset Target Return Fund. I am pleased to report that post-launch, these strategies have received good early support. The JOHCM Global Income Builder Fund has gained early representation on a number

of platforms in the US and is raising assets, and the Pandal Dynamic Income Fund is also receiving acceptance from the private client channel in Australia. Combined, these strategies have raised over \$171 million. While it is early days, they are adding to a more diversified revenue stream.

We have used the company's balance sheet to provide seed capital to support the launch of these funds and to grow strategies to a size that makes them a more viable investment option for clients. Equally, where a strategy is lacking client demand and has little prospect of raising funds, we pragmatically discontinue those strategies to re-allocate capital to areas where the best prospects lie. Following a review, it was decided the JOHCM US Small Midcap and JOHCM Global Smaller Companies strategies would be closed in the first quarter of the 2020 Financial Year, despite investment performance exceeding their respective benchmarks since launch back in 2014. After five years, the funds raised had been minimal and with little prospect of raising any substantial amounts in the future, it was deemed unviable to continue to offer these strategies. This released seed capital to support new and existing opportunities.

An area of opportunity is in ESG/ Responsible Investing, where clients are increasingly wanting to see how we consider ESG factors in our investment decisions. Laws and regulation around ESG are growing, both in terms of geography and in terms of themes, such as diversity, climate change, human rights, plastic, and privacy. EU regulation is arguably the most ambitious with new requirements coming into effect in 2020.

More clients are asking about thematic and impact solutions. They want reporting that tracks the footprint of investments and (increasingly) links to Sustainable Development Goals set by the United Nations General Assembly. ESG is real and there is growing interest in incorporating climate-related factors in asset allocation and stock analysis. To succeed, ESG requires expertise and a commitment to engage and invest in data, analytics and reporting.

Pandal Group has strong heritage in 'responsible investing' spanning 35 years. The Pandal Sustainable

Balanced Fund was launched by the Bankers Trust group in 1984 as the BT Australia Charities Trust. We have been at the forefront of ESG development and already have investment strategies where we manage \$2.5 billion on behalf of clients around specific ESG criteria. We measure carbon intensity in some of our equity portfolios and make this information available to clients, including for use in their own reporting.

As part of our investment in the area, we moved to 100 per cent ownership of Regnan, a specialist ESG and engagement firm. We have been associated with Regnan from its very beginning. Its expertise adds to the Group's capacity to support our investment and sales teams in specific ESG related matters. We have an opportunity to build Regnan into a globally recognised responsible investment business, and to participate in this space in a highly credible way by attracting the right talent and expertise.

While the Pandal Group is well positioned, there is still a strategic imperative to develop a distribution and operating platform that enables more efficient execution of our priorities and enhances client service. In difficult times, good and effective distribution is of greater importance. We expanded our on-the-ground distribution reach to the US West Coast this year, and made key hires in the UK sales team.

While Brexit has consumed the UK and Europe, the Australian market has been going through its own transformation in the wake of the Hayne Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. Hayne produced a re-think from the Australian banks about the extent of their participation in the provision of personal advice. They have either completely exited advice or significantly scaled back operations.

Advisers are also voting with their feet, with a significant number switching to privately owned groups and away from the institutional owned model. It is a period of significant change, which has manifested into significantly reduced flows in the Australian wholesale channel. Nevertheless, we expect the dislocation to settle and feel positive

about our medium and longer term prospects. We have responded to this rapidly changing landscape by creating a more channel-focused approach with end-to-end accountability for each of our three key segments (banking and insurance; independent licensees; and private bank/family offices) in the wholesale market. This approach allows each team to focus exclusively on their sub-market and ensures we are well positioned to win business.

Over the last 12 months, the Australian business has been working with Westpac to detach the back-office services provided by Westpac and transfer to new providers. This presents an opportunity to redesign our processes and improve our operating platform efficiency, with technology needing to play an important part. Key will be us being more tech-enabled in a way that improves the client experience and provides an operating platform that our sales force can better leverage off. This will be a multi-year investment and will significantly change our operating platform.

We continue to look to the future with confidence, aware of the need to continue to invest despite market cycles and industry challenges, including pressure on revenue, fees, the growth of passive, rising regulation and industry change. Despite recent period of underperformance, we remain certain that our high conviction, investment-performance-led approach will serve our clients well, and deliver long-term growth in shareholder returns.

The quality of our people, our desirable product offering, supported by a strong balance sheet and cash flow gives us the confidence to continue to invest in and grow our business.

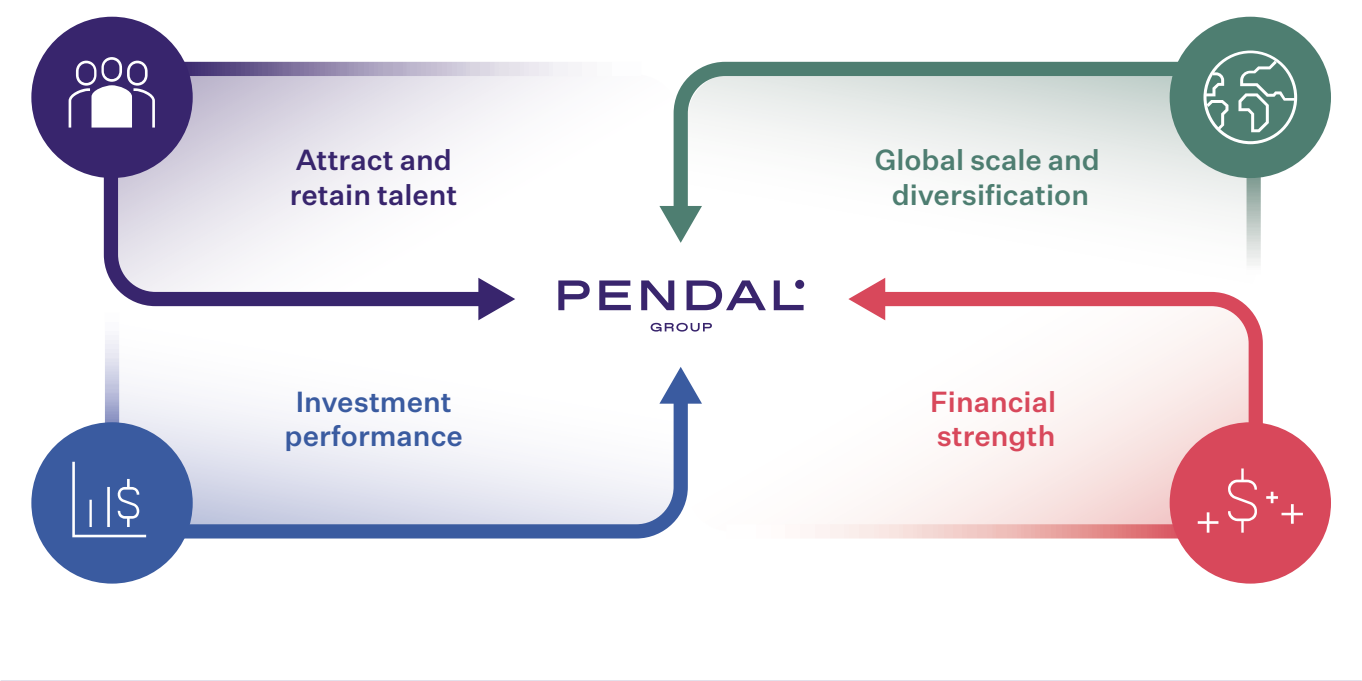
I take this opportunity to thank our teams across the globe for their continued hard work and dedication.



Emilio Gonzalez, CFA
Group Chief Executive Officer

Our business

Pendal is a global independent investment management business focused on delivering superior investment returns for our clients through active management.



82 investment professionals	20 years average industry experience
19 investment teams	8 years average tenure across Group
Turnover of investment staff is 2 per cent over the last 5 years	

Attract and retain talent

Pendal offers a broad range of investment strategies under a 100 per cent owned multi-boutique structure. We do not adhere to a 'house-view' and investment teams are provided with autonomy and independence of thought to make decisions with conviction underpinned by a philosophy that celebrates a diversity of insights and approaches. The opportunity to own equity in the business provides alignment between employees and shareholders.



Global leadership

Pendal Group established a Global Executive Committee in 2016 to support the execution of its global growth and diversification strategy. During the 2019 Financial Year, Pendal strengthened the team with the appointments of Alexandra Altinger as CEO of the JOHCM operations in the UK, Europe and Asia, and Nick Good as CEO of the JOHCM operations in the US (to commence in December 2019), and Bindesh Savjani as the Group Chief Risk Officer.

Global Executive Committee (l to r): Cameron Williamson, Alexandra Altinger, Richard Brandweiner, Bindesh Savjani, Emilio Gonzalez

Investment performance

A leading global active investment manager, Pendal's strong long-term outperformance provides clients with comfort in managing their money through economic cycles. Client success stands at the core of everything we do. We partner with our clients through the understanding that trust is earned by delivering results. Pendal also has an increasingly important sustainable investment capability that integrates environmental, social and governance factors in the decision making process on behalf of investors and the community.

We aim to achieve superior investment returns for clients across our diverse investment capabilities and adopt a disciplined approach to capacity management to preserve investment performance.

Global scale and diversification

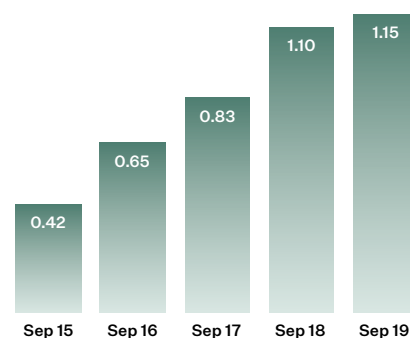
The Group has in excess of \$100 billion in FUM with a presence in markets representing more than 90 per cent of investible assets worldwide. Our global distribution across multiple sales channels enables our investment strategies to be offered to a broad range of clients, providing a platform for future growth in funds and revenue.

Financial strength

Our balance sheet provides strength to our business. We have no debt with a seed portfolio that supports growth initiatives and diversification of revenue streams. Pendal Group's strong cash flow means it is well positioned to take advantage of opportunities and its history of applying a consistent payout ratio means it has been able to reward shareholders with regular dividends.

	Investment personnel	Sales personnel
US	11	14
UK/Europe	26	13
Australasia	45	20

Net tangible assets per share¹ (\$)



¹ Based on closing number of ordinary shares

52% of FUM has outperformed over 3 years¹

79% of FUM has outperformed over 5 years¹

¹ Fund performance is pre-fee, pre-tax and relative to the fund benchmark; % of FUM outperforming relates to FUM with sufficient track record only

Financial performance

Cash NPAT for the 2019 Financial Year was \$163.5 million, a decrease of 19 per cent on the previous year, while Statutory NPAT declined 24 per cent to \$154.5 million. Subdued investment performance contributed to lower performance fee revenue, while base management fees also declined as investor risk aversion, particularly in Europe, led to equity outflows over the year.

Five-year profile	FY15	FY16	FY17	FY18	FY19
Cash NPAT	\$132.5m	\$156.0m	\$173.1m	\$201.6m	\$163.5m
Statutory NPAT ¹	\$126.4m	\$142.0m	\$147.5m	\$202.0m	\$154.5m
Operating revenue	\$436.6m	\$493.9m	\$491.0m	\$558.5m	\$491.2m
Operating expenses	\$268.2m	\$297.0m	\$281.9m	\$316.9m	\$290.2m
Operating profit margin	39%	40%	43%	43%	41%
Cash earnings per share (cents)	44.0	50.8	55.3	63.7	51.3
Dividends (cents per share)	37.0	42.0	45.0	52.0	45.0
Average FUM	\$75.2b	\$80.2b	\$90.4b	\$99.5b	\$98.8b
Closing FUM	\$78.4b	\$84.0b	\$95.8b	\$101.6b	\$100.4b

¹ FY18 Statutory NPAT has been restated in accordance with Accounting Standard AASB9

Funds under management (FUM)

The Group's FUM closed at \$100.4 billion, a decrease of \$1.2 billion over the year. Geopolitical uncertainty and market volatility contributed to net outflows of \$4.7 billion, buffered by higher markets and investment performance of \$2.0 billion and favourable foreign currency movements of \$1.5 billion (on foreign denominated FUM).

Institutional channel net inflows (+\$1.5 billion) remained strong during the year, particularly in cash and fixed income asset classes. The higher margin wholesale channel saw net outflows, particularly in the Open-ended Investment Companies (OEICs) (-\$3.6 billion) which were impacted by Brexit uncertainty and negative investor sentiment towards European equities. In

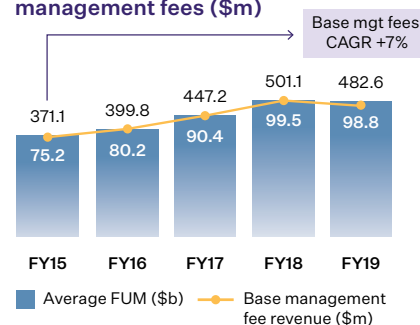
contrast, the US pooled funds generated net flows of +\$0.7 billion predominantly in international and emerging market strategies, while the Australian wholesale channel flows were flat. Outflows from the Westpac book totalled \$3.3 billion for the year largely as a result of the ongoing run down of the legacy book and withdrawals reflecting changes in the Westpac superannuation portfolios.

\$b	30-Sep-18 Closing FUM	Net flows	Other ²	FX impact	30-Sep-19 Closing FUM
Institutional	33.9	1.5	2.2	0.4	38.0
Wholesale					
Australia	7.9	-	0.3	-	8.2
OEICs	23.5	(3.6)	(1.0)	0.2	19.1
US Pooled	15.3	0.7	(0.6)	0.9	16.3
Pendal Group Core Funds	80.6	(1.4)	0.9	1.5	81.6
Westpac - Other¹	13.5	(0.6)	0.9	-	13.8
Westpac - Legacy	7.5	(2.7)	0.2	-	5.0
Total Pendal Group FUM	101.6	(4.7)	2.0	1.5	100.4

¹ Westpac - Other: represents all Westpac directed mandates covering corporate and retail superannuation, multi-manager portfolios, managed accounts and Westpac capital

² Other: includes market movement, investment performance and distributions

Average FUM (\$b) and base management fees (\$m)





Investment performance

Despite concerns over global growth and increased investor caution, global equity markets recovered after a significant decline in the December quarter. For the 12 months to 30 September 2019, the MSCI ACWI Index in local currency terms and the UK market were largely flat while the US, Australian and European markets rose 2 per cent, 8 per cent and 2 per cent respectively. Asian markets lagged as trade tensions between the US and China weighed heavily upon investors.

Investment performance over one year and three years is mixed although long-term investment performance remains strong with 79 per cent of investment strategies outperforming their benchmarks over five years to 30 September 2019. Strategies that have performed strongly over the last 12 months include Global Opportunities, Asia ex Japan, Australian Microcap, Global Emerging Markets Opportunities, Global Income Builder and the Monthly Income Plus strategy. A number of strategies have shorter term performance weakness, particularly those with a value bias or an underweight position to large-caps.

Revenue

Total fee revenue was \$491.3 million, down 12 per cent on the previous year, due to significantly lower performance fees (down 89 per cent) and lower base management fees which declined by 4 per cent. Average FUM over the year remained resilient and was 1 per cent lower at \$98.8 billion, while strong institutional net inflows into cash and fixed interest strategies impacted base fee margins which were 2 basis points lower at 49 basis points.

	FUM FY19 (\$b)	% FUM out- performed ¹ 3 Yr	% FUM out- performed ¹ 5 Yr
Equities:			
Australian	17.3	80%	88%
Global/International	30.8	30%	76%
UK	10.6	88%	96%
European	6.7	0%	100%
Emerging markets	4.4	70%	100%
Asian	1.9	0%	3%
Property	2.0	100%	100%
Cash	11.4	100%	100%
Fixed Income	8.3	50%	50%
Multi-Asset	6.3	2%	16%
Other	0.7	86%	86%
Total FUM	100.4	52%	79%

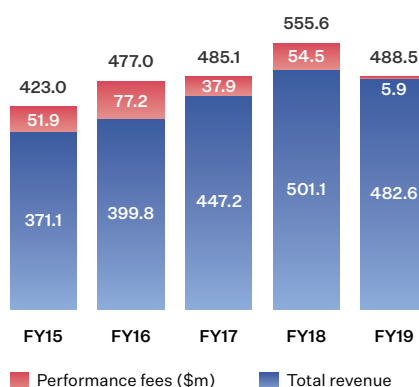
¹ Fund performance is pre-fee, pre-tax and relative to the fund benchmark; % of FUM outperforming relates to FUM with sufficient track record only

Expenses

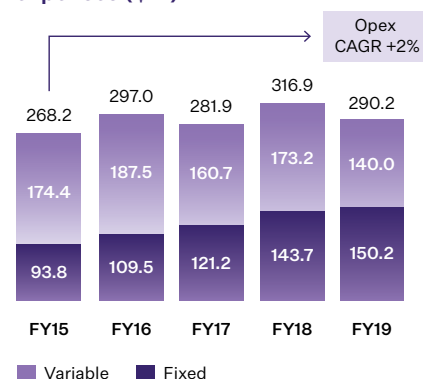
Total operating expenses were \$290.2 million, an 8 per cent reduction on the prior year, primarily as a result of lower variable expenses. Variable employee costs fell reflecting employee variable reward linked to lower revenue

and non-staff variable costs were lower due to a decline in third party manager fees. The fixed cost base increased 5 per cent largely due to the addition of 26 FTE over the year which included operational staff in the UK office and eight staff in Australia, after moving to full ownership of Regnan.

Base and performance fees (\$m)



Fixed and variable operating expenses (\$m)



Financial position

The Pandal Group's balance sheet remains strong. Net assets at 30 September 2019 were \$910.7 million, an increase of 2 per cent on the previous year, while net tangible assets increased 6 per cent to \$370.4 million.

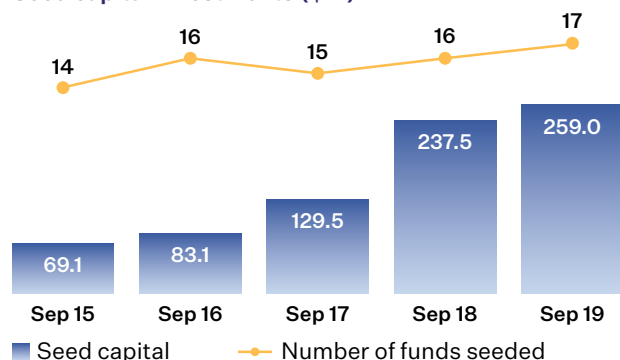
Seed investments

Seed investments increased \$21.5 million to \$259.0 million (2018: \$237.5 million) over the year largely as a result of improved market performance and a lower Australian dollar. The seed portfolio has grown significantly over the past three years as new strategies and vehicles are launched and a number of existing strategies are scaled up to a size that makes it more viable for clients to invest.

The seed portfolio is assessed regularly for investment performance and whether the fund vehicle is achieving its targeted scale. Seed investments are subject to

redemption when a fund size and maturity is achieved or an investment strategy is closed. The portfolio also contributed to the Group's earnings adding \$5.0 million in distribution income over the year. Following a review, and due to a lack of client demand, the Group has announced that it will close the JOHCM Global Smaller Companies and the JOHCM US SMID strategies. Seed investments with a market value of \$108.9 million are invested in these strategies, and once closed are expected to generate a realised gain of approximately \$38.0 million to be reported in the 2020 Financial Year.

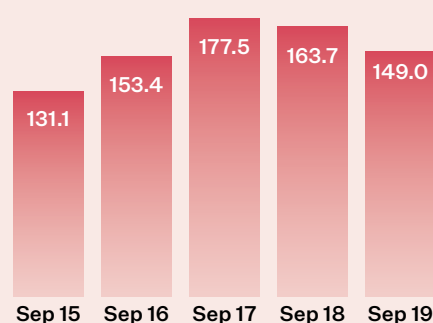
Seed capital investments (\$m)



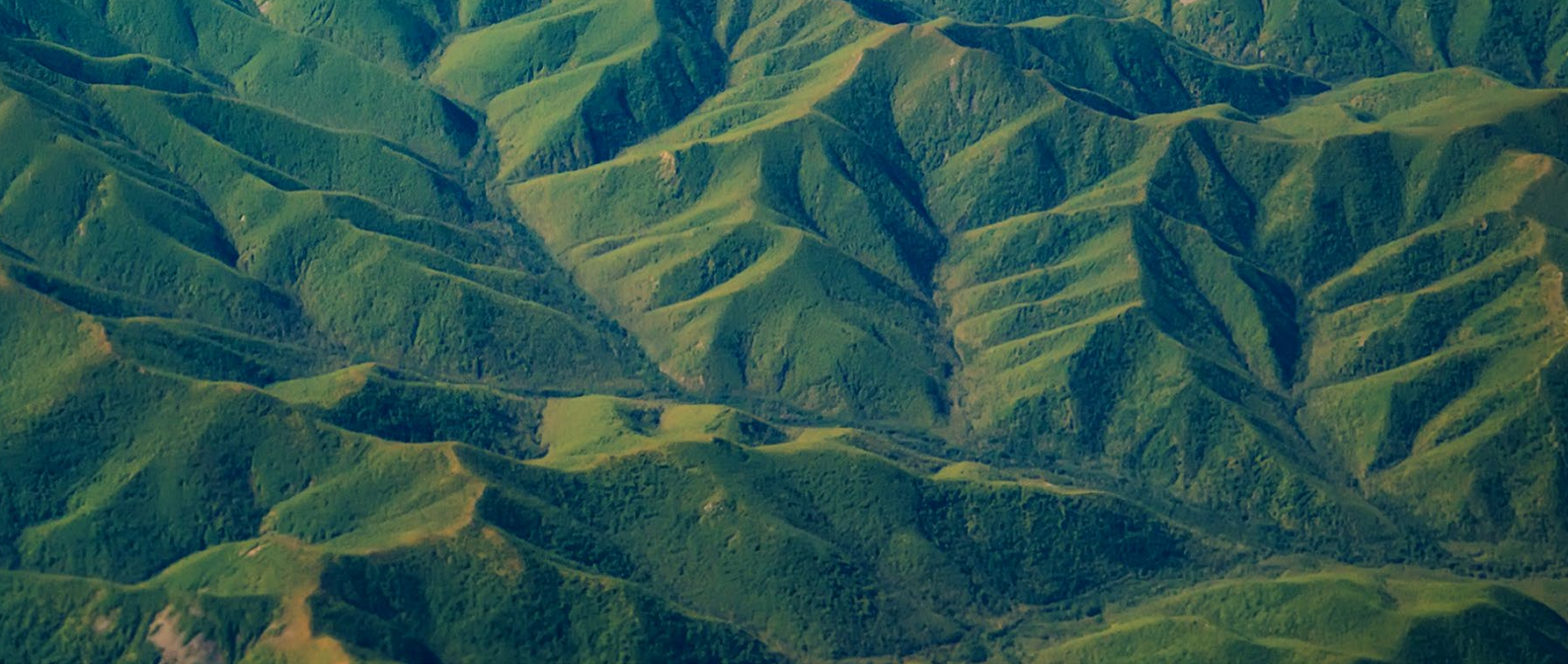
Cash

Net cash held by the Group at 30 September 2019 was \$149.0 million (2018: \$163.7 million). Cash flows from operations are generally held for working capital purposes, purchase equity for employee share schemes, and to fund strategic initiatives including seed investments. Cash flows earned by overseas subsidiaries within the Group are held in foreign currencies, predominantly British pounds and US dollars, until repatriated to the Australian parent through inter-company dividends through the year. Those dividends remain hedged in Australian dollars until paid.

Net cash¹ (\$m)



¹ Seed investments and net cash excludes escrowed fund manager deferred remuneration held in trust



Intangibles

Included on the Pendal Group's balance sheet as at 30 September 2019 were intangible assets of \$540.3 million consisting of goodwill and management rights associated with the acquisition of JOHCM in 2011 and goodwill arising from the purchase of the BT Investment Management business in 2007. There was no impairment to the carrying value of goodwill during the year. The management rights associated with the acquisition of JOHCM continue to be amortised over time.

Liabilities and debt

The Pendal Group's liabilities consist mainly of trade creditors and accruals and employee benefits. Total liabilities fell to \$184.8 million at 30 September 2019 (2018: \$198.6 million) reflecting lower provisions for variable employee remuneration in line with reduced corporate profits during the year.

The Group has no debt, although maintains an AUD\$25.0 million multi-currency revolving loan facility with the Westpac Group. During the 2019 Financial Year the facility was not drawn upon.

Equity and dividends

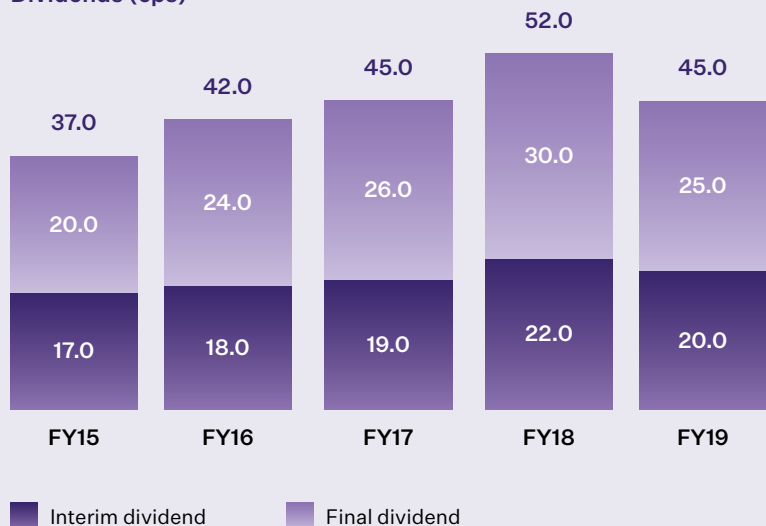
The issued capital of Pendal Group Limited increased by 4,795,815 ordinary shares during the 2019 Financial Year (2018: 2,304,178 ordinary shares), comprising shares issued to satisfy equity rights held by fund managers as part of the Fund Linked Equity (FLE) scheme, a remuneration scheme for certain JOHCM fund managers.

The FLE program is designed to be broadly Cash EPS neutral due to a reduction in revenue-share the fund managers subsequently receive, which has a positive contribution to Pendal Group earnings, provided FUM is maintained post-share issuance.

The Directors declared a final 2019 dividend of 25.0 cents per share,

bringing total dividends for the year to 45.0 cents per share, a 13 per cent decrease on last year's dividend of 52.0 cents per share. The total dividend represents a payout ratio of 88 per cent, which is within the Group's payout ratio target of 80-90 per cent of Cash NPAT. The Board has re-affirmed the Group's payout ratio policy of paying 80-90 per cent of Cash NPAT, however from the 2020 Financial Year, Cash NPAT will exclude realised movements in financial assets. This would, for example, exclude realised gains on seed investments, which are used to support future growth of Pendal Group and considered capital in nature.

Dividends (cps)



Strategic report

The Board and senior management annually review the opportunities and challenges facing the Group to identify strategic priorities over a three to five-year timeframe.



Investment capabilities

Identify new investment capabilities to diversify and provide for future growth

FY19 achievements

- Moved to full ownership of Regnan providing specialist ESG capability for Pandal Group
- Maintained a program with external partners in identifying new teams that brings differentiated investment capability
- Made additional hires into existing investment teams

FY20 focus

- Continue to identify new investment strategies and teams that can materially grow FUM
- Develop extension strategies that can provide further investment capabilities
- Seek out specialist ESG/RI capability that broadens our Responsible Investing and ESG offering



Distribution

Develop and enhance distribution channels to drive sales

FY19 achievements

- Established distribution presence on US West Coast
- Made key hires in the UK distribution team
- Achieved new platform approvals for key income strategies such as the JOHCM Global Income Builder and Pandal Dynamic Income funds
- Repositioned Australian sales resources to reflect development in Australian adviser market

FY20 focus

- Improve messaging on existing ESG/RI activity in existing investment process
- Deliver a more focused product to channel approach in identifying client market segments
- Continued expansion of European sales
- Raise brand awareness in selective markets
- Seek out new platform opportunities to broaden sales

Our strategy focuses on our investment capabilities, developing and enhancing our distribution channels, identifying opportunities for growth and setting the key priorities for management. This provides clear direction on resource allocation and focus on the areas that strategically matter the most.



People

Attract, develop and retain superior investment talent

FY19 achievements

- Key executive positions filled
 - Alexandra Altinger as JOHCM CEO – UK, Europe and Asia
 - Nick Good as JOHCM CEO – US (to commence 2 December 2019)
 - Bindesh Savjani – Group Chief Risk Officer
- Appointed Aled Smith as JOHCM Investment Director
- Appointed Dan Campbell as Pandal Australia Investment Director
- Recruited additional sales resources for the US and UK markets

FY20 focus

- Continue to identify and attract investment talent that can support growth
- Continue to develop and implement succession and retention plans
- Develop talent management program for key leaders in the business



Operating platform

Create an operating platform that enables efficient execution of strategic priorities

FY19 achievements

- Identified and agreed key requirements to transition off Westpac back-office and related services
- Identified opportunities to leverage global scale and capabilities
- Conducted process and data audit in Australian business to identify efficiencies
- Newly created Head of Data position filled
- Initiated program involving external parties on the adoption of new technologies

FY20 focus

- Carry out request for proposal and due diligence on new service providers for back-office services
- Move to globalised services in areas that have been identified where economies of scale can be achieved
- Rationalise application architecture to improve return on system expenditure
- Invest in data management and digitisation to provide better client experience in the future

Strategic highlight

Our investment in Regnan supports continued evolution and commitment to responsible investment and stewardship.

Strategic focus on responsible investment and stewardship

We have a proud heritage in responsible investing originating 35 years ago. The Pental Sustainable Balanced Fund was launched by the Bankers Trust group in 1984 as the BT Australia Charities Trust. Since then we have continued to enhance our consideration of environmental, social and governance (ESG) issues, in both fundamental analysis as well as specific strategies.

In recognition of the potential impacts of these issues, Pental Group is increasing focus on responsible investment (RI). Indeed, the speed at which previously long-term ESG issues are becoming more pressing, and consumer preferences and client expectations are changing, has amplified the strategic importance of strong capabilities in RI. Strong management of ESG issues for Pental Group itself, is also an important consideration alongside managing such risks within our investments.

To that end, in the 2019 Financial Year Pental Group increased its ownership stake in specialist ESG and RI service provider Regnan from 50 per cent to 100 per cent, bringing Regnan under the Pental Group umbrella as an individual business unit.

A long history with Regnan

Pental is closely associated with Regnan's history. The Regnan business originated with the Governance Advisory Service offered by Westpac, becoming a part of the business of BT Financial Group. Regnan became a separate entity in 2007, with BT Financial Group as a co-owner and client. Pental acquired this part of the BT Financial Group's business when it was established in 2007, as well as the shareholding and association with Regnan. Since then Regnan has continued to support institutional investors concerned with unattended risks (now more commonly referred to as ESG risks) with the potential to

impact long-term value. It does this primarily through the provision of:

- High quality research, evolved from an innovative process developed within Monash University and acquired through a merger with Monash Sustainability Enterprises in 2010
- Outcomes-focused engagement with S&P/ASX200 listed companies across a wide range of topics with the potential to affect value
- Advisory services to assist others in formalising and enhancing their own RI approaches

The Regnan team of highly experienced analysts and consultants has an average of 14 years' experience in ESG and has been retained in its entirety.

Regnan capabilities:



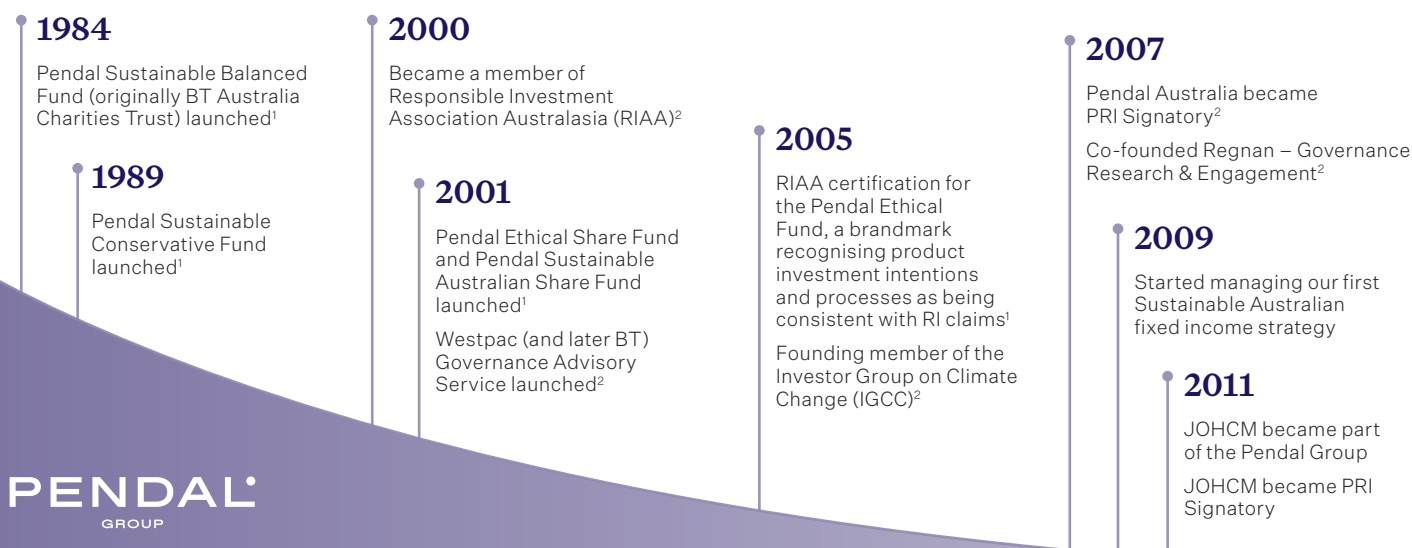
8

research analysts & consultants

14

years' average specialised ESG experience

Pental Group's continued evolution and commitment to responsible investment and stewardship



¹ The fund was launched when Pental was part of the BT Financial Group. Pental Fund Services Limited (previously known as BT Investment Management (Fund Services) Limited) became the responsible entity of this fund in 2007.

² When Pental was part of the BT Financial Group.

Whilst Regnan will continue to produce independent content, supported by an internal governance framework, its services are now primarily focused on asset owner clients and support for the Pental Group, as well as other non-asset manager clients such as industry associations. As a result, from the 2020 Financial Year, Pental will be the only asset manager in the market offering products which use Regnan's unique insights.

Continued evolution

The Regnan team has already commenced work across the Group to support the enhancement and upscaling of our responsible investment practices and offering. This complements other initiatives, including the expansion

of the RI team in the 2019 Financial Year, and will continue in the 2020 Financial Year as we actively respond to changing client and community expectations.

We believe to truly capitalise on Regnan's unique capability and insights we need to bring Regnan even closer to the investment process, with a focus on meeting clients' increasingly sophisticated responsible investment and stewardship needs. This is a competitive advantage for Pental from which multiple stakeholders will benefit.

Please also find relevant information on our management of ESG matters and responsible investing in the CSR Report Overview on pages 24-27 as well as the online CSR Report at pend.al/CSR-2019.

Regnan support for Pental Group

Regnan has already begun working more closely with teams across the Group, including Pental Australia, JOHCM and operational teams, on a range of ESG matters.

FY19 highlights

- Support for compliance with Australian modern slavery legislation
- Enhanced climate-related financial analysis and support for disclosure
- Bespoke research reports to support investment decision making and company engagement
- Enhanced integration of tailored ESG factors across asset classes
- Supported the development and testing of an impact investing framework to improve measurement, reporting and engagement on impact investments

FY20 focus

- Evolve Regnan's offering to ensure it remains market leading in a changing environment
- Continue to support the enhancement of the integration of ESG factors into Pental Group investment processes
- Continue to expand ESG training and workshops across Pental Australia and JOHCM
- Collaborate to further develop Pental Group's impact investing framework and product offering
- Support growth in FUM across Pental Group's ethical and sustainable portfolios

“Continuing to entrench responsible investment and stewardship into the broader business is a core part of our strategy over the next five years and beyond.

In February 2019 Pental Group wholly acquired Regnan – adding 14 years' average specialised ESG research experience to Pental's capabilities.”

2014

Awarded our first 'low-carbon' mandate

2015

Pental's ownership of Regnan increased to 50 per cent

Pental Group CEO appointed to the board of the Banking and Finance Oath

2016

Launched Pental sustainable funds:

- Australian Fixed Interest
- International Fixed Interest
- International Share

Appointed Australian Head of Responsible Investments

2017

Pental Sustainable Funds received RIAA Certification

Thermal coal exclusion implemented across Pental Sustainable Funds

JOHCM published first Modern Slavery Statement

2018

Launched Pental Sustainable Future Australian Share Portfolio SMA (excluding fossil fuels)

Published our first Principles of Internal Governance and Asset Stewardship

Commenced public reporting aligned to the recommendations of the TCFD

Commenced mapping Australian sustainable 'use of proceeds' fixed income holdings to the SDGs framework

2019

Pental assumed full ownership of Regnan – Governance Research and Engagement

Responsible Investments team expanded

Risk management

Risk management

The Pandal Group is a pure investment manager which uses its global active investment expertise to effectively manage risk and generate wealth for its clients. Our goal is to provide a diversified range of investment products that meet, or exceed, our clients' expectations. The key to our success is delivering superior investment performance whilst earning, and retaining, the trust of our clients over the long term and over multiple market cycles. Our products are clear in their investment goals and transparent in their fees. Our culture encourages individuals to act with integrity and honesty and to value the interests of our clients as the first priority.

Overall accountability for risk management lies with the Pandal Group Board. The Group Audit & Risk Committee assists the Board in its oversight of risk management, financial and assurance matters. The Board annually review and approve the design of the risk management framework and set the risk appetite. This annual process incorporates a review of key aspects of the strategy and assesses whether adjustments to the risk appetite and related tolerances (ie limits and capacity) need to be made as the Company's strategy evolves.

The Board delegates responsibility for implementing the risk management framework and managing the material risks within the appetite set, to the Group CEO and the Global Executive Committee.

The Global Executive Committee has accountability and responsibility to:

- manage the Group in a sustainable way;
- promote ongoing long-term investment performance for clients;
- enhance and maintain the Group's reputation;
- ensure compliance with legal and regulatory obligations and industry standards; and
- deliver the Group's objectives within the set risk appetite.

The Group Chief Risk Officer is responsible for coordinating the identification, assessment, monitoring and reporting of risk exposures and their associated mitigants throughout the Group.

Managing risk to deliver our strategy

Our risk management framework continues to provide a strong foundation from which we can successfully deliver our strategic priorities. The Group has a culture of effective risk management by proactively identifying all material risks that may affect the organisation and ensuring that these are appropriately monitored and managed.

Following the appointment of a new Group Chief Risk Officer during the year, the Group's risk management framework was reviewed and, as a result, the Board endorsed a number of proposed updates for which implementation has commenced. This exercise included a full in-depth review of the material risks, associated risk appetite and risk reporting.

When setting the risk appetite statement the Board acknowledges and recognises that in the normal course of business the Group is exposed to risk and that it is willing to accept a certain level of risk in managing the business to deliver its strategic objectives. As part of this exercise the Board also considers the key risk indicators and risk limits it is willing to accept in relation to each material risk. Management are then held to account for managing the material risks within the risk appetite set, thus enabling the Group to make risk conscious decisions and generate appropriate returns, in a controlled and deliberate manner.

The Board has a lower risk appetite in the management of critical areas such as investment performance, regulation and legislation, behaviour and conduct, all of these could have a significant impact on the Group's reputation and performance. The Group accepts a higher risk appetite, consistent with its strategic objectives, in relation to risks associated with business growth and change initiatives, including investing shareholder funds in the form of seed capital to support future growth.

Material risks

The Group actively manages a range of financial and non-financial business risks and uncertainties which can potentially have a material impact on the Group and its ability to achieve its stated objectives. While every effort is made to identify and manage material risks and emerging risks, additional risks not currently known or detailed below may also adversely affect future performance. The Board has identified the Group's material risks as outlined in the following table.



Risk alignment to relevant strategic priorities



Investment capability



Distribution



People



Operating platform

Material risk	Risk description	Risk management
Strategic and business		
Strategy alignment and execution 	The risk that the Group's strategy is not aligned to maximise shareholder and client value or we fail to effectively execute the Group's strategy. Both of which can impact on the ability of the Group to deliver on expected outcomes.	• Annual strategy and budget process, with outcomes and priorities approved by the Board. • Regular monitoring of strategic execution and strong reporting mechanisms, to support effective Board oversight. • Clearly articulated objectives and governance structure. • Employee performance management process and remuneration aligned to delivery of strategic objectives. • Robust search and due diligence for acquisitions, engaging subject matter experts and external consultants.
Business model 	The risk that the business model does not respond effectively to external change which could result in loss or missed opportunity. This includes external factors such as the markets, geopolitical events and competition. During the 2019 Financial Year, an example of this type of risk includes the potential impacts on the Group business model resulting from Brexit, specifically the ability to continue distributing our products in Europe.	• Annual strategy and budget process. • Strategy and Risk management processes to continuously monitor and manage external threats and opportunities. • Clearly articulated governance processes to enable effective decision making. • Variable remuneration aligned to strategic objectives. • Brexit Steering Committee in place and Irish Management Company established, with appropriate regulatory permissions, to allow the continued distribution of relevant products across Europe, post Brexit.
People 	The Group's performance is largely dependent on its ability to attract and retain talent. Loss of key personnel could adversely affect financial performance and business growth. There is also risk of concentration whereby a material proportion of the Group's revenue is delivered via a few strategies and therefore creates reliance on a few key investment personnel.	• Competitive remuneration structures in the relevant employment markets to attract, motivate and retain talent, with alignment to client and shareholder outcomes. • Long-term retention plans. • Succession planning to develop or attract talent for sustainable growth. • Maintenance of a strong reputation and culture which promotes an attractive workplace. • Employee engagement surveys to support retention. • Performance management processes to help develop and grow talent. • Board review proposals for new team acquisitions to ensure areas such as cultural fit, product offering and financials are robustly considered.

Material risk	Risk description	Risk management
Behaviour and conduct 	The risk of inappropriate, unethical or unlawful behaviour, by employees, which is not in line with the Group's core values. This includes the risk of senior management failing to set an appropriate cultural 'tone from the top', which may result in the delivery of detrimental or suboptimal outcomes for clients and shareholders.	• Comprehensive recruitment and performance management processes to assess behaviour and conduct. • Clearly defined Code of Conduct which outlines the expected behaviour of all individuals. • Whistleblowing Framework in place. • Embedded Risk Management Framework, which incorporates conduct risk management. • Ongoing HR, Risk and Compliance training and confidential staff engagement surveys. • Internal audit program incorporating conduct assessment.
Transformation (change management) 	Failure to effectively manage material change projects which could result in loss or missed opportunities. Such a risk could result from poor planning, ineffective project governance, insufficient resource (including human capital), ineffective execution and poor management of project interdependencies. Pendal Australia will be undergoing a major transformational change program as it enhances its operational infrastructure and therefore there are heightened risks which are being carefully managed.	• Annual strategy and budget process, with transformation change priorities approved by the Board. • Dedicated change management team and effective approach and processes in place. • Risk management embedded within the change management process. • Regular reporting and monitoring of process and key areas reported to various governance committees and Boards. • Internal audit providing independent oversight over Australian major change projects. • Strategic skill-sets for project teams tasked with transformational projects. • Appropriate governance processes in place to escalate and report on progress.
Product and performance		
Product and investment performance 	The risk that the Group's products and solutions do not meet client preferences. This includes changing client needs, fee structures, and asset classes. The risk that portfolios will not meet their investment objectives or that there is a failure to achieve consistent long-term performance that delivers on the clients' expectations. The management of investment risk and expanding into products that meet client preferences, such as ESG, are a core skill of the Group.	• Talent hiring and succession planning. • Clearly defined investment strategies and investment processes within stated risk parameters. • Regular investment performance reviews and analysis of portfolio risks across all asset classes and strategies (including market, liquidity and credit counterparty). • Investment monitoring performed independently of our portfolio managers. • Regular client reporting and performance update calls. • Formal approach to product development and innovation including management of the product lifecycle (design, approval, launch, post implementation review, ongoing monitoring and support). • Ongoing external insights into how client preferences are changing.
Distribution 	The risk that the design and execution of the distribution strategy is ineffective, resulting in a failure to positively identify, engage and support clients. Which in turn results in a failure to deliver budgeted fund flows. Funds' flows continue to be negatively impacted by external factors such as Brexit resulting in outflows in our European strategies. In Australia regulatory reforms such as the Banking Royal Commission review are impacting the industry, specifically for Pendal, we continue to see outflows from Westpac.	• Client engagement and distribution is a key part of the overall strategy that is approved and monitored by the Board. • Ongoing external insights into how client preferences and market requirements are developing. • Fees structures benchmarked and updated where required. • Regular Board reporting and discussions on market trends and changes in FUM. • Ongoing external insights into how client preferences are changing. • Recruitment to expand Distribution capability.

Material risk	Risk description	Risk management
Operational		
Regulation and legislation 	There is a risk that the Group will not be able to respond effectively to regulatory change or comply with relevant laws and regulations in multiple jurisdictions. Failure to effectively manage these risks could result in sanctions, fines, and reputational damage. The volume of regulatory and legislative change remains challenging. Examples of this include the developments coming from the FCA's Asset Management Study and the Senior Managers and Certification Regime, US enhancements to liquidity management rules, and the enhanced whistleblowing and modern slavery requirements in Australia. As a result the cost of compliance remains high.	- Clearly defined compliance framework to meet compliance obligations. - Established policies and procedures supporting the risk and compliance framework. - Experienced and appropriate level of legal, risk, tax and compliance resources to manage obligations. - Regular and constructive engagement with regulators including participation in industry bodies. - Ongoing monitoring, reporting and review of regulatory obligations, including new and proposed legislation. - External advisors used where necessary to complement in-house knowledge. - Independent non-executive directors appointed to subsidiary UK regulated entities. - Tax management framework to identify, manage and communicate key tax risks.
Technology and data (including cyber) 	The risk that the Group does not optimise the use of its data and develop appropriate technological solutions. This may negatively impact the Group's ability to deliver growth. Coupled with the risk that the existing technology operating platform is inadequate and may suffer disruptions such as, system failures, faults, illegal unauthorised use of data and cybercrime. Data management and digital transformation will continue to be key areas of future focus.	- Recruitment of dedicated data specialists. - Participation in external forums and hosting industry insights tech advisory board meetings. - Independent review of the design and effectiveness of technological and data internal controls. - Annual review and testing of Disaster Recovery and Business Continuity Plans. - Regular information security training. - Ongoing consultation with cyber security specialists.
Supplier management (including outsourcing) 	The risk of loss or reputation damage arising from inadequate supplier selection and oversight processes. The Group has a number of key outsource providers, particularly with respect to fund administration and custody services. Over the next three years the Group's operations will be exposed to heightened supplier risks as the business seeks to transition its back-office service providers.	- Strategy process incorporates clarity on what areas we want to use third party suppliers. - Supplier management due diligence process. - Clearly defined governance framework, policies and procedures. - Regular monitoring and review of service level agreements and performance standards. - Independent annual audit of the design and effectiveness of internal controls. - Ongoing monitoring and reporting. - Regular communication/meetings with key outsource providers.
Market financial and treasury 	The Group's fee income is derived from the assets managed on behalf of clients and the associated fee rates. The assets under management face a variety of risks arising from the unpredictability of financial markets, including movements in equity markets, interest rates and foreign exchange rates. The Group also invests its own capital alongside clients when establishing new financial products and building them to scale. This exposes the Group to the same potential loss of capital as clients. There is also the risk of the failure of the Group to maintain appropriate working capital and reserves to respond to unexpected adverse events.	- Diversification across asset classes, investment styles and geographies. - Budgeting and financial forecast management. - Ongoing monitoring and review of strategy. - Conservative approach to leverage. - Monthly offshore earnings hedged into Australian dollars. - Capital policy in place with limits, including a seed capital policy. - Ongoing monitoring and annual board review of seed capital portfolio performance. - Capital requirements regularly monitored and stress testing carried out. - Conservative approach to the use of debt.

ESG matters in investments and operations

Environmental, Social and Governance (ESG) matters

At Pental, we recognise the benefit of identifying material ESG matters, not only in our investments, but in managing these within our business operations as well. For us ESG issues are twofold:

- 1) ESG issues have the potential to impact the value of our investments and need to be factored into investment decisions made on behalf of clients;
- 2) A number of ESG issues are material to the operations of Pental's business, and should therefore also be of interest to our shareholders.

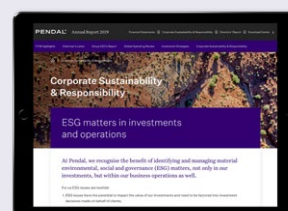
Key material ESG issues identified as material to our internal and external stakeholders during the 2019 Financial Year were:

- **How we consider ESG risks and opportunities** within our investment process as part of our fiduciary duty to clients.

- **Climate change**, both in terms of how we consider climate-related risk in investments and how we might contribute to addressing climate change through the allocation of capital or using our influence as a large investor.
- **Human capital management**, including our ability to attract, engage and retain the talent required to deliver our strategy and differentiate our business as well as our commitment to diversity and inclusion.
- **Ethical conduct** given the heightened scrutiny of the financial services sector globally due to instances of misconduct, including those revealed in the Hayne Royal Commission in Australia.
- **The actions we take as a corporate citizen**, acknowledging our potential to impact the environment, the community and other stakeholders.

Additional ESG information not included in the Annual Report can be found at:

- Corporate Governance Statement 2019 at pend.al/CGS-2019
- Corporate Sustainability & Responsibility Report 2019 at pend.al/CSR-2019



Additional information on Pental's strategic acquisition of specialist ESG house Regnan can be found in this Annual Report on pages 18-19

FY19 highlights

Enhanced ESG capabilities	Moved to full ownership of Regnan, a specialised ESG research and engagement and advisory business
	Educational support on responsible investment for sales and client services
Considering ESG within investment processes	Enhanced physical climate risk analysis in the Australian Property team's investment process
	Increased capacity-building via ESG workshops and briefings for the Pental Australia Global Equities team
	Investment-relevant materials developed on emerging ESG topics including modern slavery
	Development and testing of an impact investing framework to improve measurement, reporting and engagement on impact investments
Active stewardship	Continued to evolve fixed income offering via enhanced ESG consideration of government related issuers
	Developed a pilot program for enhanced tracking of engagement activity on ESG issues, initially rolled out to the Australian Large Cap Equity team, to feed into more detailed measurement and client reporting
Responding to climate change	Strong results in Regnan's focused ESG engagement program, with 88 per cent of companies demonstrating progress against change objectives (as at 30 June 2019)
	Held two Task Force on Climate-related Financial Disclosures (TCFD) workshops across the Group to further develop our understanding of current and emerging climate-related risks relevant to our business and our investments
Human capital management	Conducted an employee engagement survey within the Pental Australia business to provide a point-in-time comparative measure and inform our change management strategy and program
	Expanded D&I initiatives across the Group
Ethical conduct	Code of Conduct and Whistleblower Protection policies are in line with regulatory and community expectations

Pendal has a long history in managing dedicated ethical and sustainable strategies. Expanding our capabilities in responsible investment is a core part of Pendal Group's strategy over the next five years and beyond. This year, we moved to full ownership of Regnan, a specialist ESG service provider, which was a key development in delivering this strategy and is discussed further on pages 18-19.

Consideration of ESG in investing

This year we are celebrating a 35-year heritage in responsible investing. The Pendal Sustainable Balanced Fund was launched by the Bankers Trust group in 1984 as the BT Australia Charities Trust. Since then we have continued to enhance our consideration of ESG issues, incorporating these into fundamental analysis as well as the development of specific strategies.

We have been progressively factoring in ESG considerations more systematically into our investment process across multiple asset classes – including as a part of the research, analysis and due diligence undertaken – covering issues such as climate change, human capital and ethical conduct. We believe this to be a natural extension of Pendal Group's active approach to investment management.

Celebrating a 35-year heritage in responsible investing

Engagement and advocacy

As responsible stewards of capital, Pendal Group is active in engaging directly with investee companies. We focus on meeting with companies where we have identified areas of concern or where our shareholding affords us greater influence so we may drive improved ESG practices. We have a duty and an interest in doing so on behalf of our stakeholders.

During the year we developed a pilot program for enhanced tracking of engagement activity on ESG matters, initially rolled out to the Australian large cap equity team. We will be introducing the processes to further teams globally across asset classes in the 2020 Financial Year. This will allow enhanced measurement and management of our activities as well as feed into reporting on our stewardship activities to our clients.

In addition to direct liaison with companies by our investment teams, we also engage with companies through Regnan's ESG-focused collective engagement program (see box below for a spotlight on Regnan engagement).

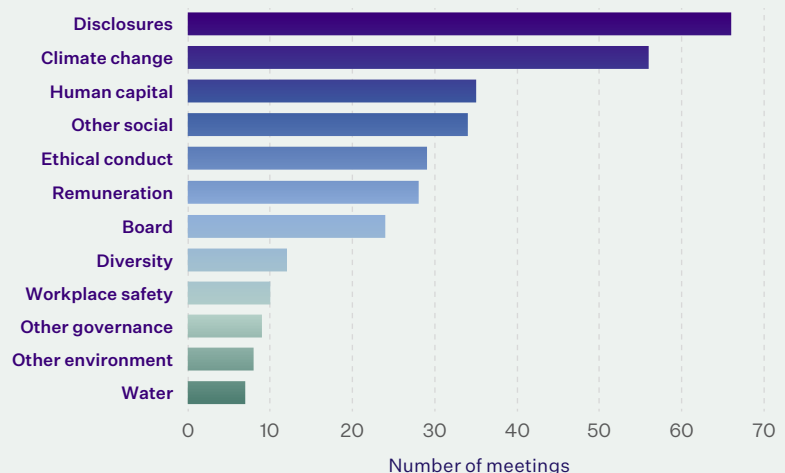
Pendal Group continues to participate in collaborative engagement forums, most notably Climate Action 100+. In the 2019 Financial Year, we participated in engagement meetings with Australian focus companies seeking greater strategy alignment to a 2°C scenario.

Spotlight on Regnan engagement

Pendal Australia participates in Regnan's collective program alongside other institutional investors. This program supports a coordinated approach, and adds weight, to matters of market integrity and complements direct engagements conducted by our investment teams.

During the year to 30 September 2019, Regnan undertook 85 engagements with 48 companies in the S&P/ASX200 Index, with 88 per cent of active engagements demonstrating progress (at 30 June 2019) against the change objectives set.

ASX200 engagement by topic: material ESG issues



Overview of Corporate Sustainability & Responsibility Report continued

FY20 responsible investment focus areas

Expand modern slavery risk assessments across the Group and enhance company engagement on the topic to support our own compliance with UK and Australian regulation.

Further develop internal work streams in line with the recommendations of the TCFD to support our climate response with respect to our own business operations and our investments.

Enhance our responsible investment offering around stewardship to better meet institutional investor clients' needs, with a growing demand for bespoke and integrated approaches.

Evolve our approach to and product offering in impact investing, including greater consideration of outcomes which support globally endorsed objectives such as the UN Sustainable Development Goals (SDGs).

Respond to forthcoming changes of the UK Stewardship Code to ensure ongoing JOHCM compliance.

Ongoing initiatives and industry participation

Pendal Group's active approach to investing sees us working together with other investors, typically via a range of industry bodies and initiatives, in order to encourage greater uptake of responsible investment practices within the financial services sector and to support the management of ESG risks and opportunities.

The 2019 Financial Year highlights included our Australia CEO joining the steering committee of the Australian Sustainable Finance Initiative, and ongoing participation in the global Climate Action 100+ initiative. We continue to be an active and committed signatory to the Principles for Responsible Investment (PRI), and members of Responsible Investment Association Australasia (RIAA) and the Investor Group on Climate Change (IGCC).

Modern slavery

Regulation to address modern slavery is now in place in both the UK and Australia. Pendal Group has long considered social risks, including human rights-related matters, within our investments where they are financially material. We welcome these regulations and broader efforts to eliminate modern slavery around the world.

JOHCM is required to report under the UK Modern Slavery Act. A copy of JOHCM's Modern Slavery Statement is available on the JOHCM website. Pendal Group is required to comply with the Australian Modern Slavery Act, which came into effect on 1 January 2019.

Pendal Group's first annual statement in Australia is due in March 2021, and will build on the work done by JOHCM to comply with UK legislation. A cross-function working group has been established to drive the required work.

Responding to climate change

Pendal Group acknowledges that climate change presents significant challenges for humanity and the planet, with consequences for physical and financial assets. Responding to climate-related risks and opportunities requires ongoing attention so we may 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 TCFD which have 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.

Pendal Group acknowledges that effective management of systemic issues such as climate change requires holistic board oversight, combined with robust measurement and reporting. However, the scale of this challenge also requires a collaborative response. To this end, we are committed to sharing our perspectives with our shareholders, clients and other stakeholders, as well as supporting industry collaborations for more robust and relevant climate-related action and disclosure.

Please see our CSR Report for more information on our response to climate change and disclosures in line with the TCFD recommendations.

Achievements in FY19

- Held workshops at JOHCM and Pendal Australia to support identification of climate-related risks to the business
- Participated in 2019 CDP climate questionnaire
- Enhanced physical climate risk assessment in Australian Property Team with evolved processes

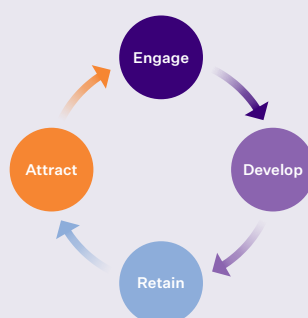
Human capital management

Pendal Group is a business built on insight; therefore the success of our business depends on attracting, engaging, developing and retaining the highest calibre of people.

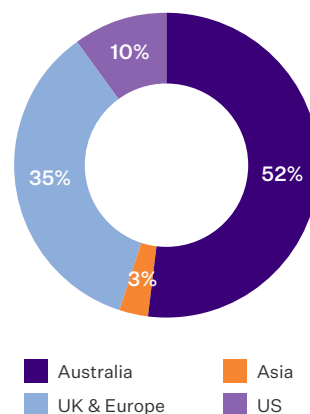
Crucially, the hire and development of talented people supports the retention of our existing business and drives its future growth.

We focus on leading human capital management policies, processes and practices, acknowledging that delivery of Pendal Group's strategy will require new skills and ways of working. During the year, we undertook work to support broad changes in the business and

help our people manage through the transition. This included the strategic recruitment of people to strengthen our sales, responsible investment, technology, data, and project and change management capabilities.



Pendal Group employees by geography



Employee engagement

In the 2019 Financial Year, Pendal Australia ran an employee engagement survey which was completed by 85 per cent of employees. The overall employee engagement score was 63 per cent. This provides an important baseline against which to assess the progress and success of Pendal Australia's business strategy which is targeting growth, operational efficiency and expansion of our responsible investment capability.

Together with the findings of a series of workshops that were facilitated during the year with employees from across the Australian business, the engagement results will be used to inform our Change Management Program, provide the basis for redefining our employee value proposition (EVP) in early 2020 and prioritise people initiatives to be implemented.

Our refreshed EVP and the people related initiatives will help us to better attract people to work at Pendal Australia, and develop and retain our existing workforce.

Diversity and inclusion targets

Pendal's 2023 Financial Year targets are to achieve at least 40 per cent female representation on the Pendal Board and across the Pendal Group Executive teams.

As at 30 September 2019, female Board representation was 43 per cent – ahead of our 40 per cent target and consistent with leading organisations' 40:40:20 approach to diversity targets. During the year, the total number of directors increased from six to seven resulting in a fall in female representation on the Board from 50 per cent achieved in the previous financial year.

Female representation across Pendal Group's Executive teams decreased slightly from the previous year. This can be attributed to senior employee movement in the business over the year, despite the appointment of our first female CEO of which we are proud. This hire represents a significant addition to our Global Executive Team and demonstrates our commitment to executive gender diversity and the achievement of Pendal Group's Diversity and Inclusion targets by 2023.

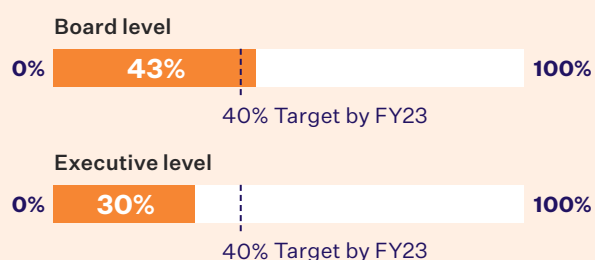
Commitment and initiatives

- Foundation member of the Future IM/Pact program
- Participant in the UK 30% Club's nine-month cross-company senior female mentoring program
- Launching Women in Finance mentoring program (in partnership with University of Technology Sydney)
- Investment Intern Program for female graduates
- Coaching an all-female stock picking team at University of Sydney
- Foundation member of the Career Returners program

UK 30% Club mentoring program

Participating in the **UK 30% Club's** mentoring pilot program, a nine-month cross-company initiative (involving 102 organisations) aimed at increasing and maintaining gender balance in the workplace. Seven JOHCM female employees joined the program as mentees and seven JOHCM employees (three female and four male) joined as mentors. The JOHCM mentees were matched with senior male or female mentors from other organisations.

Progress on gender targets for the 2019 Financial Year



2019 Financial Report

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Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

The Directors present their report and the annual financial report for Pandal Group Limited (the Company) and its consolidated subsidiaries (together referred to as Pandal Group or the Group) for the 2019 Financial Year.

The Directors of the Company during the 2019 Financial Year and up to the date of this report are:

Director	Date of Appointment	Period
James Evans	Appointed to the Board on 2 June 2010. Appointed Chairman on 6 December 2013	Full year
Emilio Gonzalez	Appointed Managing Director & Chief Executive Officer on 22 January 2010	Full year
Sally Collier	2 July 2018	Full year
Andrew Fay	1 October 2011	Full year
Christopher Jones	8 November 2018	Part year
Kathryn Matthews	1 December 2016	Full year
Deborah Page AM	7 April 2014	Full year

Details of the qualifications, experience and responsibilities of the current Directors are set out below:



James Evans
BEc CA F Fin FAICD
*Independent Non-executive
Chairman*
Board Committees: Nil

James Evans, who is based in Australia, has over 40 years of corporate experience. His most recent executive role, which he held from 2003 to 2008, was as the Chief Risk Officer, Wealth Management at the Commonwealth Bank of Australia. As part of this role, James held various directorships in the Commonwealth Bank's funds management, general insurance, life insurance and lease financing businesses. James also held a number of other senior executive roles with the Commonwealth Bank in the areas of finance, accounting, business development and strategy.

Before joining the Commonwealth Bank in 1996, James was a senior executive with Lend Lease in the Property Investment Services Group, holding directorships in property investment and joint venture companies. Prior to that, James held senior executive positions at GEC Australia and Grace Bros.

James is currently the Chairman of J O Hambro Capital Management Holdings Limited and ME Bank Limited, and a non-executive director of Investa Wholesale Funds Management Limited and ICPF Holdings Limited.

James previously served as a Non-executive Director of Australian Infrastructure Fund Limited (2010-2013) and Hastings Funds Management Limited (2009 – May 2016).

Directorships of other listed entities over the past three years: Nil



Emilio Gonzalez
BCom (Ec) CFA
Group CEO & Managing Director
Board Committees: Nil

Emilio Gonzalez is the Group's Managing Director & Chief Executive Officer. He was appointed a member of the Group's Global Executive Committee on its establishment on 1 May 2016. Prior to joining Pandal Group, Emilio was Group Executive, Global Equities at Perpetual Limited. Prior to this role, he was the Chief Investment Officer for seven years. During his early tenure at Perpetual, Emilio was responsible for establishing and running a currency program, tactical asset allocation strategies, Perpetual's diversified and balanced funds, as well as being Head of Research.

Prior to joining Perpetual, Emilio worked as the Chief Dealer at Nikko Securities (Australia) Limited and as a retail client adviser at Norths Stockbroking Limited. Emilio is a director and chairman of J O Hambro Capital Management Limited, JOHCM Funds (UK) Limited, JOHCM Singapore Pte Limited and JOHCM (USA) Inc. Emilio is a director of Pandal UK Limited and J O Hambro Capital Management Holdings Limited.

Emilio is also a director of The Banking and Finance Oath Limited.

Directorships of other listed entities over the past three years: Nil

Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019



Sally Collier

BEC GAICD

*Independent
Non-executive Director*

Board Committees:

Member of the Audit & Risk Committee and the Remuneration & Nominations Committee

Sally Collier, who is based in Australia, has over 30 years' experience in the financial services industry and has held senior executive positions in financial services businesses in the UK and Hong Kong.

Sally was previously a partner at international private equity and infrastructure investment firm, Pantheon where she held leadership roles in business development, marketing and communications and product development. This followed 12 years in investment banking, mostly at HSBC Investment Bank in the UK, where she held a broad range of roles in corporate finance before joining the Management Committee as an Executive Director.

Sally is currently a non-executive director of J O Hambro Capital Management Holdings Limited and Indue Limited, and a director of Utilities of Australia Pty Limited and Clayton Utz Foundation. She is also a member of the Endowment Investment Advisory Committee of The Benevolent Society.

Directorships of other listed entities over the past three years: Nil



Andrew Fay

BAGec (Hons) A Fin

*Independent
Non-executive Director*

Board Committees:

Chair of the Remuneration & Nominations Committee

Andrew Fay, who is based in Australia, has over 30 years' experience in the financial services sector and was Chief Executive Officer at Deutsche Asset Management (Australia) Limited from 2005 to 2008 and Chief Investment Officer from 2000 to 2008. Prior to that, he held a number of other senior investment roles at Deutsche Asset Management and previously at AMP Capital. From 1998 to 2006, he was a member of the Investment Board Committee of the Financial Services Council.

Andrew is currently a non-executive director of J O Hambro Capital Management Holdings Limited, Cromwell Property Group, Spark Infrastructure RE Limited, South Australia Power Networks Pty Limited and National Cardiac Pty Limited.

Andrew has previously served as the Chairman of Deutsche Asset Management (Australia) Limited, Deutsche Managed Investments Limited and Tasman Lifestyle Continuum Limited.

Directorships of other listed entities over the past three years:

Gateway Lifestyle Operations Limited (2015-2018)



Christopher Jones

MA (Cantab) CFA

*Independent
Non-executive Director*

Board Committees:

Member of the Audit & Risk Committee

Christopher Jones, who is based in New York City, has over 35 years' experience in the financial services' industry and has significant experience as both a Chief Investment Officer and Portfolio Manager in the US.

Most recently, Christopher was Principal of CMVJ Capital LLC, a private investor and adviser in the financial services, asset management and technology industries. In the two years prior to 2016, Christopher was Head of Blackrock's US Global Fundamental Equity and Co-head of Global Active Equity. Previously, he spent 32 years in a range of roles at Robert Fleming and Co and JP Morgan Asset Management, including being Managing Director and Chief Investment Officer, Growth and Small Cap Equities for a period of 10 years.

Christopher is currently a non-executive director of J O Hambro Capital Management Holdings Limited.

Directorships of other listed entities over the past three years: Nil



Kathryn Matthews

BSc BEc

*Independent
Non-executive Director*

Board Committees:

Member of the Remuneration & Nominations Committee

Kathryn Matthews, who is based in the United Kingdom, has over 35 years' experience in the financial services industry. She has held executive positions in global asset management businesses in the UK and Hong Kong, including Chief Investment Officer, Asia Pacific ex Japan at Fidelity International based in Hong Kong. She commenced her career at Baring Asset Management, holding a broad range of roles over sixteen years as a global equity portfolio manager and latterly as the Head of Institutional Business, Europe and UK.

Kathryn is currently Chair of Barclays Investment Solutions Limited, a non-executive director of J O Hambro Capital Management Holdings Limited as well as the following UK based companies: Barclays Bank UK Plc, VinaCapital Vietnam Opportunity Fund Limited and APERAM Plc.

Kathryn is also a member of the Council and Chairman of Pension Trustees for the Duchy of Lancaster, the private estate of the British sovereign, and a member of the Board of Trustees for The Nuffield Trust.

Directorships of other listed entities over the past three years: Nil



Deborah Page AM

BEC FCA FAICD

*Independent
Non-executive Director*

Board Committees:

Chair of the Audit & Risk Committee



Joanne Hawkins

BCom LLB Grad Dip CSP
FGIA GAICD

*Group Company Secretary &
Head of Corporate Governance*

Deborah Page, who is based in Australia, is an experienced company director and Chartered Accountant. Deborah has worked exclusively as a Non-executive Director since 2001 across a range of industries including insurance, financial services, property, technology, manufacturing and energy.

Deborah has held senior executive roles with the Commonwealth Bank, Allen Allen & Hemsley and the Lend Lease Group. Prior to undertaking those roles, she was a Partner at KPMG Peat Marwick/Touche Ross.

Deborah is currently a non-executive director of J O Hambro Capital Management Holdings Limited, Brickworks Limited and Service Stream Limited.

Her previous listed roles include Chairman of Investa Office Fund from 2011 to 2016, non-executive director of Australian Renewable Fuels Limited from 2012 to 2015 and non-executive director of Investa Property Group from 2001 to 2007.

Directorships of other listed entities over the past three years:

GBST Holdings Limited (2016-2019)

Chairman, Investa Office Fund (2011 - 2016)

Joanne Hawkins is responsible for Company Secretarial and Corporate Governance functions for all entities across the Group.

Joanne has extensive experience in corporate governance within the funds management industry. Joanne started her career as a solicitor at a major law firm and then held in-house and legal roles in New Zealand and Solomon Islands. Prior to joining Pendal Group in 2017, Joanne held the role of Company Secretary at Perpetual Limited, which included responsibility for the Legal, Compliance and Company Secretariat functions across the Perpetual group of companies.

Directors' meetings

The number of meetings of the Board and of each Board Committee held during the 2019 Financial Year and the number of meetings attended by each Director during that year are set out in the following table:

Director	Board		Audit & Risk Management Committee		Remuneration & Nominations Committee	
	A	B	A	B	A	B
James Evans	11	11	-	-	-	-
Emilio Gonzalez	11	11	-	-	-	-
Sally Collier	11	11	7	7	10	10
Andrew Fay	11	11	-	-	10	10
Christopher Jones	9	9	5	5		
Kathryn Matthews*	11	10	2	2	10	9
Deborah Page	11	11	7	7	-	-

A - Meetings eligible to attend as a member of the Board or Committee.

B - Meetings attended as a member of the Board or Committee.

* Kathryn Matthews was unable to attend one unscheduled meeting of each of the Board and the Remuneration and Nominations Committee. She contributed her views to the Chairman of the Board prior to the meetings.

Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

Global Executive Committee

In May 2016, the Company established a Global Executive Committee.

The current members of Global Executive Committee are:

Name of Group Executive	Position	Joined the Pandal Group	Appointed to current position
Emilio Gonzalez	Group Chief Executive Officer	2010	2016
Alexandra Altinger	Chief Executive Officer, JOHCM UK, Europe & Asia	2019	2019
Richard Brandweiner	Chief Executive Officer, Pandal Australia	2018	2018
Bindesh Savjani	Group Chief Risk Officer	2019	2019
Cameron Williamson	Group Chief Financial Officer	2008	2016

Details of the qualifications, experience and responsibilities of the members of the Global Executive Committee are set out below:



Emilio Gonzalez

BCom (Ec) CFA

Group Chief Executive Officer

Refer to Directors' biographies.



Alexandra Altinger

BA MA CFA

Chief Executive Officer JOHCM UK, Europe and Asia

Alexandra Altinger was appointed Chief Executive Officer, JOHCM UK, Europe and Asia in July 2019.

Alexandra has 26 years' experience in the wealth and asset management industry across Europe, Asia and the US. She was previously CEO of Sandaire Investment Office, a UK multi-family office, for four years and oversaw the integration of Lord North Street Private Office after it was acquired in 2014. Prior to Sandaire, Alexandra was an executive at Lansdowne Partners International, successfully repositioning its long-only products in global institutional markets. Between 2001-11, she held senior roles at Wellington Management International, and led Wellington's European sub advisory and mutual fund business. She has also worked at John Hancock in Boston, Goldman Sachs in Tokyo and London and with Banque Nationale de Paris in Tokyo.

Alexandra has a Bachelor of Arts and a Master of Arts in International Economics from Université de Paris-Dauphine, Paris. She is a CFA Charterholder, a member of the CFA UK Advisory Council and a founding member of the Advisory Committee of The Diversity Project, promoting diversity across the UK asset management sector. She serves as an adjunct Faculty Member for Duke CE (Duke University) for Leadership Coaching. She is fluent in English, German, Italian and French and proficient in Dutch and Japanese.



Richard Brandweiner

BEc CFA

Chief Executive Officer, Pandal Australia

Richard Brandweiner was appointed Chief Executive Officer, Pandal Australia in February 2018.

Richard has over 20 years' experience in investment management and is responsible for the Australian arm of Pandal Group, including asset management, operations, sales and marketing. Before joining the Company, Richard was a Chief Investment Officer (CIO) at First State Super, one of Australia's largest pension funds. Prior to that, Richard was Group Executive at Perpetual Investments.

Richard is a CFA Charterholder and holds a Bachelor of Economics from the University of New South Wales. Richard previously served as President of the CFA Society of Sydney, is currently co-Chair of the Australian Advisory Board on Impact Investing and sits on the NSW Government Social Impact Investment Expert Advisory Group.



Bindesh Savjani
BA (Hons) FCCA
Group Chief Risk Officer

Bindesh Savjani joined the Company as Group Chief Risk Officer in March 2019.

Bindesh has over 20 years' experience in investment management. He has extensive experience in risk management, compliance and internal audit from his time as a consultant at Ernst & Young and thereafter working for several asset managers. Prior to joining Pendal Group Bindesh was the Global Chief Risk Officer for Intermediate Capital Group (ICG), a FTSE 250-listed alternative asset manager. During his tenure Bindesh developed ICG's risk framework and was responsible for Risk, Compliance and Legal. Earlier in his career, Bindesh established the risk management function at Morley Fund Management. He subsequently moved to Lloyds Bank to become the Director of Risk, Legal and Compliance for its asset management business, Scottish Widows Investment Management (SWIP). Bindesh was a core member of the executive team that sold SWIP to Aberdeen Asset Management in 2014 and played a lead role in integrating the two risk functions.

Bindesh is also an external member of the Edinburgh University Audit and Risk Committee.

Bindesh has a Bachelor of Arts from the University of Westminster and is a Fellow Chartered Certified Accountant.



Cameron Williamson
BAcc CA
Group Chief Financial Officer

Cameron Williamson was appointed Chief Financial Officer in February 2010, having joined the Company in 2008. He was appointed Group Chief Financial Officer and a member of the Global Executive Committee on its establishment, on 1 May 2016.

With more than 20 years' experience in financial markets, Cameron is responsible for Pendal Group's overall financial operations and reporting, business planning, taxation and investor relations.

Cameron is Chairman of PFSL, PIL and a director of Pendal UK Limited.

Prior to joining the Company, Cameron held Chief Financial Officer and Company Secretary responsibilities at Clairvest Group, a mid-market private equity group in Toronto. His previous positions also included senior finance roles with Franklin Templeton and CIBC World Markets in Toronto, UBS in the UK and KPMG in Australia.

Cameron has a Bachelor of Arts in Accounting from the University of South Australia and is a qualified Australian Chartered Accountant.

Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

Principal activities

The principal activity of Pandal Group during the 2019 Financial Year was the provision of investment management services. There has been no significant change in the nature of this activity during the year ended 30 September 2019.

Operating and Financial Review

The Operating and Financial Review (OFR) containing information on the operations and financial position of Pandal Group is set out in the Chairman's Letter, Group CEO's Report and Global Operating Review on pages 3 to 23 of this Annual Report. These pages also describe the Group's business strategy, how the Group has executed against its strategy in the last year and areas of focus for the coming 12 months.

Pandal Group continues to operate under two operating segments comprising the investment management business in Australia (Pandal Australia), and outside of Australia (Pandal International). The statutory net profit after tax (Statutory NPAT)¹ of the Group for the 2019 Financial Year was \$154,476,593 (2018: \$201,968,719).

The Group's cash net profit after tax (Cash NPAT)¹ for the 2019 Financial Year was \$163,454,687 (2018: \$201,620,523) representing an 18.9% decline on the previous year. The decline in Cash NPAT was a result of significantly lower performance fees, \$48.6 million lower than the prior year, and base management fees which decreased by 3.7%. Management fee margins were 2 basis points lower at 49 basis points as a result of a change in asset mix as investors favoured lower-margin cash and fixed income strategies.

Volatility in the first half of the 2019 Financial Year and macro concerns on the global growth outlook weighed on investor sentiment. The market conditions presented a difficult backdrop for some areas of our business, particularly in UK and European equity strategies, while other areas performed strongly, including the US business which continued to generate positive net inflows. Overall, funds under management (FUM) remained relatively steady, reducing by 1.0% over the year to \$100.4 billion, as higher global equity markets and a lower Australian dollar partially offset net outflows of \$4.7 billion during the year.

Pandal Group's aligned business model reduced the impact of the lower revenue on profit, with variable employee expenses down 18.6% on the year, and total operating expenses 8.3% lower. Fixed costs were 5% higher as the Group continued its strategy of investing for future growth and diversification.

Pandal Group maintains a strong balance sheet, with a growing net tangible asset base and no debt, and is well positioned for growth and to take advantage of opportunities as they present themselves. Supporting investment strategies with our seed capital, expanding our sustainable investing capabilities and leveraging our global distribution network provides a solid platform for the Group's strategy to deliver long-term growth and diversification.

During the year, Pandal Group obtained full ownership of Regnan - Governance Research and Engagement Pty Limited (Regnan), an environmental, social and corporate governance (ESG) research, engagement and advisory specialist in which it previously had a 50% ownership interest. This represented a key strategic milestone, and will support the Group's ongoing focus on building our sustainable investment capabilities.

Reconciliation of Statutory NPAT to Cash NPAT ¹	2019 \$'000	2018 \$'000
Statutory NPAT	154,477	201,969
Add back:		
Amortisation of employee equity grants	44,852	43,303
Amortisation of employee deferred share of performance fees and related incentives	6,744	10,305
Amortisation and impairment of intangibles	6,758	7,701
Unrealised gain on financial assets held at fair value through profit or loss (FVTPL)	(15,416)	(14,536)
Deduct:		
Cash cost of ongoing equity grants in respect of the current year	(32,710)	(37,605)
Cash cost of employee deferred share of performance fees and related incentives in respect of the current year	(4,120)	(17,070)
Adjust for tax effect	2,870	7,554
Cash NPAT	163,455	201,621

1. Net profit after tax (Statutory NPAT) includes accounting adjustments required under International Financial Reporting Standards (IFRS) for amortisation of employees' equity grants, amortisation of employee deferred share of performance fees and related incentives, amortisation and impairment of intangible assets, and unrealised gains / (losses) from financial assets held at FVTPL. These items are not considered to be part of the underlying earnings of the Group and therefore the Directors believe that Cash NPAT is a more suitable measure of profitability.

Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

Dividends

The Directors have resolved to pay a final dividend of 25.0 cents (10% franked²) per share, (2018: 30.0 cents per share 15% franked) on ordinary shares. The amount of dividend which has not been recognised as a liability at 30 September 2019 is \$76.1 million (2018: \$89.9 million). The Company paid an interim dividend of 20.0 cents per share (\$59.9 million) on 26 June 2019.

	2019 \$'000	2018 \$'000
Equity dividends on ordinary shares		
(a) Dividends declared and paid during the Financial Year		
Final 15% franked ² dividend for the 2018 Financial Year: 30.0 cents per share (2017 Financial Year: 26.0 cents per share 25% franked)	90,666	78,191
Interim 10% franked ² dividend for the 2019 Financial Year: 20.0 cents per share (2018 Financial Year: 22.0 cents per share 15% franked)	59,897	65,665
	150,563	143,856
(b) Dividends proposed to be paid subsequent to the end of the Financial Year and not recognised as a liability		
Final dividend for the 2019 Financial Year 25.0 cents (10% franked ²) per share (2018 Financial Year: 30.0 cents per share 15% franked)	76,078	89,873

2. The whole of the unfranked amount of the dividend will be Conduit Foreign Income, as defined in the *Income Tax Assessment Act 1997*.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of Pandal Group during the 2019 Financial Year.

Matters subsequent to the end of the financial year

A final dividend of 25.0 cents (10% franked²) per share on ordinary shares is to be paid on all ordinary shares at the record date.

On 31 October 2019, JOHCM Funds (Ireland) Limited, a Pandal Group subsidiary domiciled in Ireland, replaced J O Hambro Capital Management Limited, a UK subsidiary, as manager of the Group's Irish-domiciled UCITS vehicle, J O Hambro Capital Management Umbrella Fund plc. Both companies are wholly-owned subsidiaries within Pandal Group. Investment management sub-advisory services and support services are provided to JOHCM Funds (Ireland) Limited under agreements entered into with other Group entities and third parties. These changes enable the operations of the Group to continue on an ongoing basis in the relevant markets in the event that the United Kingdom formally withdraws from the European Union.

Other than the above, there is no matter or circumstance which is not otherwise reflected in this Financial Report that has arisen subsequent to the balance date, which has significantly affected or may significantly affect the operations of Pandal Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

Likely developments and expected results of operations

The OFR sets out the information on the business strategies and prospects for future financial years (refer to our Chairman's Letter, Group CEO's Report and Global Operating Review on pages 3 to 23 of the Annual Report accompanying this Directors' Report). Information in the OFR is provided to enable shareholders to make an informed assessment about the business strategies and prospects for future financial years of Pandal Group.

From the 2020 Financial Year, the Board has reviewed its Cash NPAT classification to exclude realised gains / (losses) from financial assets held at FVTPL. These assets are considered capital in nature and used to support the future growth of Pandal Group.

Environmental regulations

The operations of Pandal Group are not subject to any particular or significant environmental regulation under any law of the Commonwealth of Australia or of any state or territory thereof.

The Group has not incurred any liability (including rectification costs) under any environmental legislation.

Indemnities and insurance

In accordance with the provisions of the *Corporations Act 2001*, Pandal Group has insurance policies covering directors' and officers' liabilities. Under the terms of the policies, disclosure of the amount of cover and premiums paid is prohibited.

Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

A message from the Chair of the Remuneration & Nominations Committee

On behalf of the Board, I present the Pental Group Remuneration Report for the 2019 Financial Year. Our Remuneration Report is designed to demonstrate the link between strategy, performance and remuneration outcomes for Key Management Personnel and Non-Executive Directors.

Our vision is clear: to be a global asset management business that delivers exceptional investment returns to clients by attracting and retaining superior investment talent. As a global investment management business, we need to have a remuneration framework in place that is market related and supports our business model, vision and values.

2019 was a challenging year for the Pental Group. Our profitability was primarily impacted by significantly lower performance fees, down 89 per cent on the previous financial year. During the year, global markets continued to experience a high degree of volatility related to Brexit, the US/China trade dispute, concerns over the outlook for global growth and, in Australia, the Hayne Royal Commission. Cautious investor sentiment has led to de-risking of portfolios and subdued industry flows in equities globally, and in particular, Europe.

The Board carefully reviewed the performance impact on incentive programs and believe the outcomes for 2019 reflect the balance between employees and shareholder interests appropriately. The Short Term Incentive (STI) program is structured to align with shareholder returns and defers up to 50 per cent of the STI being awarded in Pental shares, vesting over five years. It is noteworthy that the reduction in the Pental share price impacted the shares issued in prior STI payments which demonstrates the alignment with our shareholders. This is in line with the remuneration framework's intent. The overall Group performance has impacted the STI awards for the entire Executive team in 2019. Executives' performance linked to outcomes that were not achieved during 2019, received a reduced award. Importantly, where businesses performed well, incentives have been awarded to reflect the Executives' contribution and outcomes.

In addition to the lower value of STI deferrals and awards, the 2016 Long Term Incentive (LTI) grants have not vested. For the 2019 Financial Year, neither the Cash Earnings Per Share nor the Total Shareholder Return hurdles met their targets and, as such, Pental executives forfeited 100 per cent of their original 2016 LTI grants.

It should be noted that the Group CEO fulfilled the London based CEO role for J O Hambro (JOHCM) throughout the 2019 Financial Year in addition to his Group CEO role. The Board awarded the Group CEO a payment of \$300,000 to compensate him for this, which is reflected in the overall decrease in his total remuneration of 22 per cent for 2019.

Pental's Global Reward Framework is made up of three key principles that are directly aligned to our business strategy. Firstly, remuneration is weighted towards medium and long-term share rewards because we want our employees to be aligned to our shareholders and have an ownership mindset. Secondly, recruiting exceptional talent relies on market benchmarking, paying fairly for skills, ability and responsibility. The third principle is performance accountability which includes delivering annual business results within the risk tolerances set by the Board. The Board applies these principles to attract and retain the talent necessary to deliver for our clients and create long-term value for our shareholders.

The annual incentive pools are directly linked to the financial outcomes of the business, remaining competitive for key talent and with due reference to risk management. The Board and Group Chief Executive Officer (Group CEO) play an active role in determining key financial targets and conduct expectations for the business and employees.

Remuneration continues to be an issue of significant interest to shareholders, regulators, governments and the general public. We are cognisant of this and monitor prevailing sentiment and trends to ensure we are meeting the expectations of our stakeholders and comply with any regulatory changes in the jurisdictions in which we operate.

During the year, we carried out the following actions to maintain a relevant remuneration framework:

- Confirmed appointments and remuneration of key Executives for our business in UK/Europe and Asia and the US;
- Approved new Sales remuneration arrangements in the UK, the US, Australia and Singapore;
- Reviewed the Corporate bonus pool for the Australian business and the JOHCM Senior Staff bonus pool;
- Approved conversions under the Fund Linked Equity Scheme;
- Reviewed and confirmed the Key Management Personnel remuneration structures;
- Reviewed our remuneration practices in jurisdictions where regulatory changes required the adoption of new standards; and
- Continued the ongoing review of the application of the Senior Managers and Certification Regime in the UK in preparation for implementation in December 2019.

Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

Pendal is a talent business with our people being at the core of our value proposition. The challenging industry conditions and the competitive global market place for talent mean that ensuring we have an effective remuneration policy is essential to the operation and growth of our business. We have designed the remuneration policy to strike the right balance between competitively and equitably rewarding our executives which safeguard and promote the interests of our clients, and creating long term value for our shareholders. While we continue to review and refine our remuneration arrangements, this year's outcomes demonstrate executive remuneration alignment with shareholder returns.

A handwritten signature in black ink, appearing to read 'A Fay', with a small horizontal line underneath.

Andrew Fay

Chair of the Remuneration & Nominations Committee

Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

Introduction to the 2019 Remuneration Report

The Directors are pleased to present the Remuneration Report for the year ended 30 September 2019. The Remuneration Report includes remuneration information for the Company's Key Management Personnel (KMP) and insights into how fund managers, sales teams and other corporate employees are rewarded.

Report structure

The Remuneration Report is structured in the following sections:

Section	Page
1. Key Management Personnel	38
2. Global Reward Framework	39
3. Remuneration Structure	41
4. Oversight and Governance	46
5. Link between Remuneration Outcomes and Group Performance	48
6. Details of the Global Executive Committee Remuneration Outcomes	55
7. Global Executive Committee Members' Employment Agreements	62
8. Non-Executive Director Remuneration	64
9. Director and Global Executives' Holdings	66
10. Other Disclosure Details	66

1. Key Management Personnel

KMP are defined as those persons who have authority and responsibility for planning, directing and controlling the activities of the Pandal Group. The Global Executive Committee holds such authority within the Pandal Group and are the reportable Executives for the 2019 Financial Year.

From 1 October 2018 to 30 September 2019, the KMP for the Pandal Group were the Non-Executive Directors (NED) of the Company and the members of the Global Executive Committee.

Non-Executive Directors during the 2019 Financial Year

Name	Position	Term as KMP
James Evans	Chairman	Full year
Sally Collier	Director	Full year
Andrew Fay	Director	Full year
Christopher Jones	Director	8 November 2018 to 30 September 2019
Kathryn Matthews	Director	Full year
Deborah Page	Director	Full year

Global Executive Committee during the 2019 Financial Year

Name	Position	Term as KMP
Emilio Gonzalez	Group Chief Executive Officer	Full year
Alexandra Altinger ¹	Chief Executive Officer, JOHCM UK/Europe and Asia	9 September 2019 to 30 September 2019
Richard Brandweiner	Chief Executive Officer, Australia	Full year
Bindesh Savjani ²	Global Chief Risk Officer	4 March 2019 to 30 September 2019
Andrew Shiels ²	Interim Group Chief Risk Officer	1 October 2018 to 15 March 2019
Cameron Williamson	Group Chief Financial Officer	Full year

Notes:

- ¹ Alexandra Altinger replaced Ken Lambden and commenced in the role of CEO, JOHCM UK/Europe and Asia from 9 September 2019. Ken stepped down from the role during the 2018 Financial Year.
- ² Andrew Shiels was appointed interim Group Chief Risk Officer on 16 November 2017 and was engaged on a consultancy basis, while recruitment for a permanent Group Chief Risk Officer was underway. Bindesh Savjani was appointed to the role of Global Chief Risk Officer and commenced employment with the Company on 4 March 2019.

Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

2. Global Reward Framework

Pendal Group's remuneration approach is directly aligned to our Corporate Vision and Strategic Drivers. The success of our reward framework is evidenced by both our business growth and ongoing performance over the past ten years and the attraction and retention track record of our investment talent and corporate employees. Below is further detail of our framework and how it links to the company's strategy. Further in the Remuneration Report there are illustrations of our ten year results for Total Shareholder Return (TSR) and Cash Earnings Per Share (Cash EPS). It is clearly noted that over the past seven years, the hurdles in our LTI Plan continue to align our Executives to our shareholders at a time of significant change in the industry and market volatility.



Fixed Remuneration

- Set to attract exceptional talent
- Benchmarked to market and rewards individuals for the skills, attributes and accountabilities in the role and includes salary, benefits and any statutory entitlements

Considerations

- Scope of individual's role, level of knowledge, skills and expertise
- Individual performance
- Market benchmarking
- Internal relativities

Long Term Incentive (LTI) – Performance Reward Scheme (PRS)

- Further detail to be found in Section 5
- On invitation basis only
- Performance Share Rights are issued for no consideration
- Two equally weighted hurdles one measured against the S&P/ASX 200 Accumulation Index, and the other measured on Cash EPS growth. Both are measured over three years

Performance Conditions

- Long-term targets
- Performance hurdles equally weighted between relative TSR performance and fully diluted Cash EPS growth



Short Term Incentives (STI) Cash

- Board sets annual performance expectations for payment of bonuses and determines bonus pools
- Payments are funded by business performance
- Individual STI target range is determined by role

Performance Conditions

- Objectives are set to deliver annual operating plans and progress against strategy. They are clearly defined, measurable and are agreed at the beginning of the year. Measures include:
 - Group or Divisional Cash NPAT
 - Net FUM
 - Fund or Asset Class Performance
 - Client retention
 - Progress against strategy
 - Risk Management
 - Leadership and culture

Short Term Incentives Deferral

- Aligned to Executive ownership and shareholder alignment. Subject to quantum up to 50% of the annual STI is delivered in Pendal Group shares with vesting periods of up to five years
- This element of reward represents a significant deferral of annual remuneration and it is designed to foster sustainable growth and sound financial, operational and risk management practices

Performance Conditions

- Time based and encourages long-term decision-making

Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

Risk management is a serious consideration for the Pendal Group when determining variable remuneration outcomes. Pendal Group ensures that risk management is embedded into the culture by retaining it as a key performance metric with an impact on variable remuneration. Sound risk management practices include:

- Employees being ineligible for a variable remuneration payment if they exhibit poor risk behaviours;
- Incorporating risk management performance measures in all Global Group Executive scorecards;
- Reviewing the alignment between remuneration outcomes and performance achievement for incentive plans on an annual basis;
- Deferring a significant portion of variable remuneration in PDL performance share rights and restricted shares to align employee remuneration with shareholders;
- Assessing outcomes with longer term Company performance;
- An ability for the Board to adjust incentive payments, if required;
- A provision for the Board to lapse variable remuneration (performance share rights and restricted shares) in certain circumstances; and
- Continuous monitoring of remuneration outcomes by the Board, to ensure that results are promoting behaviours that support Pendal Group’s long-term financial position and the desired culture.

Target remuneration mix

The Remuneration & Nominations Committee sets a target remuneration mix. The elements are set referring to market benchmarking and are designed to attract and retain the calibre of executives required to drive Pendal Group’s strategic outcomes.

Charts 1 and 2 below outline target remuneration mix. Actual variable remuneration outcomes will depend on achievement against performance measures of both short-term and long-term incentives. The cash portion of STI awards are paid to members of the Global Group Executive Committee in December each year.

Charts 1 and 2: Global Executive Committee – target remuneration mix

Chart 1: Group and Regional CEOs
Target Remuneration Mix

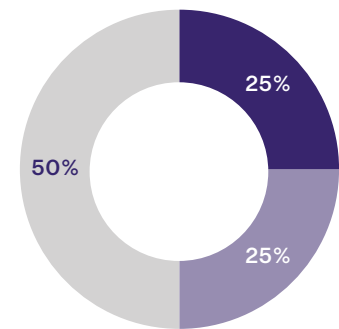
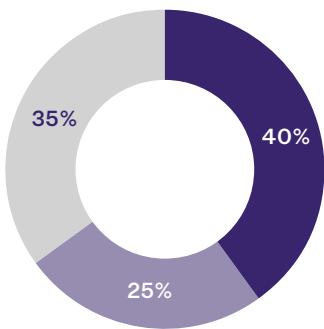


Chart 2: Group CRO and CFO
Target Remuneration Mix



■ Fixed remuneration ■ Cash variable remuneration ■ Equity variable remuneration

Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

3. Remuneration Structure

Group CEO Remuneration

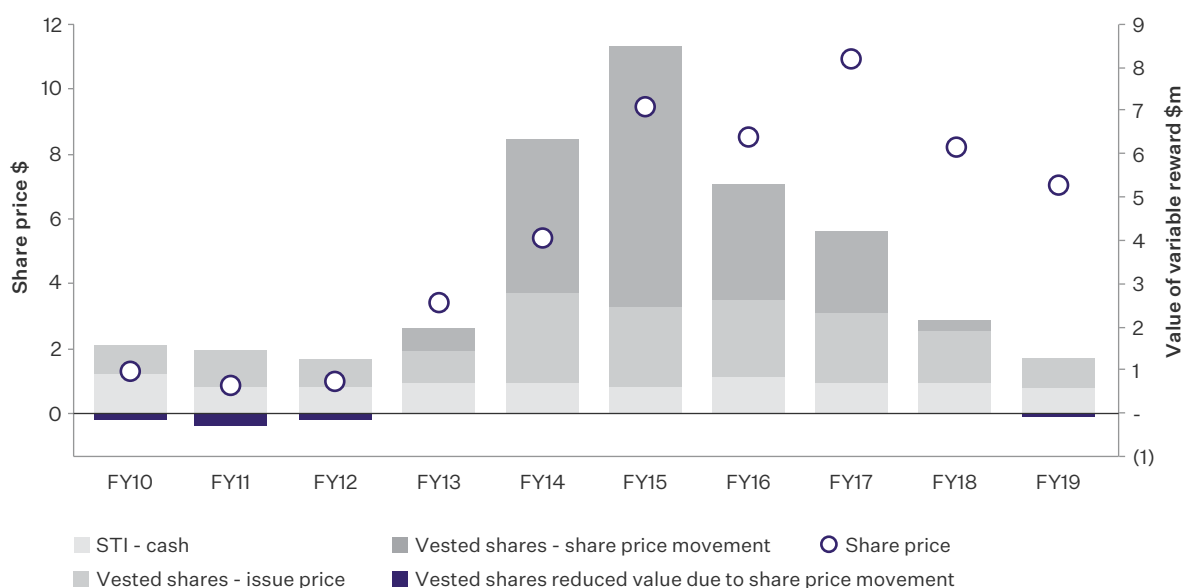
The Group CEO has the following remuneration components in place:

- Fixed Remuneration of \$800,000 per annum;
- Target STI of \$1.4 million with a STI floor of \$0 and a maximum range of \$2.8 million for performance that exceeds aggregate Key Performance Indicators; and
- LTI opportunity of \$1.0 million.

The actual outcome reflects the Board's assessment against clearly specified performance indicators. Performance indicators are designed to create sustainable shareholder value and are scaled to reflect profit outcomes. The Group CEO's LTI (and the component of STI deferred into equity) provides a direct link to real earnings and shareholder value creation in the medium to long term. For the 2019 Financial Year, the entirety of the LTI award, granted in 2016, has not vested. This is explained further in Section 5 of this Remuneration Report. Pandal is committed to providing LTI only where justified by company performance.

A significant proportion of the Group CEO's variable reward is impacted by increases and decreases in the share price over time and the vesting or forfeiture of the LTI component of his remuneration. Pandal determines the value of underlying shares for both STI deferral and LTI grants at the time of allocation, not at the time of vesting. Therefore, the Group CEO continues to carry exposure to share price movements during the vesting period for both types of awards.

Graph 1: Group CEO's variable reward over time



Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

The table below outlines the Group CEO's remuneration structure for the 2019 Financial Year.

Remuneration component	Description																				
Fixed Remuneration	Consists of base salary (and includes any fringe benefits and applicable taxes) as well as employer contributions to superannuation.																				
Target STI	The Group CEO's target STI opportunity is determined annually by the Board with reference to external market benchmarking. The Group CEO's target STI for the 2019 Financial Year was \$1.4 million with a STI floor of \$0 and a maximum of \$2.8 million for performance that exceeds aggregate Key Performance Indicators. The Board has the discretion to vary the Group CEO's awarded STI outcome (up or down) with consideration to Pandal Group's financial performance and the Group CEO's overall performance. The Group CEO's awarded STI outcome is approved annually by the Board. Fifty per cent of the awarded STI is delivered as cash, with the remaining 50 per cent deferred into restricted shares that vest over five years. This provides long-term exposure to the share price movement in addition to the separate LTI Award. For the 2019 Financial Year, the Group CEO's Key Performance Indicators included the following. Performance against these objectives has been outlined in section 5: <table> <tr> <td>Financial</td><td>Cash NPAT Base Management Fee Revenue (targets previously agreed with Board)</td></tr> <tr> <td>People</td><td>Development of succession plans that facilitates smooth transition for individuals in key roles</td></tr> <tr> <td>Execute on Growth Strategy</td><td>Progress against Strategic Objectives previously approved by the Board around investment performance, product strategy and distribution</td></tr> <tr> <td>Global Leadership</td><td>Determine and develop global organisational structure to ensure growth and long-term stability of the business</td></tr> <tr> <td>Risk Management and Operational Effectiveness</td><td>Effective risk management framework that embeds quality risk culture, ensures business operates within agreed Risk Appetite framework with sound outcomes and a robust operational platform with the right governance structures, processes and resources to support business model and strategy including Brexit developments</td></tr> </table>	Financial	Cash NPAT Base Management Fee Revenue (targets previously agreed with Board)	People	Development of succession plans that facilitates smooth transition for individuals in key roles	Execute on Growth Strategy	Progress against Strategic Objectives previously approved by the Board around investment performance, product strategy and distribution	Global Leadership	Determine and develop global organisational structure to ensure growth and long-term stability of the business	Risk Management and Operational Effectiveness	Effective risk management framework that embeds quality risk culture, ensures business operates within agreed Risk Appetite framework with sound outcomes and a robust operational platform with the right governance structures, processes and resources to support business model and strategy including Brexit developments										
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LTI grant	After receiving approval from shareholders, the Group CEO was granted Performance Share Rights to PDL shares for no consideration. The Group CEO's LTI opportunity represents the maximum incentive opportunity under the award and is determined with reference to market benchmarking. The number of rights is determined at grant; therefore, share price movements during the vesting period impact the value of the ultimate award that may vest. The award is subject to two equally weighted hurdles, measured over three years: 50 per cent subject to relative TSR performance; and 50 per cent subject to Fully Diluted Cash EPS growth. Hurdles are designed to be reasonably stable over the cycle. TSR performance hurdle The TSR portion of awards vests as follows, subject to relative performance against the constituents of the S&P/ASX 200 Index on the date of the award. <table> <tr> <th>TSR performance</th><th>Percentage of TSR-tested award to vest</th></tr> <tr> <td>Below weighted median</td><td>Nil</td></tr> <tr> <td>At weighted median</td><td>50%</td></tr> <tr> <td>Between the weighted median and top quartile</td><td>Vesting occurs on a straight-line basis from 50% to 100%</td></tr> <tr> <td>At or above top quartile</td><td>100%</td></tr> </table> Fully Diluted Cash EPS performance hurdle The Cash EPS portion of awards vests as follows, based on compounded annual growth rate (CAGR) performance. <table> <tr> <th>Cash EPS CAGR</th><th>Percentage of cash EPS-tested award to vest</th></tr> <tr> <td>Less than or equal to 5% CAGR</td><td>Nil</td></tr> <tr> <td>Above 5% CAGR</td><td>50%</td></tr> <tr> <td>Above 5% CAGR but less than 10% CAGR</td><td>Vesting occurs on a straight-line basis from 50% to 100%</td></tr> <tr> <td>At or above 10% CAGR</td><td>100%</td></tr> </table>	TSR performance	Percentage of TSR-tested award to vest	Below weighted median	Nil	At weighted median	50%	Between the weighted median and top quartile	Vesting occurs on a straight-line basis from 50% to 100%	At or above top quartile	100%	Cash EPS CAGR	Percentage of cash EPS-tested award to vest	Less than or equal to 5% CAGR	Nil	Above 5% CAGR	50%	Above 5% CAGR but less than 10% CAGR	Vesting occurs on a straight-line basis from 50% to 100%	At or above 10% CAGR	100%
TSR performance	Percentage of TSR-tested award to vest																				
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Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

Details of equity based remuneration

Details of the various equity-based reward plans are noted in the table below. As at 30 September 2019, approximately 14 per cent of the share register represents employee interests. From a governance and administration perspective, external Trustees are responsible for managing the two employee equity plan trusts which the Company uses to facilitate the acquisition and holding of shares for employee incentive arrangements.

In accordance with the disclosure requirements under Listing Rule 4.10.22, during the 2019 Financial Year, it should be noted that the Trustees of the Pandal Group Employee Benefit Trust acquired a total of 4,215,684 PDL shares at an average price of \$8.25, totalling \$34.8 million. These securities were acquired to satisfy the Pandal Group's obligations under various employee equity plans.

The number of shares allocated to the employee at grant date is based on the value of the equity award they received as part of their variable reward outcome, divided by the average price that the equity was acquired at. Price risk on the purchase of the equity award an individual employee receives is borne by the employee. Pandal estimates that for the next 12 months its share requirements will be \$38.1 million which will be acquired via on market purchasing and employee share sales throughout the year, with the exception of the FLE shares which are issued. It should be noted that shares issued to fulfil the FLE scheme is designed to be EPS neutral, provided FUM is maintained. The table below provides details on all equity programs available to employees.

Equity-based employee reward schemes/plans

Variable Reward Scheme/Plan	Description	Participants
Pandal Australia Corporate Variable Reward (VR) Scheme, CEO, Pandal Australia VR Plan, JOHCM Senior Staff Bonus Scheme and General Staff Bonus Scheme	The four schemes are designed to reward performance specifically for senior and general employees (including the CEO, Pandal Australia and CEO, JOHCM Group) who work within the Pandal Australia and JOHCM corporate support teams and who do not participate in a revenue share arrangement. The variable component for each individual employee is set annually and is based on regular analysis of competitor market data for each role. The schemes are linked to the performance of Pandal Australia and JOHCM through the creation of variable pools from which employees are paid their variable outcomes. The size of the variable pool for each of the four schemes is based on performance against their financial objectives. With the exception of the General Staff Bonus Scheme, these plans apply compulsory deferral into PDL equity.	Corporate roles including Global Executive Committee members and investment teams not covered by the Boutique VR Scheme
Sales Incentive Plans	The Sales Incentive Plans are designed to reward performance specifically for business development managers who work within the Pandal Australia and JOHCM sales teams. Pandal has adjusted its approach for these programs to recognise the maturity of its business, change in regulations, particularly in the UK regarding variable reward for sales staff, and better align to customer needs. Awards are determined based on a range of factors, including client retention, actual sales performance, cross-selling, and other team behaviours. Compulsory variable reward deferral applies to these plans.	Sales roles
Pandal Australia and JOHCM Performance Reward Schemes (PRS)	The PRS was implemented in 2012 and is a broad-based LTI program which provides all eligible corporate employees with an amount of equity aimed at rewarding success. Performance conditions are Cash EPS and TSR. PRS awards vest at the end of a three-year performance period. Awards granted in 2016 were tested against performance at the end of the 2019 Financial Year. Vesting outcomes for 2016 PRS awards are set out in Charts 4a and 4b.	Corporate roles including the Group CEO and other Global Executive Committee members and Australian investment teams not covered by the Pandal Australia Boutique VR Scheme
Pandal Australia Boutique Variable Reward (VR) Scheme	The Boutique VR Scheme is a scheme to reward performance specifically for investment employees who are in boutiques on a revenue share arrangement. For the 2019 Financial Year, the Equity Strategies, Bond, Income & Defensive Strategies and Global Equities boutiques operated under their own arrangements, as per the Boutique VR Scheme. The VR pool for each boutique is based on an agreed formula that accounts for profit share directly attributable to the boutique. Compulsory deferral into PDL equity applies to these plans. Some fund strategies attract performance fees. In the event an investment strategy exceeds a pre-determined performance hurdle for a specific fund over the measurement period (generally for the twelve month period end June) a performance fee is paid by the client. The performance fee is shared between the fund management teams and the Company.	Fund Managers
JOHCM Fund Manager Remuneration Schemes (FMRS)	The FMRS are designed to recognise and reward Fund Managers for growth in the strategies they manage and asset/client retention. The FMRS cater for two plans including a legacy plan and the FLE Scheme. Investment professionals managing more established funds receive a variable reward opportunity as part of a profit share arrangement, with a portion of the variable reward deferred into PDL equity with a vesting period of up to five years. Investment professionals managing new funds are eligible to participate in the FLE Scheme that rewards for business building outcomes measured through FUM. Fund Managers can also choose not to participate in the FLE Scheme. Some fund strategies attract performance fees. In the event an investment strategy exceeds a pre-determined performance hurdle for a specific fund in the calendar year, a performance fee is paid by the client. The performance fee is shared between the fund management teams and the Company. Further detail on the FLE Scheme is outlined in the Fund Manager Remuneration section.	Fund Managers
JOHCM Long-Term Retention Equity	An LTI plan has been put in place to provide long-term retention of certain Fund Managers which is linked to individual performance. Part of the LTI plan is time-based where a portion of the variable reward is issued as equity and vests over a period up to six years. Selected employees were also issued retention equity which vests over a specified holding period or after cessation of employment, provided certain conditions have been satisfied.	Fund Managers

Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

Fund Manager remuneration

This section describes our approach to Fund Manager remuneration to provide shareholders with further insight into our business model.

Fund Managers are provided fixed remuneration at market competitive rates, approved at the beginning of the financial year by the relevant CEO.

In Australia, variable remuneration is based on a profit share approach. Our funds management teams are not awarded a set percentage of profits. Each team negotiates an arrangement with the CEO upon joining the Pendal Group. Our bespoke approach makes sure that the variable reward delivered to teams and Fund Managers reflects the value each team adds to the Group and its shareholders.

Where revenue is directly attributable to the skill and efforts of the funds management team (e.g. performance fees) this will generally attract a greater profit share percentage.

Outside Australia, the revenue share arrangements with Fund Managers within the JOHCM Group are based on a different formula and differ between more established funds and newer investment strategies. Performance fees similarly attract a greater revenue share and so JOHCM Fund Manager total remuneration will vary over time, dependent on the source of funds and performance.

How Fund Managers earn equity in the business

Pendal Group seeks to align Fund Manager remuneration with longer term shareholder interests without compromising client outcomes. For teams managing funds in the growth phase, remuneration arrangements have a greater focus on rewarding business-building outcomes such as growth in recurring investment management fees. For teams managing established funds, remuneration arrangements focus more on FUM retention. Equity in the Group is earned when the investment strategies of funds management teams have been successful in raising FUM that results in revenue generation for the business.

The Fund Manager remuneration schemes will vary depending on the lifecycle of the fund, the complexity of the team structure and the market in which it operates. Fund Managers can participate in one of the two plans, outlined below.

Plan 1 – Variable reward in PDL shares

For teams managing established funds, a portion of the variable reward is mandatorily deferred into PDL equity and vests over five years. The deferred shares are not subject to any additional performance conditions, beyond continued employment. Participants receive dividends and voting rights from the time of grant.

Plan 2 – JOHCM Fund Linked Equity (FLE) Scheme

To attract new teams and reward for value creation in newly established strategies, JOHCM operates an FLE Scheme that rewards Fund Managers with PDL equity as a result of growing recurring investment management fees.

The FLE Scheme has been an instrumental part of the JOHCM business model in attracting investment talent to the Company.

The FLE Scheme was introduced in the 2009 Financial Year, prior to JOHCM becoming part of the Pendal Group. The FLE Scheme runs for seven years from product launch and participating Fund Managers have the right to partly convert the revenue generated by the investment strategy into PDL equity over time, with full conversion required by the end of either the seven year or eight year period as previously agreed. The conversion formula takes revenue generated by the FUM linked to the strategy, applies an after-tax operating margin and then applies a multiple to determine an implied market value of the investment strategy. This capitalised value is shared between the managers and the Pendal Group and delivered to Fund Managers in the form of PDL equity. The benefit of the model for shareholders is that no equity is granted until FUM and revenue is generated by the strategy. During the 2019 Financial Year, the Company issued 4,795,815 ordinary shares to two investment teams who converted their previously issued awards under the FLE Scheme.

When the FLE is converted to PDL equity, the revenue share to which the Fund Managers are entitled decreases in exchange for the equity grant which has a positive contribution to the future earnings of the Group. If shares are issued to satisfy the equity grant, the net result is designed to be broadly Cash EPS neutral provided FUM is maintained. In a scenario where FUM declines post issuance of the grant, the Cash EPS outcome may be adversely affected. The shares are subject to time vesting restrictions of up to five years as a retention mechanism. As the PDL equity is considered to have been earned, it is not subject to further performance hurdles and attracts dividends and voting rights from the time of issuance.

Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

The table below summarises the operation of the FLE scheme and how it interacts with Fund Manager remuneration and key Pandal Group metrics.

Operation of plan – JOHCM FLE scheme

	Year 0 through to year 3	Year 3 through to year 7
Funds Under Management	FUM growth over time.	Revenue from FUM raised in the investment strategy is used as the basis to determine rights to PDL equity (i.e. through the conversion ratio).
Revenue Share	Fund Managers remunerated through a revenue-share arrangement, based on a pre-determined percentage.	On election by Fund Managers, a proportion of revenue share can be taken in the form of PDL equity (with vesting restrictions over a period of four or five years). Conversion into PDL equity reduces the Fund Manager's revenue share percentage and is designed to be broadly Cash EPS neutral. Full conversion is required by the end of the seven year or eight year period.
Equity	No PDL equity granted during the period as the revenue share is delivered in cash.	Equity awarded on FLE conversion approximates the market value for the FLE based on revenue generated by the fund (and other market factors). The award of equity results in the decrease in revenue share percentage for the Fund Manager and the Group retains a higher proportion of the fund's revenue. Note that restricted PDL shares issued on conversion vest equally over a period of four or five years.
Cash Earnings Per Share	Reflected in earnings as a result of growth in FUM.	Due to the reduction in Fund Manager revenue share, Cash EPS should be broadly neutral, provided FUM is maintained.

Participation in the FLE

During the 2019 Financial Year 4,795,815 PDL shares were issued to satisfy the remaining conversion of the FLE applicable to two participating investment teams.

Post the 2019 conversions, investment strategies participating in the FLE Scheme represents FUM of \$2.5 billion as at 30 September 2019. Based on the FUM as at 30 September 2019, the value of PDL equity that may be granted to participants in the FLE Scheme is approximately \$11.6 million over future years. The value of PDL equity to be granted under the FLE Scheme will vary from year to year based on market movements, FUM growth, management fee margins, foreign currency, and new teams participating in the FLE Scheme.

If shares are issued to meet the delivery of the \$11.6 million in PDL equity, this would equate to 1.7 million newly issued shares based on a theoretical PDL share price of \$7.03 in accordance with the FLE Scheme rules. The 1.7 million shares would increase the fully diluted share count by 0.5 per cent.

Assuming other remaining FLE rights are converted into PDL equity at the end of year 7, the estimated number of PDL shares to be issued over the coming years is outlined in the table below.

Investment strategies participating in the FLE scheme

Financial years	2020	2021	2022	2023+
Estimated number of shares to be issued (m)	0	0.5	1.2	0

Notwithstanding the share issuance under the FLE, shareholders' portion of revenue from the investment strategies increases (as Fund Manager share of revenue is reduced) such that Cash EPS should be broadly neutral, provided FUM is maintained post issuance.

It is expected that as new investment teams and strategies are added to our business and improve our growth prospects, the program will expand. For every \$1 billion (at current fee levels) in FUM raised under the FLE Scheme, this would equate to approximately 1.4 million newly issued shares based on the 30 September 2019 PDL share price of \$7.03 in accordance with the FLE Scheme rules.

Sourcing of equity issued to employees

For employee incentive arrangements other than FLE, PDL equity has been delivered by either purchasing shares on market and or accessing shares from employees selling post restrictions. In the case of the FLE Scheme, significant equity requirements are planned to be delivered by way of new shares. Shares issued under the FLE Scheme are designed to be broadly Cash EPS neutral as they are offset by a reduction in the revenue share that the Fund Managers earn on their investment strategies.

Benefits of our Fund Manager remuneration approach in our business model

Our business model is designed to provide 'the best of both worlds' where Fund Managers operate in an environment that is investment-led with independence, where they share in economic value created, have creative independence and an absence of bureaucratic structures combined with the strengths of a significant institution that provides a strong operational platform (i.e. brand, distribution, risk, compliance, back-office).

The result for Funds Management teams is that their income each year is a direct function of the financial success of their own efforts while their longer term wealth is driven by the success of the overall Group.

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As a result of our approach, our Senior Fund Managers have a significant shareholding in the Pandal Group which produces strong alignment between the interests of Fund Managers and shareholders. Consequently, Fund Managers also have a keen interest in the Pandal Group's dividends and earnings per share performance.

By providing equity in a listed entity (i.e. Pandal Group Limited), equity value can be tracked on a daily basis and value can be realised over time.

With respect to the FLE Scheme, the capitalised value is shared between Fund Managers and the Pandal Group when the FLE is converted into PDL equity. No equity is granted until FUM and revenue are generated.

We believe this approach cultivates a performance oriented and stable environment that aligns Fund Managers to the business. Therefore, promoting a desirable business for our clients when determining a suitable Fund Manager.

Further, we have been careful to mitigate against an asset gathering mentality that would likely impact investment performance. Specifically:

- Investment performance, and the individual contribution to it, is a key factor in how the pool for the funds management team is divided up;
- There is no evidence of an asset-gathering mentality – indeed every funds management team has voluntarily imposed capacity constraints where appropriate on some or all of their products. In the case of JOHCM, every product has a stated capacity agreed with the fund managers; and
- Interests are aligned by earning performance fees on certain fund returns that exceed benchmarks.

Sales remuneration

Business Development Managers within our retail and institutional sales teams are provided market competitive fixed and variable remuneration. Consistent with other employee groups, fixed remuneration is reviewed at the beginning of each financial year.

Variable remuneration has continued to evolve in order to reflect the changing needs of our business and our clients while balancing regional differences in approach to remuneration. Generally, awards are now derived by balancing actual sales performance with additional indicators of success, such as client retention, cross-selling, and other team behaviours.

The formula may vary between the institutional sales channel versus the wholesale channels. In line with greater regulatory scrutiny on sales practices in the UK and Australia there has been reduced emphasis on direct sales commission. In line with Fund Managers and other employees, sales employees are required to take a portion of their variable remuneration in the form of deferred equity, vesting between three and five years.

The time horizon of payments for the revenue generation scheme varies between one to three years. Typically, payment outcomes are provided over shorter time horizons to reinforce the link between revenue generation and reward.

4. Oversight and governance

The Board, through its Remuneration & Nominations Committee and its subsidiary JOHCM Holdings Limited Remuneration Committee (together, the Remuneration Committees), provides oversight of remuneration and incentive policies. This includes specific recommendations on remuneration packages and other terms of employment for Executive Directors, Senior Executives, NEDs and Fund Managers.

In summary, the Remuneration Committees are responsible for the following functions and responsibilities:

- Review and make recommendations to the Board in relation to remuneration arrangements and policies for the Group CEO and other Global Executive members as well as other Senior Executives and appointments;
- Approve Group equity allocations and Group VR pools;
- Significant changes in remuneration policy and structure, including employee equity plans and benefits;
- Review and make recommendations to the Board in relation to the succession plans for the Group CEO and review succession plans for other Global Group Executives;
- Provide oversight over the Company's strategic human resource initiatives, including diversity, culture and leadership;
- Assess the collective skills required to effectively discharge the Board's duties, having regard to the Company's performance, financial position, strategic direction and performance of Directors;
- Review the composition, functions, responsibilities, size of the Board and Director tenure; and
- Consider the suitability of candidates and make recommendations to the Board for the appointment of directors, director appointment criteria and succession planning.

During the 2019 Financial Year, the Board and Remuneration Committees actioned the following significant items in relation to remuneration arrangements as outlined in the table below.

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Significant matters considered during the 2019 Financial Year

Approved conversions of various equity schemes	Approved conversions under the FLE Scheme.
Approved remuneration of incoming and outgoing executives	Approved the appointment and remuneration arrangements for the CEO, JOHCM, UK/Europe and Asia. Approved the appointment and remuneration arrangements for the CEO JOHCM (US) Inc. Approved the remuneration arrangements for members of the UK and Australian Executive teams.
Continued evaluation of the application of UCITS V, MiFID and Senior Managers and Certification Regime for the Group	Reviewed and approved Malus and Clawback Policies in line with the regulatory requirements in the UK and Europe. Reviewed and assessed the impacts of the Senior Managers and Certification Regime in readiness for implementation in December 2019.
Onboarded a US based Director	Christopher Jones joined the Board in November 2018.
Recruited UK based directors for new UK regulatory entities JOHCM Ltd and JOHCM (Funds) UK	Identified independent directors for the local UK regulatory Boards for the JOHCM Ltd MIFID Board and the JOHCM (Funds) UK Ltd.
Reviewed and approved Sales Remuneration Arrangements	Reviewed and approved new sales incentive plans for the Pental Australia, JOHCM UK, Singapore and US sales teams.
Reviewed Corporate Remuneration Arrangements	Reviewed the Corporate bonus pool for the Pental Australia business and the JOHCM Senior Staff bonus pool. Reviewed and confirmed the Key Management Personnel remuneration structures. Reviewed our remuneration practices in jurisdictions where regulatory changes required the adoption of new standards.

Engagement of remuneration consultants

The Remuneration & Nominations Committee has a Charter in place that acknowledges its obligations under the *Corporations Act 2001* in respect of remuneration advice or remuneration recommendations for KMP. This includes:

- Committee approval is required to appoint any remuneration consultant to advise in relation to KMP remuneration;
- Any advice from the remuneration consultant must be provided directly to the Chair of the Committee and not to management; and
- Dialogue between KMP to whom the advice relates and the remuneration consultant is precluded and a declaration of their independence from the KMP to whom their recommendations relate. Confirmation that the Remuneration & Nominations Committee's conditions of engagement have been observed is also required.

By observing these requirements, the Remuneration & Nominations Committee receives assurance that the remuneration advice and recommendations provided by remuneration consultants are independent from management.

Independent Board advice and services

Guerdon Associates continues to act as the Remuneration & Nominations Committee's appointed remuneration adviser and provided the Board with benchmarking information for the Group CEO in the 2019 Financial Year.

No consultants were engaged to provide recommendations to the Remuneration & Nominations Committee in relation to KMP remuneration that fit within the definition of a 'remuneration recommendation' under the *Corporations Amendment (Improving Accountability on Directors and Executive Remuneration) Act 2011*.

Services provided to management and the Committee

The following organisations provided management with remuneration benchmarking data for employees:

- Financial Institutions Remuneration Group (FIRG)
- McLagan
- Mercer-Kepler
- Egan Associates

The following organisations provided management with assistance on assessment of regulatory impacts as it relates to remuneration arrangements:

- Allen and Overy
- Tapestry Global Compliance Partners
- Ernst & Young (EY); EY also provided management updates on legislative and regulatory developments in the financial services industry
- PricewaterhouseCoopers reviewed the calculations for the FLE conversions

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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

5. Link between remuneration outcomes and group performance

Pendal Group's position against peer groups

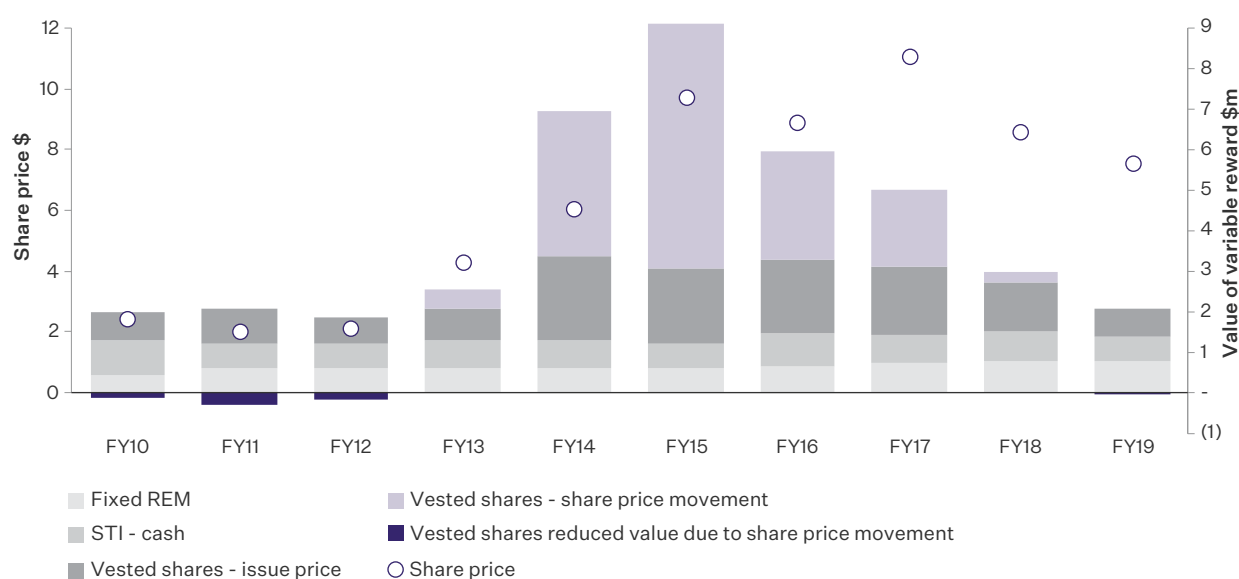
For the purpose of assessing the Group CEO's remuneration, the Company is positioned in the upper quartile against the Australian ASX benchmarks for market capitalisation amongst the Australian Asset Management peers. The Company is placed closer to the lower quartile against the UK market peers.

Graph 2 below outlines the Pendal Group CEO's annual total reward since he joined the organisation relative to share price growth. It bears noting that the Company did not have a LTI scheme for the Group CEO until the 2012 Financial Year, when it was introduced in response to shareholder feedback. The introduction of the Group CEO LTI required alignment with the intent of both short-term and long-term incentives and with shareholder outcomes. On this basis, the STI component decreased, with the result that the Group CEO's remuneration opportunity reduced for three years until the first LTI vesting in 2014. Under both STI deferral and the LTI program, the number of underlying shares are determined at grant, ensuring Group CEO exposure to share price movements during the vesting period.

The graph illustrates strong share price growth since the Group CEO's commencement with the Company. During this time, Pendal Group has grown substantially by every measure and accordingly, the Group CEO's remit has transformed in scale and complexity and has an increasing global focus. Except for some minor adjustments to reflect Superannuation Guarantee legislation increases, the Fixed Remuneration element for the Group CEO has remained unchanged since his commencement in 2010 until 1 January 2017, when it was increased as per the 2017 Remuneration Report. There were no changes made to the Group CEO's arrangements this year.

As can be seen from Graph 2 and Table 1(b) the Group CEO's total remuneration including the value of vested equity has decreased by approximately 22 per cent in 2019 when compared to 2018. This was driven by the share price decline and zero vesting of the LTI award (see vesting of LTI Grants on page 50). The alignment of the Group CEO's variable remuneration with shareholders is evident in this outcome.

Graph 2: Group CEO's total remuneration over time



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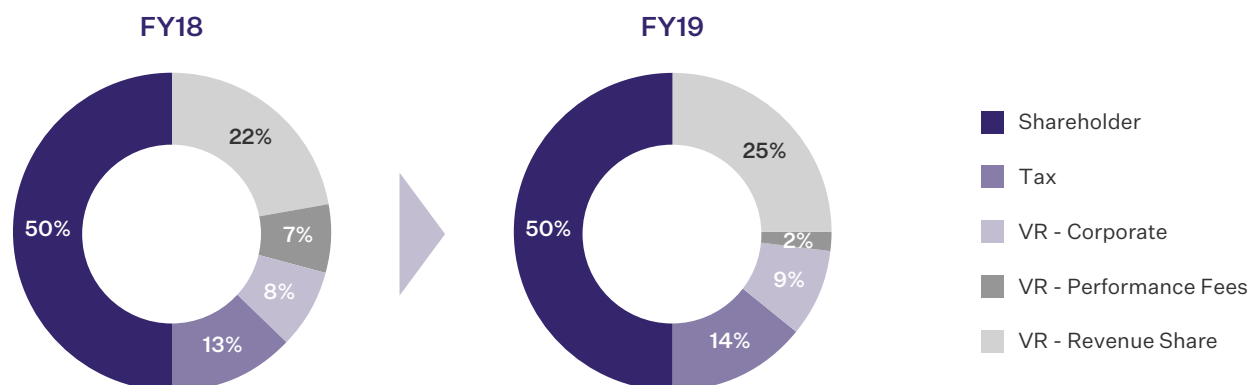
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

How the share of profits (pre-tax pre-variable reward) is divided

As part of Pendal Group's remuneration philosophy, our business model involves sharing profits amongst Fund Managers, generated by the efforts and skill of the funds management teams with the support of Corporate employees, and between shareholders and employees via the variable reward schemes. These schemes vary for different groups of employees to reward outcomes and behaviours appropriate to their roles and responsibilities.

The allocation of profits attributed to both shareholders and employees is outlined in Chart 3. This is calculated taking into account all of the variable remuneration schemes across the business as described above, when the share of pre-tax pre-variable reward profits (revenue less operating costs of running the business prior to distribution of variable reward and profits to shareholders) is assessed.

Chart 3: Actual share of profits (pre-tax pre-variable reward)

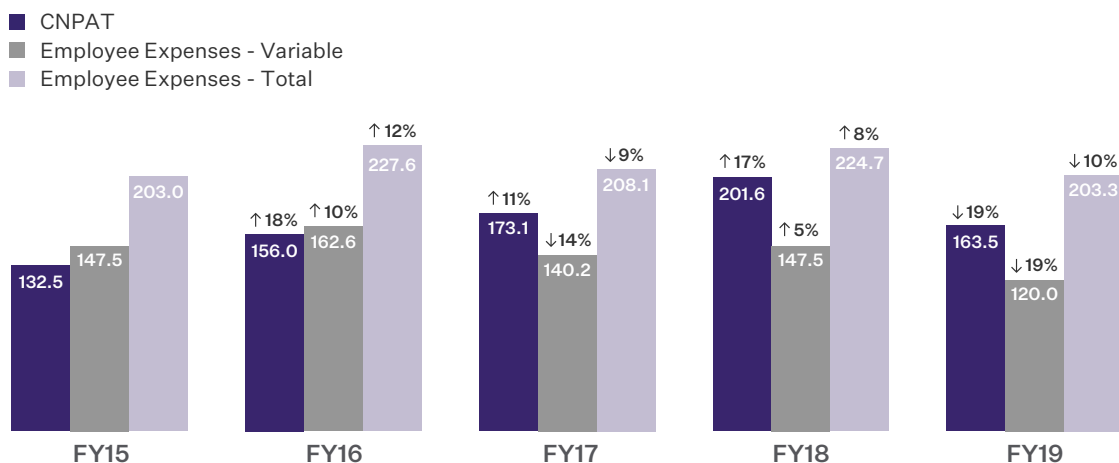


Graph 3 demonstrates the linkage between Pendal Group performance (i.e. Cash NPAT) and overall remuneration outcomes (i.e. variable reward and total employee expenses) over the last five years.

Remuneration outcomes and Pendal Group's performance is linked primarily via the contracted revenue scheme for the Fund Managers and the variable reward schemes for Corporate employees including the Group CEO and other members of the Global Executive Committee. The schemes link variable remuneration to either a change in revenue (as is the case for the Fund Managers under a revenue sharing agreement) or a change in Company profitability (in the case of corporate employees). The 2019 Financial Year remuneration was primarily impacted by lower investment performance fees and lower corporate profitability.

For the 2019 Financial Year, the decline in variable remuneration outcomes for Pendal Group employees of -19 per cent aligns to the reduction in Cash NPAT. Total employee remuneration expense did not fall as sharply (-10 per cent) because a component of total employee remuneration includes fixed pay. During the year we also made further investment in people to deliver on our business growth strategy, identify operational efficiencies and expand our global Responsible Investment capability.

Graph 3: VR outcomes compared to Company performance over the last five years



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Vesting of LTI grants

The 2016 Financial Year LTI grants awarded to the Group CEO and other Global Executive Committee members under the Performance Reward Scheme have not vested. The number of underlying shares for the awards were determined at grant, ensuring that participants were aligned to shareholders during the vesting period. The LTI grants were subject to two performance hurdles, TSR and fully diluted Cash EPS. The performance of the hurdles during the three year period was as follows:

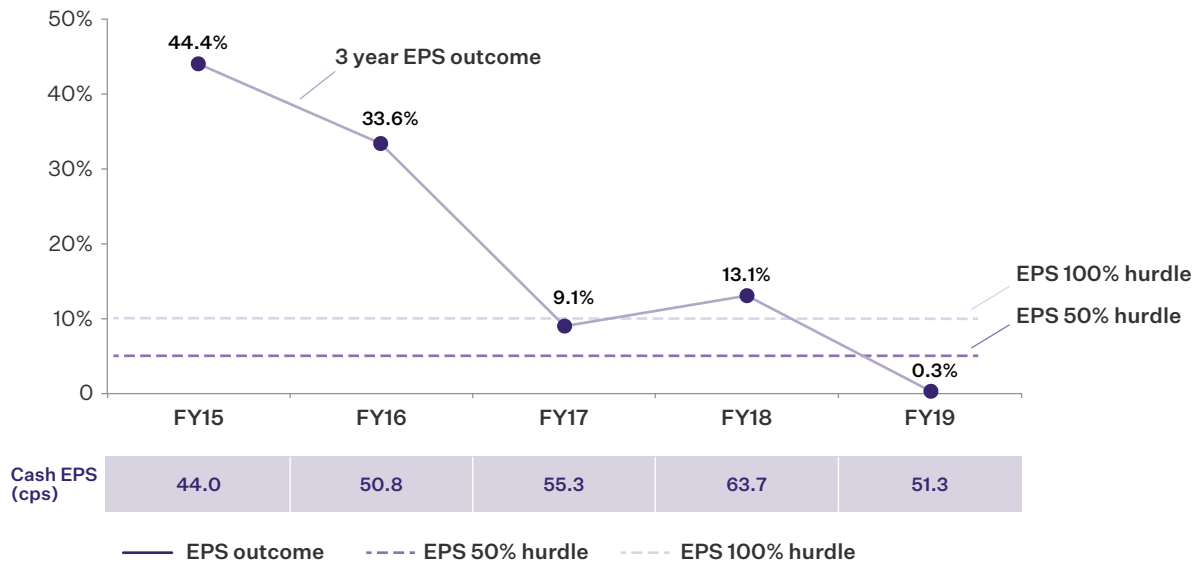
1. Fully Diluted **Cash EPS growth: 50 per cent of award**. Target range of greater than 5 per cent to 10 per cent annual compound growth. Cash EPS over the three year performance period was 0.3 per cent, therefore **the Cash EPS portion of the award has not vested**.
2. **TSR: 50 per cent of award**. Target range of ASX 200 median to the top quartile. Pandal Group's TSR over the three-year performance period of -4.4 per cent was in the third quartile of the ASX 200 comparator group and so the relative **TSR portion of the award has not vested**.

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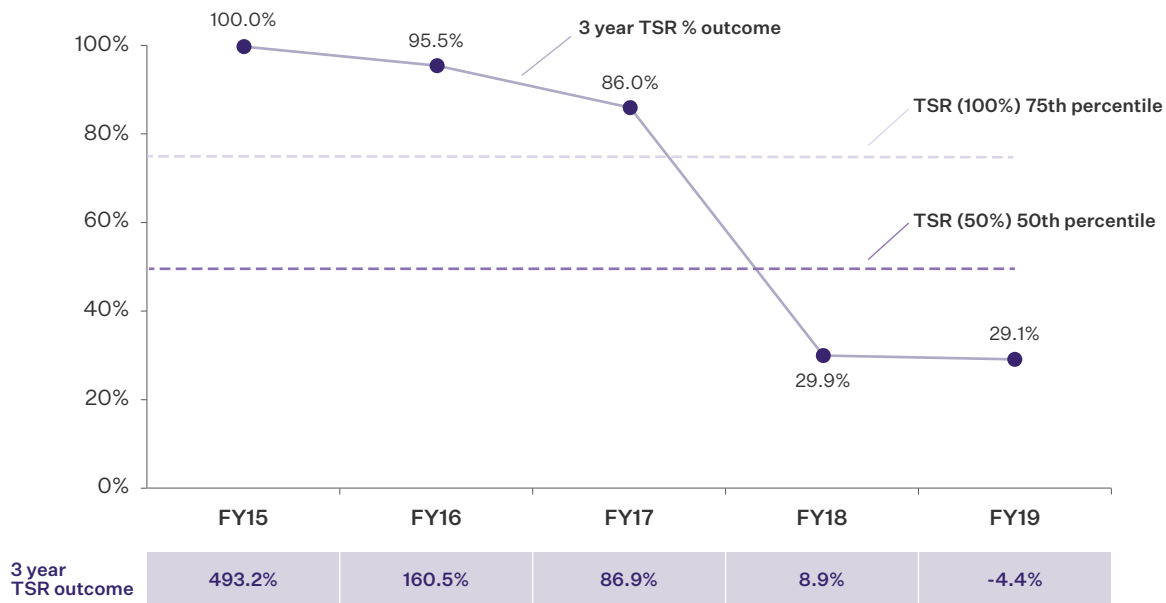
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Graphs 4a and 4b illustrate the performance against LTI hurdles over time under the Performance Reward Scheme at the end of each 3 year performance period.

Graph 4a: Performance Reward Scheme – Cash EPS outcome achieved at the end of each performance period against the LTI hurdle for the last five years



Graph 4b: Performance Reward Scheme – TSR % outcome achieved at the end of each performance period against the LTI hurdle for the last five years



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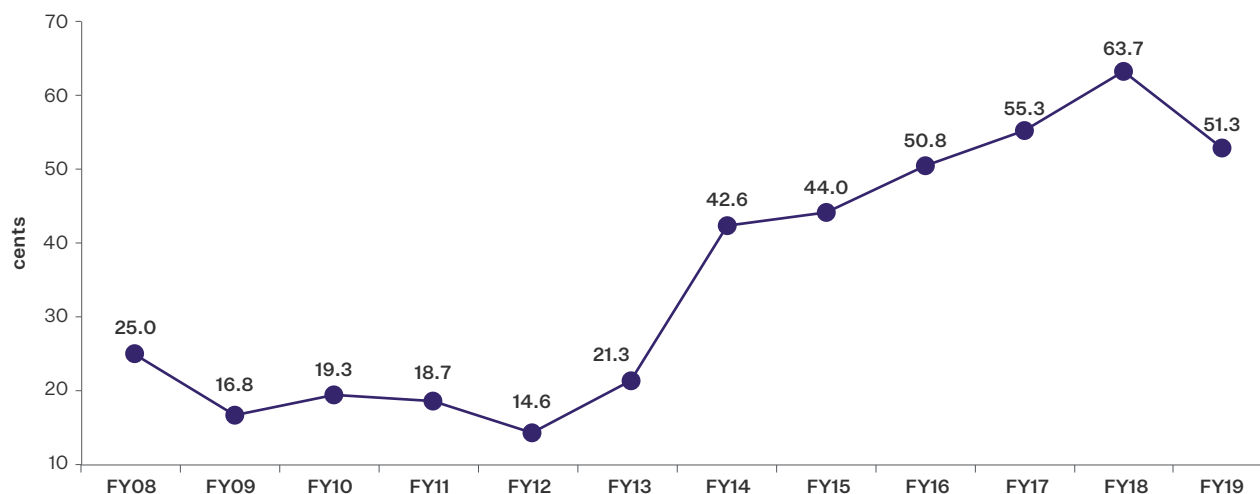
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Vesting of LTI grants and link to Pental Group's Performance

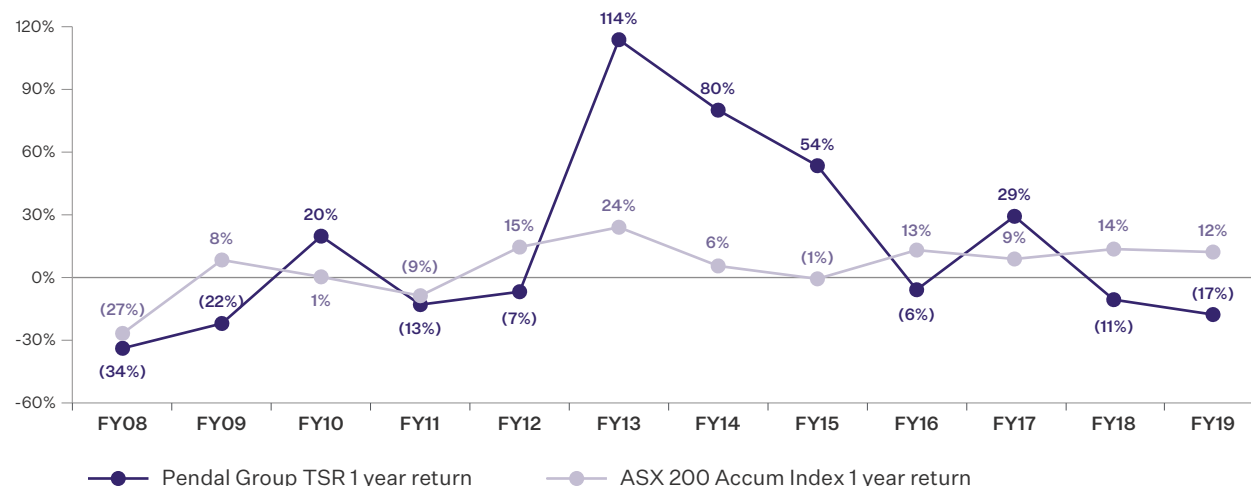
Why relative TSR and Fully Diluted Cash EPS hurdles?

The TSR hurdle of 50-100% is aligned with common market practice to ensure an equitable reward for executives to peer executives assessed on a similar basis. The TSR ASX 200 peer group represents the primary investable universe from which shareholders can choose to invest. Vesting based on Pental results relative to the ASX 200 provides strong alignment between Pental Executives and shareholders in terms of where investor capital may be allocated. The Cash EPS hurdle of 5-10% has been set by the Board to encourage management to build a business that is sustainable through various economic cycles, irrespective of whether the markets rise or fall. The Board set the 5-10% band for Cash EPS vesting by considering the evidence and expectations for reasonable long-term earnings growth. The goal is to maintain a consistent hurdle across the market cycle so that the goals are very clear for management and shareholders, to be realistically achievable but not easy, and to represent a result that would produce a healthy return for shareholders. Graphs 5a and 5b below provide a ten year historical overview of Pental Group's Cash EPS and TSR relative performance against the S&P/ASX 200 Accumulation Index.

Graph 5a: Pental Group Cash EPS (cps) over time



Graph 5b: Pental yearly TSR and yearly S&P/ASX 200 Accumulation Index over time



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Group CEO and other Global Executive Committee members' performance outcomes in the 2019 Financial Year

Group CEO Performance and Short Term Incentive Outcome

The Group CEO remuneration structure that applied in the 2019 Financial Year is in line with the remuneration structure set out earlier in this Remuneration Report.

The 2019 Financial Year short term incentive outcome of \$1.150 million reflects the Boards assessment of the Group CEO's performance against the Key Performance Indicators including financial and non-financial measures as outlined below.

Group CEO performance against key performance indicators and remuneration outcomes

Short-Term Incentive \$1.150m	Description of key performance indicators and performance			
	Performance Measure	Key Performance Indicators (KPIs)	Weighting	FY19 Performance Against KPIs
	Financial	Cash NPAT Base Management Fee Revenue	30%	Profit was down for the year primarily due to lower performance fees. Pendal experienced a challenging operating environment, resulting in pressure across key financial measures including: - Average FUM of -1% - Base management fee revenue of -4% - Cash net profit after tax of -19% - Cash earnings per share of -19% Overall below target
	People	Development of succession plans that facilitates smooth transition for individuals in key roles.	20%	Progress made in identifying a model for providing succession planning for key investment roles and is in early stage of implementation. Overall slightly below target
	Execute on Growth Strategy	Progress against Strategic Objectives regarding investment performance, product strategy and distribution	20%	Key investment strategies outperforming with 52% of FUM over three years above benchmarks and 79% over five years above benchmarks. Expanded distribution in the US to the West Coast along with key sales recruitment in the UK, and restructured Australian distribution to be more channel focused around client groups. Completed full ownership and on boarding of Regnan (ESG specialist Company) expanding the Group's ESG platform and expertise. Overall slightly below target
	Global Leadership	Determine and develop global organisational structure to deliver growth and long-term stability of the business. Conduct review and approval of functional roles and responsibilities of Global executive team and path way to achieving optimal structure.	10%	Significant steps taken in building out Global Executive team with the appointment of a permanent Global Chief Risk Officer and the recruitment of a CEO JOHCM UK/Europe and Asia and a CEO JOHCM US. Clear regional management structure in place with expanded Global Executive team. Overall above target
	Risk Management & Operational Effectiveness	Effective risk management and operational risk framework that embeds quality risk culture to ensure the business operates within agreed Risk Appetite framework with sound outcomes, utilising a robust operational platform with the right governance structures, processes and resources to support business model and strategy including Brexit developments.	20%	No significant regulatory issues identified in 2019. Enhanced Group risk reporting on regulatory and compliance matters. Work on the Senior Managers and Certification Regime (SMCR) well advanced ahead of December 2019 implementation date. Regulatory entities approved to reflect separation of MiFID firm from UCTIS ManCo in the UK with appropriate governance structures in place. Joint working groups established focused on identifying global operational synergies and creating operational efficiencies. Approval to establish Dublin based UCITS ManCo granted and expected to be operational 1 November 2019 as part of Brexit strategy to operate in European jurisdiction. Overall above target

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	Description of Long-Term Incentive Award performance hurdles and outcome
Long-Term Incentive Award	The Group CEO was awarded \$1 million face value equivalent of performance share rights to PDL shares for no consideration for the 2019 Financial Year, following a vote by shareholders at the 2018 Annual General Meeting. The Group CEO's LTI opportunity represents the maximum incentive opportunity under the award and is determined with reference to market benchmarking. Hurdles are designed to be reasonably stable over the cycle.
\$1,000,000	Vesting of the award is subject to two equally weighted hurdles, measured over three years:
0% vesting of 2016 LTI Award	a) 50% (\$500,000) subject to relative TSR performance, and b) 50% (\$500,000) subject to Cash EPS growth. For the LTI award for which performance was measured over three years from 1 October 2016 to 30 September 2019, the TSR and Cash EPS performance hurdles have been tested. Neither the TSR nor the Cash EPS have met their minimum hurdles resulting in 0% vesting and a zero award for the LTI Award that was issued in in the 2016 Financial Year.

Other Global Executive Committee Members' Performance

Each year the Group CEO, taking into account market data and the scope of the role, considers the appropriate variable reward target for each member of the Global Executive Committee. The recommendations are presented to the Remuneration & Nominations Committee who discuss and approve the remuneration package for each individual. Company profitability is an important determinant in Senior Executive variable reward outcomes along with non-financial factors, including risk management, also having an influence. Financial performance indicators considered include profitability, expense management and sales performance.

The Group CEO determined a set of priorities and key deliverables for the Global Executives that align with the strategic goals of the business. The Group CEO undertakes a review with each Global Executive and conducts a formal discussion with them about their key achievements during the performance year, and identifies areas for improvement and focus going forward. The non-financial measures that are incorporated will differ from one Global Executive to the next depending on the role but are made up of business critical objectives such as business strategy, people management, quality and delivery of project work, client satisfaction, support to the investment teams, ability to resolve issues and risk management.

Once the objectives are agreed, the Group CEO meets regularly with his direct reports to assess progress and adjust or change priorities depending on the needs of the business. A more formal review of achievements and an assessment against objectives is carried out twice per year. The Group CEO reviews the performance of the Global Executive Committee members annually with the Remuneration & Nominations Committee.

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6. Details of the Global Executive Committee remuneration outcomes

The following section contains both statutory (in accordance with applicable accounting standards and regulations) and voluntary disclosures of awarded remuneration for KMP.

Pendal has considered feedback from investors at last year's Annual General Meeting, specifically that the voluntary disclosure tables within the Remuneration Report required streamlining to enhance comprehension. In order to report disclosures that provide for greater shareholder clarity, Pendal has consolidated the number of tables and has supplemented the tables with additional information.

Table 1a Short Term Incentive (STI) outcomes for the Global Executive Committee in the 2019 and 2018 Financial Years

The table below sets out the Global Executive Committee's (KMP) STI outcomes for the 2019 and 2018 Financial Years. STI outcomes are awarded in both cash and Pendal shares with deferred vesting on the shares. The total STI represents the actual cost to the Company and is charged to Cash NPAT.

The number of shares granted to each KMP is subject to the STI outcome with a portion paid in deferred PDL shares which are purchased by the Company on behalf of employees and acquired by the Pendal Group Employee Benefit Trust through a combination of on-market and off-market purchases. The shares vest over a 5 year period providing alignment between executives and shareholders.

Current KMP	FY	Cash STI (\$)	STI deferred into Equity ^{1,2} (\$)	Total STI (\$)
Emilio Gonzalez	19	575,000	575,000	1,150,000
	18	700,000	700,000	1,400,000
Alexandra Altinger ^{3&4}	19	-	-	-
	18	-	-	-
Richard Brandweiner ⁵	19	270,000	270,000	540,000
	18	225,000	225,000	450,000
Bindesh Savjani ³	19	380,780	163,191	543,971
	18	-	-	-
Cameron Williamson	19	253,258	100,742	354,000
	18	280,040	119,960	400,000
Former KMP				
Ken Lambden ³	19	-	-	-
	18	583,554	-	583,554
Total	19	1,479,038	1,108,933	2,587,971
	18	1,788,594	1,044,960	2,833,554

Notes to Table 1a

- Equity-based remuneration represents the actual short term equity awarded for performance for the 2019 Financial Year. These projected amounts were determined after performance reviews were completed, and approved by the Board. It should be noted there may be immaterial changes to these figures following final approval of the relative proportions of cash and equity as part of the annual remuneration review cycle.
- Actual number of shares allocated for the 2019 Financial Year award will be determined closer to the allocation date on 5 December 2019.
- Alexandra Altinger and Bindesh Savjani are remunerated in Pound Sterling. An average exchange rate of 0.5515 has been applied to convert their total STI to Australian Dollars. Ken Lambden was remunerated in Pounds Sterling in the 2018 Financial Year with an average exchange rate of 0.5655.
- Alexandra Altinger commenced employment with JOHCM on 9 September 2019 and did not qualify for a STI for the 2019 Financial Year.
- Richard Brandweiner's 2018 Financial Year STI was pro-rated based on his commencement date in February 2018.

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Table 1b: Global Executive Committee remuneration – actual or realised remuneration received in the 2019 and 2018 Financial Years

This table shows the actual remuneration paid to, and the equity which vested for, each Global Executive Committee member (KMP) in the 2019 and 2018 Financial Years. This includes:

- Fixed remuneration received during the year;
- The cash component of STI awarded in 2019 and 2018;
- Deferred STI equity awarded in prior years that vested in 2019 and 2018;
- LTI equity awarded in prior years that vested in 2019 and 2018; and
- Other payments.

	FY	Fixed Remuneration (\$)	Cash component of STI ³ (\$)	Vesting of prior years STI awards ⁴ (\$)	Vesting of prior years LTI awards ⁵ (\$)	Dividends paid on deferred shares and hurdled LTI equity ⁶ (\$)	Other ⁷ (\$)	Total (\$)
Current KMP								
Emilio Gonzalez	19	800,000	575,000	681,789	-	160,352	300,000	2,517,141
	18	800,000	700,000	1,032,057	452,605	245,282	-	3,229,944
Alexandra Altinger ^{1,2}	19	34,591	-	-	-	-	-	34,591
	18	-	-	-	-	-	-	-
Richard Brandweiner ²	19	550,001	270,000	35,913	-	11,907	-	867,821
	18	325,771	225,000	-	-	-	-	550,771
Bindesh Savjani ^{1,2}	19	339,587	380,780	-	-	-	375,340	1,095,707
	18	-	-	-	-	-	-	-
Andrew Shiels ^{1,2}	19	397,779	-	-	-	-	-	397,779
	18	759,284	-	-	-	-	-	759,284
Cameron Williamson	19	445,120	253,258	104,942	-	25,492	-	828,812
	18	431,062	280,040	156,336	79,204	39,247	-	985,889
Former KMP								
Michael Bargholz	19	-	-	-	-	-	-	-
	18	513,278	-	-	-	-	218,051	731,329
Ken Lambden ¹	19	-	-	-	-	-	-	-
	18	610,955	583,554	56,325	-	-	-	1,250,834
Total Global Executive Committee Remuneration	19	2,567,078	1,479,038	822,644	-	197,751	675,340	5,741,851
	18	3,440,350	1,788,594	1,244,718	531,809	284,529	218,051	7,508,051

Notes to Table 1b

- Alexandra Altinger, Bindesh Savjani, and Andrew Shiels are remunerated in Pounds Sterling. An average exchange rate of 0.5515 for 2019 (2018:0.5655) has been applied to convert their remuneration to Australian dollars. Ken Lambden was remunerated in Pounds Sterling in the 2018 Financial Year.
- Alexandra Altinger and Bindesh Savjani commenced employment with JOHCM on 9 September and 4 March 2019 respectively. The total fixed remuneration for both Alexandra Altinger and Bindesh Savjani has been pro-rated to reflect their respective start dates. Alexandra Altinger did not qualify for a bonus or equity for the 2019 Financial Year. Andrew Shiels was engaged on a consultancy basis and his remuneration represents a pro-rated amount from 1 October 2018 to the end of his contract on 15 March 2019. Richard Brandweiner's total remuneration in the 2018 Financial Year was prorated from his start date on 26 February 2018.
- The cash component of STI represents the award for performance during the 2019 Financial Year and will be paid in December 2019. These amounts were determined after performance reviews were completed, and approved by the Board. It should be noted there may be changes to these figures following final approval of the relative proportions of cash and equity as part of the annual remuneration review cycle.
- The equity awards that vested on 1 October 2019 are treated as vesting in the 2019 Financial Year. The equity value has been calculated as the number of securities that vested during the year ended 30 September 2019, multiplied by the closing PDL share price on the date of vesting.
- The LTI granted in the 2016 Financial Year has not vested in 2019 as it did not meet the minimum performance hurdles for TSR or Cash EPS. The LTI that vested on 1 October 2018 has been treated as vesting in the 2018 Financial Year.
- Dividend payments are dividends paid on STI shares granted from previous years' rewards that have been deferred in accordance with the Equity Plan Rules. They are also dividend equivalent payments made in relation to the 2015 performance share rights that vested on 1 October 2018. No dividend equivalent payments were made for the 2016 performance share rights because they did not vest. The 2018 Financial Year comparative numbers have been adjusted to include the dividend payments on STI deferred shares.
- Other payments made to Emilio Gonzalez represents a one-off cash payment in recognition for additional responsibilities as interim CEO of JOHCM during the 2019 Financial Year. Other payments for Bindesh Savjani represent cash make good payments paid following the commencement of his employment.

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Table 1c: Statutory remuneration for the Global Executive Committee in the 2019 and 2018 Financial Years

The table below details the statutory accounting expense of all remuneration-related items for the Global Executive Committee (KMP) in relation to both the 2019 and 2018 Financial Years.

The table shows the remuneration based on accrual accounting amounts determined in accordance with the Australian Accounting Standards (refer to the footnotes to the table below). It is different from Table 1b which reports actual remuneration outcome which the Directors believe is more informative as to what was actually realised for senior executives in the period. Please see footnote 7 to the table for greater clarification.

	FY	Short term benefits			Post-employment benefits	Other long-term benefits	Equity based payments				Other ¹⁰ (\$)	Total (\$)
		Salary & fees (\$)	Cash component of STI ³ (\$)	Non-monetary benefits ⁴ (\$)	Super-annuation (\$)	Long service leave ⁵ (\$)	STI Equity ^{6, 8} (\$)	LTI Equity ^{7,8} (\$)	Dividends paid on deferred shares and LTI equity ⁹ (\$)			
Current KMP												
Emilio Gonzalez	19	775,000	575,000	12,502	25,000	23,363	696,668	311,284	160,352	300,000	2,879,169	
	18	775,000	700,000	12,502	25,000	7,711	592,307	813,896	245,282		3,171,698	
Alexandra Altinger ^{1,2}	19	34,591	-	-	-	-	-	-	-		34,591	
	18	-	-	-	-	-	-	-	-		-	
Richard Brandweiner	19	525,001	270,000	18,000	25,000	7,925	126,598	255,747	11,907		1,240,178	
	18	308,866	225,000	-	16,905	3,759	46,310	94,513	-		695,353	
Bindesh Savjani ^{1,2}	19	334,751	380,780	6,256	4,836	-	246,660	73,034	-	375,340	1,421,657	
	18	-	-	-	-	-	-	-	-		-	
Andrew Shiels ^{1,2}	19	397,779	-	-	-	-	-	-	-		397,779	
	18	759,284	-	-	-	-	-	-	-		759,284	
Cameron Williamson	19	420,120	253,258	-	25,000	15,330	132,390	121,827	25,492		993,417	
	18	406,062	280,040	-	25,000	21,079	89,229	176,183	39,247		1,036,840	
Former KMP												
Michael Bargholz	19	-	-	-	-	-	-	-	-		-	
	18	489,348	-	-	23,930	-	(264,589)	(163,557)	-	218,051	303,183	
Ken Lambden ¹	19	-	-	-	-	-	-	-	-		-	
	18	610,080	583,554	6,820	875	-	225,701	(324,630)	-		1,102,400	
Total Global Executive Committee Remuneration	19	2,487,242	1,479,038	36,758	79,836	46,618	1,202,316	761,892	197,751	675,340	6,966,791	
	18	3,348,640	1,788,594	19,322	91,710	32,549	688,958	596,405	284,529	218,051	7,068,758	

Note to Table 1c:

- Alexandra Altinger, Bindesh Savjani and Andrew Shiels are remunerated in Pounds Sterling. An average exchange rate of 0.5515 for 2019 (2018:0.5655) has been applied to convert their remuneration to Australian dollars. Ken Lambden was remunerated in Pounds Sterling in the 2018 Financial Year.
- Alexandra Altinger and Bindesh Savjani commenced employment with JOHCM on 9 September and 4 March 2019 respectively. The total fixed remuneration for both Alexandra Altinger and Bindesh Savjani has been pro-rated to reflect their respective start dates. Alexandra Altinger did not qualify for a bonus or equity for the 2019 Financial Year. Andrew Shiels was engaged on a consultancy basis and his remuneration represents a pro-rated amount from 1 October 2018 to the end of his contract on 15 March 2019. Richard Brandweiner's total remuneration in the 2018 Financial Year was prorated from his start date on 26 February 2018.
- The cash component of VR represents the award for performance during the 2019 Financial Year and will be paid in December 2019. These projected amounts were determined after performance reviews were completed, and approved by the Board. It should be noted there may be changes to these figures following final approval of the relative proportions of cash and equity as part of the annual remuneration review cycle.
- The non-monetary benefit for Emilio Gonzalez and Richard Brandweiner is a salary sacrifice benefit which is accessible to all employees and includes but is not limited to car parking, novated leases and/or computers, etc. The non-monetary benefits provided to Bindesh Savjani includes healthcare coverage, life cover and long-term disability cover.
- Although long service leave benefits continue to accumulate, the amount recognised in the financial statements for such benefits has been re-valued in accordance with actuarial-based valuation methodologies.
- Equity-based remuneration represents the amortisation of the 'fair value' at grant date over the vesting period of all grants. 'Fair value' is determined as required by accounting standards as 'the amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged'.

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- 7 LTI does not represent what has vested. The actual value of the 2016 LTI grants measured in 2019 as highlighted in Table 1b is zero. The values in Table 1c above have been determined independently by an external valuation expert using valuation based methodologies which take into account the performance hurdles relevant to the issue of those equity instruments. The equity based payment is the amount expensed for the year in relation to all LTI grants that have been awarded (as outlined in Table 4) and includes adjustments to reflect the expectation as at 30 September 2019 of the likely level of vesting of the EPS hurdled LTI. For the 2016 EPS hurdled LTI grant which has not vested, 100 per cent of the amortisation expense has been reversed. For grants with market conditions such as TSR, the number of shares expected to vest is included in the estimated fair value of securities at grant date. This does not allow for adjustments during the performance period or at testing if performance hurdles are not met. For the 2016 TSR hurdled LTI grant, which has not vested, the amortisation expense has not been reversed. The accounting treatment of EPS and TSR hurdled LTI equity is in accordance with Accounting Standards.
- 8 The 2018 Financial Year number in relation to Michael Bargholz and Ken Lambden represents the reversal of the amortisation expense relating to the equity that was forfeited as part of cessation of employment.
- 9 Dividend payments are dividends paid on STI shares granted from previous years' rewards that have been deferred in accordance with the Equity Plan Rules. They are also dividend equivalent payments made in relation to the 2015 performance share rights that vested on 1 October 2018. No dividend equivalents payments were made for the 2016 performance share rights because they did not vest. The 2018 Financial Year comparative numbers have been adjusted to include the dividend payments on STI deferred shares.
- 10 Other payments to Emilio Gonzalez represents a one-off cash payment in recognition of additional responsibilities as interim CEO of JOHCM. Other payments for Bindesh Savjani represent cash make-good payments made following commencement

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Table 2 illustrates the relative proportions of fixed, cash VR and equity remuneration in the relevant financial year (calculated based on statutory accounting disclosures; i.e. Table 1(c) as a percentage of total remuneration. Table 2 differs to Charts 1 and 2 on page 40 which are based on the target equity-based remuneration.

Table 2: Global Executive Committee 2019 and 2018 Financial Years' fixed and variable remuneration as a proportion of total remuneration

Global Executive Committee	Fixed remuneration as a percentage of total remuneration ¹		Cash VR as a percentage of total remuneration		Equity as a percentage of total remuneration ²	
	2019 (%)	2018 (%)	2019 (%)	2018 (%)	2019 (%)	2018 (%)
Emilio Gonzalez	39	26	20	22	41	52
Alexandra Altinger	100	n/a	-	n/a	-	n/a
Richard Brandweiner	46	48	22	32	32	20
Bindesh Savjani	51	n/a	27	n/a	22	n/a
Andrew Shiels	100	100	n/a	n/a	n/a	n/a
Cameron Williamson	47	44	25	27	28	29

Notes to Table 2:

The 2018 Financial Year comparative percentages have been adjusted to include the dividend payments on STI deferred shares that were paid in that year.

1 Non-monetary benefits and long service leave have been included in the fixed remuneration calculation, if applicable.

2 The equity component represented in this table includes the equity-based remuneration awarded for the 2019 and 2018 Financial Years and long-term incentives.

Share based-payments

Details of the shares in Pental granted as compensation to the Group CEO and other Global Executive Committee Members under the Employee Equity Plan during the reporting period are set out below.

Table 3: Group CEO and other Global Executive Committee members' short-term equity allocations

	Date of grant	Number of shares granted (#)	Value of award at grant (\$ per award)	Number of shares vested ¹ 1 Oct 2019 (#)	Proportion of award vested (%)	Proportion of award forfeited (%)
Group CEO						
Emilio Gonzalez	4-Dec-14	133,328	6.78	26,665	100	-
	3-Dec-15	94,638	13.01	18,928	80	-
	8-Dec-16	81,714	10.82	16,343	60	-
	7-Dec-17	68,347	10.69	13,670	40	-
	6-Dec-18	74,085	8.18	14,817	20	-
Other Global Executive Committee Members						
Richard Brandweiner	6-Dec-18	23,813	8.18	4,763	20	-
Bindesh Savjani	15-Mar-19	66,275	8.94	-	-	-
Cameron Williamson	4-Dec-14	22,030	6.78	4,406	100	-
	3-Dec-15	15,457	13.01	3,091	80	-
	8-Dec-16	7,688	10.82	1,538	60	-
	7-Dec-17	11,712	10.69	2,343	40	-
	6-Dec-18	12,696	8.18	2,540	20	-

Notes to Table 3:

1 The shares allocated for deferred VR, sign on and retention vest over five years with vesting dates of 1 October each year in most cases.

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Pendal Group's remuneration policy focuses on driving performance and creating shareholder alignment in the longer term. We do this by providing our Global Executive Committee members with LTI awards in the form of performance share rights with three year vesting periods. Table 4 below provides an overview of the Group CEO and other Global Executives' current LTI awards which have not yet vested.

Table 4: Group CEO and other Global Executive Committee members' long-term incentive awards

FY18	Commencement of Test Period for Grant ³	Award vehicle ²	Award granted (#)	Value of award at grant TSR Hurdle ¹ (\$)	Value of award at grant Non TSR Hurdle ¹ (\$)	Date of vesting	Vested during the year (#)	Lapsed during the year (#)	Balance as at 1 Oct 2019 (#)
Emilio Gonzalez	1-Oct-16	Performance Share Rights	111,873	5.68	8.94	1-Oct-19	-	111,873	-
	1-Oct-17	Performance Share Rights	90,546	6.85	11.04	1-Oct-20	-	-	90,546
	1-Oct-18	Performance Share Rights	114,887	5.33	8.70	1-Oct-21	-	-	114,887
Richard Brandweiner	1-Oct-17	Performance Share Rights	31,691	6.85	11.04	1-Oct-20	-	-	31,691
	1-Oct-18	Performance Share Rights	68,932	5.33	8.70	1-Oct-21	-	-	68,932
Bindesh Savjani	1-Oct-18	Performance Share Rights	31,224	5.33	8.70	1-Oct-21	-	-	31,224
Cameron Williamson	1-Oct-16	Performance Share Rights	19,577	5.68	8.94	1-Oct-19	-	19,577	-
	1-Oct-17	Performance Share Rights	27,164	6.85	11.04	1-Oct-20	-	-	27,164
	1-Oct-18	Performance Share Rights	34,466	5.33	8.70	1-Oct-21	-	-	34,466

Notes to Table 4:

- 1 The fair value of the performance share rights is based on Australian Accounting Standards and has been independently calculated using Binomial/Monte-Carlo simulation models. For further details on the fair value methodology, refer to Note D2 within the financial statements.
- 2 The LTIs are subject to performance hurdles which are tested at the end of three years.
- 3 The performance share rights allocated to the Global CEO and other Global Executives with a test period commencement date of 1 October 2016 did not meet the performance hurdles and are shown as not vesting in this table accordingly.

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Table 5: Equity components of variable remuneration

The table below outlines STI deferred equity and performance share rights that has been awarded to the Group CEO and other Global Executive Committee members with an associated vesting schedule for the 2019 Financial Year. The equity grants vest over a period of up to five years, provided that the vesting conditions are met. No equity grants will vest if the vesting conditions are not satisfied and the minimum value of the equity grant yet to vest is nil. The face value represents the cost of the equity grants to the Company at the time of allocation.

The maximum value of the equity grants yet to vest has been determined in accordance with accounting standards and represents the fair value of the equity grants at allocation date.

Global Executive Committee	FY of grant	Face value of the equity grants (\$)	Fair value of equity grants at grant (\$)	Minimum total value of grant yet to vest (\$)	Maximum fair value of equity grants allocated by the company that may vest in future years ¹				
					FY20 (\$)	FY21 (\$)	FY22 (\$)	FY23 (\$)	FY24 onwards (\$)
Emilio Gonzalez	2015	813,821	903,964	Nil	180,789	-	-	-	-
	2016	619,179	1,231,240	Nil	246,253	246,253	-	-	-
	2017	849,997	844,145	Nil	176,831	176,831	176,820	-	-
	2018	700,000	730,629	Nil	146,132	146,122	146,122	146,122	-
	2018	1,000,000	810,115	Nil	-	810,115	-	-	-
	2019	700,000	606,015	Nil	121,203	121,203	121,203	121,203	121,203
	2019	1,000,000	806,175	Nil	-	-	806,175	-	-
Richard Brandweiner	2018	350,000	283,539	Nil	-	283,539	-	-	-
	2019	225,000	194,790	Nil	38,961	38,961	38,961	38,953	38,954
	2019	600,000	483,703	Nil	-	-	483,703	-	-
Bindesh Savjani	2019	576,887	592,499	Nil	280,063	226,709	85,727	-	-
	2019	271,788	219,102	Nil	-	-	219,102	-	-
Cameron Williamson	2015	134,469	149,363	Nil	29,873	-	-	-	-
	2016	101,129	201,096	Nil	40,214	40,214	-	-	-
	2017	79,971	83,184	Nil	16,641	16,641	16,620	-	-
	2018	119,960	125,201	Nil	25,047	25,036	25,036	25,036	-
	2018	300,000	243,036	Nil	-	243,036	-	-	-
	2019	119,960	103,853	Nil	20,777	20,769	20,769	20,769	20,769
	2019	300,000	241,851	Nil	-	-	241,851	-	-

Notes to Table 5:

- 1 The equity grants comprise shares and performance share rights. The equity grants issued vest over three or five years with vesting dates of 1 October each year in most cases.

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7. Global Executive Committee members' employment agreements

Remuneration and other terms of employment for the Group CEO and other Global Executive Committee members are also formalised in employment agreements. Each of these agreements takes into consideration the provision of fixed remuneration (which is reviewed annually), performance-based cash incentives, other benefits, and participation, when eligible, in relevant equity-based plans. The employment agreements for the Group CEO and other Global Executive Committee members are currently open-ended, permanent, full time, common law employment agreements. Other significant provisions of the agreements relating to remuneration are set out below.

Summary of notice periods

Name	Notice period
Emilio Gonzalez	6 months
Alexandra Altinger	6 months
Richard Brandweiner	6 months
Bindesh Savjani	6 months
Andrew Shiels	1 month
Cameron Williamson	3 months

Summary of termination entitlements

Term	Who	Conditions
Termination with notice	Emilio Gonzalez	Any amount payable on the termination of employment will be made up of the following components: - accrued but unpaid fixed remuneration as at the date of termination of employment (Termination Date); - accrued but unused annual leave and long service leave as at the Termination Date; - any vested portion of any Equity Grants will be released in accordance with the Equity Plan Rules; - all unvested shares will be determined by the Board at its discretion; - any payment of a variable reward in the year of termination, including cash and/or equity, will be determined by the Board at its discretion; and - Pendal Group retains the right to bring the employment to an immediate end and pay an amount in lieu of notice, equal to the fixed remuneration that would have applied during the notice period.
	Alexandra Altinger	Any amount payable on the termination of employment will be made up of the following components: - accrued but unpaid base salary as at the Termination Date; - any accrued but unused holiday and cost to the Company of providing company benefits; - any vested entitlement of equity grants which have been allocated as at the Termination Date will be released in accordance with the relevant Equity Plan Rules; - any unvested equity grants which have been allocated as at the Termination Date will be subject to the relevant Equity Plan Rules; - any payment of a variable reward in the year of termination, including cash and/or equity, will be determined by the Board at its discretion; and - Pendal Group retains the right to bring the employment to an immediate end and pay an amount in lieu of notice, equal to the fixed remuneration that would have applied during the notice period.
	Richard Brandweiner	Any amount payable on the termination of employment will be made up of the following components: - accrued but unpaid fixed remuneration as at the Termination Date; - accrued but unused annual leave and long service leave as at the Termination Date; - any vested portion of Equity Grants will be released in accordance with the relevant Equity Plan Rules; - all unvested shares will be determined by the Board at its discretion; - any payment of a variable reward in the year of termination, including cash and/or equity, will be determined by the Board in its discretion; and - Pendal Group retains the right to bring the employment to an immediate end and pay an amount in lieu of notice, equal to the fixed remuneration that would have applied during the notice period.
	Bindesh Savjani	Any amount payable on the termination of employment will be made up of the following components: - accrued but unpaid base salary as at the Termination Date; - any accrued but unused holiday and cost to the Company of providing company benefits; - any vested entitlement of equity grants which have been allocated as at the Termination Date will be released in accordance with the relevant Equity Plan Rules; - any unvested equity grants which have been allocated as at the Termination Date will be subject to the relevant Equity Plan Rules; - any payment of a variable reward in the year of termination, including cash and/or equity, will be determined by the Board at its discretion; and - Pendal Group retains the right to bring the employment to an immediate end and pay an amount in lieu of notice, equal to the fixed remuneration that would have applied during the notice period.

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Term	Who	Conditions
	Andrew Shiels	Accrued but unpaid consultancy fees as at the Termination Date will be payable on the termination of the consultancy agreement.
	Cameron Williamson	Any amount payable on the termination of employment will be made up of the following components: • accrued but unpaid fixed remuneration package as at the Termination Date; • accrued but unused annual leave and long service leave as at the Termination Date; • any vested portion of any Equity Grants, will be released in accordance with the Equity Plan Rules; • all unvested shares will be determined by the Board at its discretion; • any payment of variable reward in the year of termination, including cash and/or equity, will be determined by the Board at its discretion; and • Pandal Group retains the right to bring the employment to an immediate end and pay an amount in lieu of notice, equal to the fixed remuneration that would have applied during the notice period.
Termination for cause	Emilio Gonzalez	Any amount payable on the termination of employment will be made up of the following components: • accrued but unpaid fixed remuneration package as at the date of termination of employment (Termination Date); • accrued but unused annual leave and long service leave as at the Termination Date; • any vested portion of any Equity Grants, will be released in accordance with the Equity Plan Rules; and • no entitlement to any variable reward for the year in which termination occurs or to any unvested equity grants.
	Alexandra Altinger	Any amount payable on the termination of employment will be made up of the following components: • accrued but unpaid base salary package as at the Termination Date; • accrued but unused annual leave as at the Termination Date; • any vested entitlement of equity grants which have been allocated as at the Termination Date will be released in accordance with the relevant Equity Plan Rules; and • no entitlement to any variable reward for the year in which termination occurs or to any unvested equity grants.
	Richard Brandweiner	Any amount payable on the termination of employment will be made up of the following components: • accrued but unpaid fixed remuneration package as at the date of the Termination Date; • accrued but unused annual leave and long service leave as at the Termination Date; • any vested portion of any Equity Grants, will be released in accordance with the Equity Plan Rules; and • no entitlement to any variable reward for the year in which termination occurs or to any unvested equity grants
	Bindesh Savjani	Any amount payable on the termination of employment will be made up of the following components: • accrued but unpaid base salary package as at the Termination Date; • accrued but unused annual leave as at the Termination Date; • any vested entitlement of equity grants which have been allocated as at the Termination Date will be released in accordance with the relevant Equity Plan Rules; and • no entitlement to any variable reward for the year in which termination occurs or to any unvested equity grants.
	Andrew Shiels	Accrued but unpaid consultancy fees as at the Termination Date were payable on the termination of the consultancy agreement.
	Cameron Williamson	Any amount payable on the termination of employment will be made up of the following components: • accrued but unpaid fixed remuneration package as at the Termination Date; • accrued but unused annual leave and long service leave as at the Termination Date; • any vested portion of any Equity Grants, will be released in accordance with the Equity Plan Rules; and • no entitlement to any variable reward for the year in which termination occurs or to any unvested equity grants.

Post-employment restraint

Employment agreements for the Group CEO and other Global Executive Committee members include a post-employment restraint clause which prohibits the solicitation of employees or clients of the Company for a period of six months following cessation of employment. The exception is Cameron Williamson, Group CFO who has a three month post-employment restraint period.

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8. Non-Executive Director remuneration

NED remuneration in the 2019 Financial Year

NED annual fee pool

The total NED fee pool for the 2019 Financial Year was \$1.6 million, which was approved by shareholders at the 2015 AGM.

For the 2019 Financial Year, \$1.5 million (95 per cent) of the annual fee pool was used. This is an increase on the 2018 Financial Year annual fee pool due to the addition of a new USA based NED in early November 2018, to secure additional market knowledge for Pental shareholders.

NED Fees

NEDs are paid a fixed fee for their service on the Board. NEDs (with the exception of the Chairman of the Board) also receive additional fees for their service on the Board's committees. In addition to these fixed fees, NEDs receive superannuation contributions that are made in accordance with legislative requirements. NEDs do not receive performance-based remuneration and are not eligible to participate in any Pental Group share plan or other incentive arrangements.

NED pay levels have been determined using the same peers as used in benchmarking for the CEO described in Section 5. The Company is positioned in the upper quartile against the Australian ASX benchmarks for market capitalisation and Australian Asset Management peers. The Company is placed in the third quartile against an average of UK and ASX listed Asset Management peers. While Pental is listed on the ASX, the NEDs must understand the nuances of a global business subject to complex market and regulatory dynamics. Further, all NEDs serve on the UK based J O Hambro Capital Management Holdings Limited Board, for which there is no additional fee.

A summary of the annual fees payable to NEDs during the 2019 Financial Year are set out in the table below and were unchanged from the 2018 Financial Year.

Non-Executive Director fees

Pental Group Board fees	Fee policy (AUD'000s)	Fee Policy (GBP'000s)	Fee Policy (USD'000s)
Board Chairman	400		
Other Non-Executive Directors	160	110	144

Pental Group Board Committee fees	Fee policy (\$'000s)		
Audit & Risk Committee – Chair	40		
Audit & Risk Committee – Member	20	15	20
Remuneration & Nominations Committee – Chair	40		
Remuneration & Nominations Committee – Member	20	15	20

Retirement allowances

No allowance is payable on the retirement of NEDs. Superannuation payments are made in line with legislative requirements.

NED Director shareholdings

NEDs (including the Chairman) are expected to hold a minimum number of shares in the Company that is equal to the value of the Director's annual base fee. Newly appointed NEDs are expected to reach the minimum shareholding within three years of their appointment to the Board.

The number of Pental Group shares held by each NED is set out in Table 6.

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NED employment agreements

On appointment to the Board, all NEDs enter into an employment agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies in relation to tenure, remuneration and other matters relevant to the office of the NED.

Remuneration for NEDs

The fees paid to NEDs in the 2019 and 2018 Financial Years are shown in Table 6 below.

Table 6: 2019 and 2018 Financial Years' Non-Executive Director remuneration

2019 Financial Year		Fees ¹ (\$)	Superannuation (\$)	Total (\$)
Current NEDs				
James Evans	19	398,467	25,000	423,467
	18	398,467	25,000	423,467
Sally Collier	19	199,234	18,927	218,161
	18	49,042	2,912	51,954
Christopher Jones ²	19	209,420	-	209,420
	18	-	-	-
Andrew Fay	19	199,234	18,927	218,161
	18	202,682	19,051	221,733
Kathryn Matthews ³	19	231,188	-	231,188
	18	247,569	-	247,569
Deborah Page	19	199,234	18,927	218,161
	18	199,234	18,927	218,161
Former NEDs		-	-	-
Meredith Brooks	19	-	-	-
	18	130,268	12,375	142,643
Total	19	1,436,777	81,781	1,518,558
	18	1,227,262	78,265	1,305,527

Notes to Table 6:

- The Director fees took effect from 1 January 2017. No adjustments to the base fees were made in the 2019 Financial Year.
- Christopher Jones commenced his term on 8 November 2018 and therefore his 2019 fees represent a pro-rata portion of his annual fees. He is remunerated in US Dollars and an average exchange rate of 0.7038 for 2019 has been applied to convert his annual fees to Australian Dollars.
- Kathryn Matthews is remunerated in Pound Sterling. An average exchange rate of 0.5515 for 2019 (2018:0.5655) has been applied to convert her annual fees to Australian Dollars.

Directors' Report – Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

9. Director and Global Executive holdings

The table below outlines all holdings, including holdings not yet vested. For vesting, refer to Table 5.

Table 7: Director and Global Executives' holdings

		In the 2019 Financial Year:				
	Type of holding	Equity held at 1 Oct 2018	Number of securities acquired	Number of securities granted as remuneration	Net change other ¹	Equity held at 30 Sep 2019
Non-Executive Directors						
James Evans	Ordinary	38,109	11,891	-	-	50,000
Sally Collier	Ordinary	-	14,000	-	-	14,000
Christopher Jones	Ordinary	-	22,000	-	-	22,000
Andrew Fay	Ordinary	33,609	30,000	-	-	63,609
Kathryn Matthews	Ordinary	5,000	20,000	-	-	25,000
Deborah Page	Ordinary	25,201	14,792	-	-	39,993
Total for Non-Executive Directors		101,919	112,683	-	-	214,602
Global Executive Committee						
Emilio Gonzalez	Ordinary	1,558,132		74,085	51,998	1,684,215
	Performance share rights	306,416		114,887	(103,997)	317,306
Richard Brandweiner	Ordinary	-		23,813	-	23,813
	Performance share rights	31,691		68,932	-	100,623
Bindesh Savjani	Ordinary	-		31,224	-	31,224
	Performance share rights	-		66,275	-	66,275
Cameron Williamson	Ordinary	208,445		12,696	(40,901)	180,240
	Performance share rights	64,940		34,466	(18,199)	81,207
Former Group Executive						
Ken Lambden	Ordinary	32,351	-	-	(32,351)	-
Total for Global Executive Committee		2,201,975	-	426,378	(143,450)	2,484,903

Notes to Table 7:

1 Net change other relates to the conversion of performance share rights to ordinary shares, sale of shares, shares forfeited and change of Director during the year.

10. Other Disclosure Details

Loans to KMP and their related parties

No loans were provided to KMP or their related parties during the year or as at the date of this Remuneration Report.

Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

Rounding of amounts

Amounts in this report and the accompanying Financial Report have been rounded to the nearest thousand dollars, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, unless otherwise stated.

Loans to Directors and Senior Executives

There were no loans made to, nor are there any outstanding loans with, Directors or Senior Executives.

2019 Corporate Governance Statement

Pendal Group's 2019 Corporate Governance Statement can be viewed on the Group's website at www.pend.al/CGS-2019.

Auditors non-audit services

Details of the amounts paid or payable to the external auditor, PricewaterhouseCoopers (PwC), for non-audit services provided during the year are set out below.

The Directors are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act* for the following reasons:

- all non-audit services have been reviewed by the Audit & Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the 2019 Financial Year the following fees were paid or payable for non-audit services provided by Pendal Group's auditor, and its related practices:

Non-audit services	2019 \$	2018 \$
PricewaterhouseCoopers – Australia	199,600	182,000
PricewaterhouseCoopers – outside of Australia	144,144	126,436
Total remuneration for non-audit services	158,144	140,436

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act* is set out on page 68.

This Directors' Report is made in accordance with a resolution of Directors.



James Evans
Chairman
6 November 2019



Emilio Gonzalez
Managing Director and Group Chief Executive Officer
6 November 2019

Auditor's Independence Declaration

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019



Auditor's Independence Declaration

As lead auditor for the audit of Pendal Group Limited for the year ended 30 September 2019, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Pendal Group Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Andrew Wilson', written over a horizontal line.

Andrew Wilson
Partner
PricewaterhouseCoopers

Sydney
6 November 2019

PricewaterhouseCoopers, ABN 52 780 433 757

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T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

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Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

	Notes	2019 \$'000	2018 \$'000
Revenue			
Investment management fees		485,489	503,968
Performance fees		5,840	54,483
Total revenue	B2	491,329	558,451
Other income	B2	22,780	29,982
Total revenue and other income	B2	514,109	588,433
Expenses			
Employee expenses			
Salaries and related expenses		166,489	170,039
Amortisation of employee equity grants	D2	44,852	43,303
Amortisation of employee deferred share of performance fees and related incentives		6,744	10,305
Information, technology and data		23,837	22,497
Fund administration		16,104	16,533
Business development and promotion		13,396	13,593
Occupancy		9,571	10,280
Depreciation, amortisation and impairment		9,202	10,812
Professional services		9,003	10,316
General office and administration		8,762	7,843
Investment management		2,266	6,717
Distribution		1,544	2,404
Finance costs		131	149
Total expenses		311,901	324,792
Profit before income tax		202,208	263,641
Income tax expense	B4	47,731	61,672
Profit attributable to owners of Pental Group Limited		154,477	201,969
Other comprehensive income for the financial year			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations	C3	4,999	24,686
Loss on hedging activities	C3	(2,482)	(2,294)
Other comprehensive income, net of tax		2,517	22,392
Total comprehensive income for the financial year attributable to owners of Pental Group Limited		156,994	224,361
Earnings per share for profit attributable to ordinary equity holders of Pental Group Limited		Cents	Cents
Basic earnings per share	B3	54.4	72.2
Diluted earnings per share	B3	51.2	67.9

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying Notes.

Consolidated Statement of Financial Position

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

	Notes	2019 \$'000	2018 \$'000
Current assets			
Cash and cash equivalents	B5	149,044	168,134
Trade and other receivables		68,563	69,902
Derivatives		–	314
Prepayments		6,975	5,281
Total current assets		224,582	243,631
Non-current assets			
Property, plant and equipment		9,050	5,392
Financial assets held at FVTPL	C5	278,075	255,687
Deferred tax assets	B4	43,488	42,465
Intangible assets	F1	540,346	545,013
Total non-current assets		870,959	848,557
Total assets		1,095,541	1,092,188
Current liabilities			
Trade and other payables		41,578	44,889
Employee benefits	D1	93,452	100,745
Derivatives		1,288	–
Borrowings	C6	–	–
Lease obligations		957	1,343
Current tax liabilities		14,724	19,669
Total current liabilities		151,999	166,646
Non-current liabilities			
Employee benefits	D1	6,718	6,961
Lease obligations		2,729	4,369
Deferred tax liabilities	B4	23,391	20,654
Total non-current liabilities		32,838	31,984
Total liabilities		184,837	198,630
Net assets		910,704	893,558
Equity			
Contributed equity	C2	419,431	427,137
Reserves	C3	258,319	237,381
Retained earnings		232,954	229,040
Total equity		910,704	893,558

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying Notes.

Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 October 2018		427,137	237,381	229,040	893,558
Profit for the financial year		–	–	154,477	154,477
Other comprehensive income for the financial year		–	2,517	–	2,517
Total comprehensive income for the financial year		–	2,517	154,477	156,994
Transactions with owners in their capacity as owners:					
Treasury shares acquired	C2	(34,790)	–	–	(34,790)
Treasury shares released	C2	27,084	(27,084)	–	–
Share-based payments	C3	–	45,505	–	45,505
Dividend reinvestment plan	C2	–	–	–	–
Dividends paid	C4	–	–	(150,563)	(150,563)
Balance at 30 September 2019		419,431	258,319	232,954	910,704
Balance at 1 October 2017		426,577	198,228	170,927	795,732
Profit for the financial year		–	–	201,969	201,969
Other comprehensive income for the financial year		–	22,392	–	22,392
Total comprehensive income for the financial year		–	22,392	201,969	224,361
Transactions with owners in their capacity as owners:					
Treasury shares acquired	C2	(32,296)	–	–	(32,296)
Treasury shares released	C2	25,801	(25,801)	–	–
Share-based payments	C3	–	42,562	–	42,562
Dividend reinvestment plan	C2	7,055	–	–	7,055
Dividends paid	C4	–	–	(143,856)	(143,856)
Balance at 30 September 2018		427,137	237,381	229,040	893,558

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying Notes.

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

	Notes	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Fees and other income received		508,993	574,806
Interest received		459	422
Distributions from unit trusts		1,427	1,447
Expenses paid		(288,671)	(283,441)
Income tax paid		(50,011)	(51,984)
Net cash inflows from operating activities	B5	172,197	241,250
Cash flows from investing activities			
Payments for property, plant and equipment		(5,473)	(4,192)
Payments for financial assets held at FVTPL		(13,431)	(115,101)
Proceeds from sales of financial assets held at FVTPL		16,596	26,258
Payments for IT development		(1,607)	(845)
Payments for derivative hedging instruments		(899)	(5,206)
Net cash outflows from investing activities		(4,814)	(99,086)
Cash flows from financing activities			
Payments for purchase of treasury shares		(34,790)	(32,297)
Interest and other financing costs		(131)	(149)
Dividends paid		(150,563)	(136,799)
Net cash outflows from financing activities		(185,484)	(169,245)
Net decrease in cash and cash equivalents		(18,101)	(27,081)
Cash and cash equivalents at the beginning of the financial year		168,134	194,199
Effects of exchange rate changes on cash and cash equivalents		(989)	1,016
Cash and cash equivalents at the end of the financial year		149,044	168,134

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying Notes.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

A. About this report

This is the financial report of Pendal Group Limited (the Company) and its consolidated subsidiaries (together referred to as Pendal Group or the Group). The Company is domiciled in Australia and Pendal Group is a for-profit entity for the purpose of preparing financial statements.

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A1. Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

A2. Basis of preparation

The Financial Report is presented in Australian dollars, which is the Company's functional and presentation currency, with all values rounded to the nearest thousand (\$'000), in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise stated. The Financial Report has been prepared on a historical cost basis, except for the revaluation of financial assets and liabilities at fair value through profit or loss.

Significant accounting policies

The principal accounting policies adopted in the preparation of the Financial Report are contained within the notes to which they relate. These policies have been consistently applied to all the years presented, unless otherwise stated.

Critical accounting assumptions and estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Pendal Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are outlined below.

Accounting assumptions and estimates	Note
Share-based payments	D2
Deferred tax on share-based payments	D2
Intangibles	F1

A3. New and amended accounting standards

New and amended accounting standards adopted by Pendal Group

Pendal Group has adopted all of the mandatory new and amended standards and interpretations issued by the AASB that are relevant to its operations and effective for the current reporting period. The impact of mandatory new and amended standards adopted by the Group for the year ended 30 September 2019 is set out below:

AASB 9 Financial Instruments

The Group adopted AASB 9 *Financial Instruments* from 1 October 2018. The standard addresses the classification, measurement and de-recognition of financial assets and financial liabilities, and introduces revised rules for hedge accounting and impairment. For Pendal Group, certain financial instruments previously classified as available-for-sale financial assets held at fair value through other comprehensive income have been reclassified as financial assets held at fair value through profit or loss.

The following tables show the adjustments recognised for each relevant line item of the financial statements as a result of the new classification and measurement of financial assets. The new impairment rules did not result in any material change to the Group's financial statements.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

	30 September 2018 As originally presented \$'000	AASB 9 Adjustment \$'000	30 September 2018 Restated \$'000
Statement of Financial Position (extract)			
Available-for-sale financial assets	255,687	(255,687)	–
Financial assets held at FVTPL	–	255,687	255,687
Reserves	271,541	(34,160)	237,381
Retained Earnings	194,880	34,160	229,040
Statement of Comprehensive Income (extract)			
Other Income	15,446	14,536	29,982
Profit before income tax expense	249,105	14,536	263,641
Income tax expense	58,147	3,525	61,672
Profit attributable to owners of Pendal Group Limited	190,958	11,011	201,969
Other comprehensive income			
Net unrealised gain on available-for-sale-assets	22,582	(22,582)	–
Net realised gain on available-for-sale assets reclassified to profit or loss	(8,046)	8,046	–
Income tax relating to those items	(3,525)	3,525	–
Other comprehensive income, net of tax	33,403	(11,011)	22,392
Earnings per share			
Basic earnings per share	68.3	3.9	72.2
Diluted earnings per share	64.1	3.8	67.9

Derivatives and hedging activities

The eligibility of the Group's existing hedge relationships for hedge accounting treatment is not impacted by the adoption of AASB 9. The Group's risk management strategies and hedge documentation are aligned with the requirements of AASB 9 and these relationships are therefore treated as continuing hedges.

AASB 15 Revenue from Contracts with Customers

Pendal Group has adopted AASB 15 *Revenue from Contracts with Customers* from 1 October 2018. The standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. Management fee revenue is accrued by the Group when earned. Performance fees are subject to investment performance, market volatility and uncertainty and are only recognised when performance conditions have been satisfied at the end of the performance period. There is no change to the recognition of revenue by the Group on adoption of the new standard.

New and amended accounting standards not yet adopted by Pendal Group

A new accounting standard has been published that is not subject to mandatory adoption for the 30 September 2019 reporting period. It is available for early adoption but has not been applied in preparing this Financial Report. Pendal Group's assessment of the impact of the new standard is set out below:

AASB 16 Leases (effective for Pendal Group from 1 October 2019).

AASB 16 provides a new lessee accounting model which requires lessees to recognise right-of-use assets and liabilities for future lease payments for all leases with a term of more than 12 months, unless the underlying asset is of low value. The new standard is expected to apply to leases which are currently classified by the Group as operating leases, which include primarily leases for office space.

The adoption of AASB 16 is expected to result in the recognition by the Group of existing leased assets and lease liabilities of approximately \$42.8m and \$43.6m respectively from 1 October 2019. The Group intends to use the modified retrospective approach in adopting the new standard and the adoption of the new standard is not expected to have a material impact on the financial statements, however will result in additional disclosure.

The Group has decided not to adopt the standard before its mandatory effective date.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

B. Results for the year

This section provides information that is most relevant to understanding the financial performance of Pental Group.

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B1. Segment information

Description of segments

Operating segments have been reported in a manner consistent with internal management reporting provided to the chief operating decision-maker (CODM) for assessing performance and in determining the allocation of resources. CODM consists of the Group Chief Executive Officer and other members of the Global Executive Committee. As a result, Pental Group has determined it has two operating segments, being the Group's investment management business in Australia (Pental Australia), and the Group's investment management business outside of Australia (Pental International). Pental International comprises Pental UK Limited and its subsidiaries including J O Hambro Capital Management Limited (JOHCM).

The CODM assesses the performance of the operating segments based on a combined measure of cash net profit after tax (Cash NPAT) and operating profit before tax which excludes non-operating items such as gains and losses on seed investments, interest income and expense, foreign exchange gains and losses and tax.

Cash NPAT excludes the amortisation of equity-settled share-based payments and employee deferred share of performance fees and related incentives, and includes the after-tax cash costs of equity grants and employee deferred share of performance fees and related incentives made in respect of the current year. Cash NPAT also excludes the unrealised gain / (loss) on financial assets held at FVTPL, and after-tax amortisation and impairment of intangibles relating to fund and investment management contracts.

Segment information provided to the CODM:

	Pental Australia		Pental International		Total Group	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Revenue	146,750	154,040	344,421	404,425	491,171	558,465
Inter-segment revenue	7,134	6,831	4,429	3,973	11,563	10,804
Total segment revenue	153,884	160,871	348,850	408,398	502,734	569,269
Other operating expenses	(118,037)	(125,266)	(172,051)	(191,581)	(290,088)	(316,847)
Inter-segment expense	(4,429)	(3,973)	(7,134)	(6,831)	(11,563)	(10,804)
Total segment expenses	(122,466)	(129,239)	(179,185)	(198,412)	(301,651)	(327,651)
Operating profit before income tax	31,418	31,632	169,665	209,986	201,083	241,618
Non-operating items	5,071	3,234	2,162	10,886	7,233	14,120
Income tax expense	(10,711)	(10,025)	(34,149)	(44,092)	(44,860)	(54,118)
Cash NPAT	25,778	24,841	137,678	176,780	163,456	201,621
Deduct:						
Amortisation of employee equity grants	(17,322)	(18,013)	(27,530)	(25,290)	(44,852)	(43,303)
Amortisation of employee deferred share of performance fees and related incentives	–	–	(6,744)	(10,305)	(6,744)	(10,305)
Unrealised gain on financial assets held at FVTPL	9,521	12,700	5,895	1,836	15,416	14,536
Amortisation and impairment of intangibles	–	–	(6,758)	(7,701)	(6,758)	(7,701)
Add back:						
Cash cost of ongoing equity grants	16,241	16,360	16,469	21,246	32,710	37,604
Cash cost of employee deferred share of performance fees and related incentives	–	–	4,120	17,070	4,120	17,070
Adjust for tax effect	(2,830)	(3,489)	(41)	(4,065)	(2,871)	(7,554)
Statutory NPAT	31,388	32,399	123,089	169,571	154,477	201,969

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

	Pendal Australia		Pendal International		Total Group	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Segment assets	490,021	484,383	605,520	607,805	1,095,541	1,092,188
Segment liabilities	(51,418)	(46,728)	(133,419)	(151,902)	(184,837)	(198,630)
Net assets	438,603	437,655	472,101	455,903	910,704	893,558

B2. Revenue and other income

	2019 \$'000	2018 \$'000
Management, fund and trustee fees	482,136	500,638
Performance fees	5,840	54,483
Other revenue	3,353	3,330
Total revenue	491,329	558,451
Realised gain on financial assets held at FVTPL	794	8,046
Unrealised gain on financial assets held at FVTPL	15,354	14,536
Distributions from unit trusts	6,359	5,772
Net foreign exchange (loss)/gain	(186)	1,206
Interest income	459	422
Total other income	22,780	29,982
Total revenue and other income	514,109	588,433

Accounting policy

Revenue

Revenue is measured at the fair value of the consideration received or receivable and is recognised if it meets the criteria below:

Management, fund and trustee fees	Management, fund and trustee fees are recognised based on the applicable service contracts, usually on a time proportionate basis. Management fees related to investment funds are recognised over the period the service is provided.
Performance fees	Performance fees are recognised in the accounting period in which the performance hurdles have been met.

Other income

Distributions from unit trusts	Distributions are recognised as revenue when the right to receive payment is established.
Gain / (loss) on sale of financial assets held at FVTPL	Unrealised gains and losses on financial assets held at FVTPL represent the fair value movements in seed investments held at FVTPL during the financial year. Realised gains and losses on sale of financial assets held at FVTPL are recognised as the proceeds received, less costs incurred on the disposal of seed investments.
Net foreign exchange gain / (loss)	Net foreign exchange gains and losses represent exchange differences in the translation or settlement of foreign denominated monetary and intercompany balances.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

B3. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding (i.e. ordinary shares on issue less treasury shares) during the financial year. The calculation of diluted earnings per share also includes the weighted average number of any potential ordinary shares outstanding during the financial year..

Basic earnings per share	2019	2018
Profit attributable to ordinary equity holders of the Company (\$'000)	154,477	201,969
Weighted average number of ordinary shares on issue ('000)	318,900	316,735
Weighted average number of treasury shares ('000)	(34,880)	(36,989)
Weighted average number of ordinary shares ('000)	284,020	279,746
Basic earnings per share (cents per share)	54.4	72.2

Diluted earnings per share	2019	2018
Profit attributable to ordinary equity holders of the Company (\$'000)	154,477	201,969
Weighted average number of ordinary shares on issue ('000)	318,900	316,735
Weighted average number of treasury shares ('000)	(34,880)	(36,989)
Weighted average number of deferred shares ('000)	5,139	7,124
Weighted average number of options ('000)	12,306	10,515
Weighted average number of rights ('000)	–	238
Weighted average number of ordinary shares and potential ordinary shares ('000)	301,465	297,623
Diluted earnings per share (cents per share)	51.2	67.9

B4. Taxation

(a) Reconciliation of income tax expense

The income tax expense in the Statement of Comprehensive Income reconciles to accounting profit as follows:

	2019 \$'000	2018 \$'000
Profit before tax	202,208	263,641
Income tax calculated at the Australian tax rate of 30% (2018: 30%)	60,662	79,093
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Differences in overseas tax rates	(17,986)	(23,553)
Previously unrecognised deferred tax assets	2,745	2,723
State and local taxes	2,639	2,507
Effect on deferred taxes of reduction in tax rates	363	1,413
Sundry non-assessable/ non-deductible items	(593)	(769)
Employee equity grant amortisation	486	185
Adjustments for current tax of prior financial year	(568)	139
Tax credits and rebates	(17)	(66)
Total income tax expense	47,731	61,672
Represented by:		
Current tax	45,634	55,315
Deferred tax	2,665	6,218
Adjustments for current tax of prior periods	(568)	139

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

(b) Deferred tax balances

	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
	2019 \$'000	2019 \$'000	2018 \$'000	2018 \$'000
Employee equity grants	31,783	–	30,522	–
Employee benefits	10,784	–	10,416	–
Accrued expenses	241	–	973	–
Property, plant and equipment	317	161	371	–
Lease expenses	177	–	164	–
Business-related costs	9	–	19	–
Intangible assets	–	10,175	–	11,396
Financial assets held at FVTPL	–	13,055	–	9,254
Foreign exchange gain/loss	177	–	–	4
Total	43,488	23,391	42,465	20,654

(c) Movements in deferred tax balances

	Balance as at 1 October \$000	Charged to profit or loss \$000	Charged to comprehensive income \$000	Charged to equity \$000	Balance as at 30 September \$000
2019					
Deferred tax assets	42,465	(6)	376	653	43,488
Deferred tax liabilities	(20,654)	(2,659)	(78)	–	(23,391)
2018					
Deferred tax assets	45,671	(4,154)	1,689	(741)	42,465
Deferred tax liabilities	(17,652)	(2,064)	(938)	–	(20,654)

(d) Unrecognised temporary differences

Temporary difference relating to investments in subsidiaries for which deferred tax liabilities have not been recognised:

	2019 \$'000	2018 \$'000
Foreign currency translation	47,006	44,507
Unrecognised deferred tax liabilities relating to the above temporary differences	14,102	13,352

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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

Accounting policy

Current tax

Current tax assets and liabilities are measured at the amount of income taxes payable or recoverable for the period, using tax rates and laws enacted or substantively enacted by the reporting date in the countries where the Company and its subsidiaries operate. The corporate tax rates applicable for the current period are 30% (2018: 30%) on Australian taxable income, 19% (2018: 19%) on UK taxable income, 21% (2018: 24.5%) on US federal taxable income and 17% (2018: 17%) on Singapore taxable income.

Deferred tax

Deferred tax is accounted for in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the asset can be utilised.

Deferred tax is not recognised if it arises from the initial recognition of goodwill or an asset or liability in a transaction, other than a business combination, which affects neither taxable income nor accounting profit or from investments in controlled entities, or foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax is measured using tax rates (and laws) that have been enacted or substantively enacted for each jurisdiction by the end of the reporting period and are expected to apply when the temporary differences reverse.

Current and deferred tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Tax consolidation

The Company and its wholly-owned Australian controlled entities are part of a tax consolidated group under Australian tax legislation. The Company is the head entity in the tax-consolidated group. Entities within the tax consolidated group have entered into a tax funding and a tax sharing agreement with the head entity.

Under the terms of the tax funding agreement, the Company and each entity in the tax consolidated group has agreed to pay (or receive) a tax equivalent payment to (or from) the head entity, based on the current tax liability or current tax asset of the entity. The funding amounts are recognised as current inter-company receivables or payables.

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B5. Reconciliation of cash flow from operating activities

(a) Reconciliation of cash flow from operating activities

	2019 \$'000	2018 \$'000
Profit after tax for the financial year	154,477	201,969
Adjustments for non-cash expense items:		
Depreciation and write-off of fixed assets	2,444	3,112
Amortisation and impairment of intangibles	6,758	7,701
Amortisation of employee equity grants	44,852	43,303
Reinvested distribution income	(4,995)	(4,319)
Net gain on sale of financial assets held at FVTPL	(16,148)	(22,582)
Interest and finance costs	131	149
Net exchange differences	186	(1,206)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	1,338	(3,939)
Increase in prepayments	(1,694)	(468)
Decrease in deferred tax assets	6	4,155
(Decrease)/increase in trade and other payables	(3,310)	7,009
Decrease in employee benefits	(7,536)	(3,790)
(Decrease)/increase in lease liabilities	(2,026)	4,623
(Decrease)/increase in current tax liabilities	(4,945)	3,468
Increase/(decrease) in deferred tax liabilities	2,658	(2,064)
Net cash inflow from operating activities	172,196	241,249

(b) Cash and cash equivalents

	2019 \$'000	2018 \$'000
Cash at bank and in hand	84,295	92,199
Restricted cash in escrow	–	4,396
Deposits at call	65,776	71,539
Applications and redemptions account	(1,027)	–
Total cash and cash equivalents	149,044	168,134

Cash and cash equivalents include cash on hand and deposits held at call with financial institutions.

Restricted cash in escrow relates to deferred employee remuneration that is held by Pendal Group in trust until certain service conditions have been satisfied by the employee. A corresponding employee benefit liability is recognised on the Consolidated Statement of Financial Position.

Deposits at call are invested in cash management trusts managed by the Group.

The applications and redemptions account is operated by JOHCM Funds (UK) Limited as the Authorised Corporate Director (ACD) of the J O Hambro Capital Management UK Umbrella Fund.

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C. Capital and financial risk management

This section provides information relating to Pandal Group's capital structure and its exposure to financial risk and how they are managed.

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C1. Capital management

Pandal Group's objectives when managing capital are to maintain a strong capital base in excess of regulatory requirements throughout all business cycles that supports the execution of its strategic goals, in order to optimise returns to its shareholders, while ensuring compliance with the Group's Risk Appetite Statement.

The Company's current dividend policy is to pay out 80% - 90% of Cash NPAT each year. Capital retained by the Group is largely used to provide seed capital for new funds and investment strategies. The Group's corporate seed portfolio totals \$259.0 million as at 30 September 2019, which sits within the Board's risk appetite.

From the 2020 Financial Year, the Board has reviewed its Cash NPAT classification to exclude realised gains / (losses) from financial assets which includes seed investments. These assets are considered capital in nature and used to support the future growth of Pandal Group.

Cash profits generated from offshore business units, beyond working capital and regulatory requirements, are repatriated back to the Company through inter-company dividends whereby a hedging program is in place to mitigate foreign exchange risk. In accordance with the Company's capital management plan, and to the extent possible, retention of franking credits is minimised.

The Board regularly reviews the Group's free cash flow generation, cash and cash equivalents, borrowings, seed investments, tax and other financial factors in order to maintain an optimal capital structure. Debt may also be used at times to provide capital to the Group, and a multi-currency debt facility is maintained for this purpose but is undrawn at balance date. In order to maintain an optimal capital structure, the Board may:

- adjust the amount of dividends paid to shareholders;
- utilise the dividend reinvestment plan;
- return capital to shareholders;
- increase or decrease borrowings;
- contribute to or redeem seed investments; or
- issue new shares.

The Group operates legal entities in jurisdictions that are subject to various regulatory and capital requirements. These include:

- In Australia, Pandal Fund Services Limited (PFSL) acts as responsible entity/ trustee of the Pandal Australia registered and unregistered trusts, Pandal Institutional Limited (PIL) provides investment management services to institutional clients and all Pandal Australia's registered and unregistered trusts, and Regnan – Governance Research and Engagement Pty Limited (Regnan) provides environmental, social and corporate governance research and advisory services to institutional clients. All three companies are required to maintain minimum capital requirements under the Australian Financial Services Licence conditions regulated by the Australian Securities and Investments Commission. The level of regulatory capital required as at 30 September 2019 was \$5.9 million.
- In the UK, JOHCM provides investment management services to UK and Irish Open Ended Investment Companies (OEICs), US mutual funds, institutional clients and other Group entities. JOHCM is regulated by the Financial Conduct Authority (FCA) as a BIPRU firm (within the scope of the FCA's prudential sourcebook for Banks, Building Societies and Investment Firms) and has established an Internal Capital Adequacy Assessment Process (ICAAP) that is used to determine the amount of regulatory capital required to meet its licensing requirements. The level of regulatory capital required as at 30 September 2019 in accordance with the ICAAP was \$69.4 million (£38.1 million). In June 2019, JOHCM Funds (UK) Limited was authorised by the FCA as a collective portfolio management investment firm and was appointed as Authorised Corporate Director (ACD) of the UK OEIC, J O Hambro Capital Management UK Umbrella Fund. The level of regulatory capital required for JOHCM Funds (UK) Limited was \$1.8 million (£1.0 million) at 30 September 2019.
- During the year, JOHCM Funds (Ireland) Limited was authorised by the Central Bank of Ireland as a UCITS management company, and was established to operate as the investment manager of the Irish-domiciled UCITS, J O Hambro Capital Management Umbrella Fund plc. The level of regulatory capital required as at 30 September 2019 was \$4.4 million (€2.7 million).

Notes to the Consolidated Financial Statements

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- In Singapore, JOHCM (Singapore) Pte Limited provides investment management services to other Group entities and a JOHCM Cayman fund. It is required to maintain minimum capital requirements as part of its licencing requirements with the Monetary Authority of Singapore. The level of regulatory capital required as at 30 September 2019 was \$2.0 million (S\$1.9 million).
- In the USA, JOHCM (USA) Inc. provides investment management services to Delaware Statutory Trusts, Collective Investment Trusts and other Group entities. It is registered as an investment adviser with the Securities and Exchange Commission and is not required to hold minimum regulatory capital.

All entities complied with regulatory capital requirements at all times throughout the 2019 Financial Year.

C2. Contributed equity

	2019 \$'000	2018 \$'000
Ordinary shares 322,802,391 (2018: 318,006,576) each fully paid	617,668	617,668
Treasury shares 37,969,700 (2018: 36,406,060)	(198,237)	(190,531)
Total contributed equity 284,832,691 (2018: 281,600,516)	419,431	427,137

(a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends as declared and in the event of a winding up of the Company, to participate in the proceeds in proportion to the number of and amounts paid on the shares held. Ordinary shares entitle the holder to one vote per share, either in person or by proxy, at a meeting of the Company shareholders. All ordinary shares issued have no par value.

Movements in ordinary shares during the year:

	2019 Shares '000	2019 \$'000	2018 Shares '000	2018 \$'000
Balance at the beginning of the financial year	318,007	617,668	314,999	610,613
Fund linked equity share issuance ¹	4,795	–	2,304	–
Dividend reinvestment plan	–	–	704	7,055
Balance at the end of the year	322,802	617,668	318,007	617,668

1. The shares were issued to fund managers who participate in the FLE Scheme.

(b) Treasury shares

Treasury shares are those shares issued through the Fund Linked Equity (FLE) Scheme, together with those shares purchased as necessary, in order to meet the obligations of Pendal Group under its employee share plans. These represent shares either held by the employee benefit trusts for future allocation or shares held by employees within Group share plans, subject to restrictions.

Movements in treasury shares during the financial year were as follows:

	2019 Shares '000	2019 \$'000	2018 Shares '000	2018 \$'000
Balance at the beginning of the year	(36,406)	(190,531)	(43,456)	(184,036)
Treasury shares acquired	(4,216)	(34,790)	(3,071)	(32,296)
Fund linked equity share issuance ²	(4,795)	–	(2,304)	–
Treasury shares released	7,447	27,084	12,425	25,801
Balance at the end of the year	(37,970)	(198,237)	(36,406)	(190,531)

2. The shares were issued to fund managers who participate in the FLE Scheme.

Details of treasury shares at the end of the year were as follows:

	2019 Shares '000	2019 \$'000	2018 Shares '000	2018 \$'000
Unallocated shares held by trustees	18,394	130,524	18,277	130,425
Shares allocated to employees	19,576	67,713	18,129	60,106
Balance at the end of the year	37,970	198,237	36,406	190,531

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Accounting policy

Ordinary shares

Ordinary shares are recognised at the amount paid per ordinary share, net of directly attributable issue costs.

Treasury shares

Where the Company or other entities of Pendal Group purchase shares in the Company, the consideration paid is deducted from total shareholders' equity and the shares treated as treasury shares. Treasury shares are recorded at cost and when restrictions on the sale of shares granted to employees are lifted from the employee share plans, the cost of such shares is appropriately adjusted to the share-based payment reserve.

C3. Reserves

Share-based payment reserve

The share-based payment reserve relates to the amortised portion of the fair value of equity instruments granted to employees for no consideration, recognised as an expense. Deferred tax in relation to amounts not recognised in the Statement of Comprehensive Income is also recognised in the share-based payment reserve. The balance of the share-based payment reserve is reduced by the payment of certain dividends not paid from retained earnings, where the requirements of the *Corporations Act* are met.

Foreign currency translation reserve

Exchange differences arising on the translation of the foreign controlled entities, in addition to gains and losses on derivatives that are designated as net investment hedges, are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. The cumulative amount is reclassified to profit or loss when the net investment is partially disposed of or sold.

Cash flow hedge reserve

The cash flow hedge reserve is used to record gains or losses on hedging instruments that are designated and qualify as cash flow hedges and that are recognised in other comprehensive income. Amounts are reclassified to profit or loss when the associated hedged transactions affect profit or loss.

Common control reserve

The common control reserve relates to the Company's purchase of the investment management business on 19 October 2007. Any difference between the cost of acquisition (fair value of consideration paid), and the amounts at which the assets and liabilities are recorded, has been recognised directly in equity as part of a business combination under the common control reserve.

	Share-based payment reserve \$'000	Foreign currency translation reserve \$'000	Cash flow hedge reserve \$'000	Common control reserve \$'000	Total reserves \$'000
Balance at 1 October 2018	218,336	44,507	10	(25,472)	237,381
Share-based payment expense	44,852	–	–	–	44,852
Deferred tax	653	–	–	–	653
Treasury shares released	(27,084)	–	–	–	(27,084)
Currency translation difference	–	4,999	–	–	4,999
Gain/(loss) on hedging activities	–	(2,500)	18	–	(2,482)
Balance at 30 September 2019	236,757	47,006	28	(25,472)	258,319
Balance at 1 October 2017	201,575	22,125	–	(25,472)	198,228
Share-based payment expense	43,303	–	–	–	43,303
Deferred tax	(741)	–	–	–	(741)
Treasury shares released	(25,801)	–	–	–	(25,801)
Currency translation difference	–	24,686	–	–	24,686
Gain/(loss) on hedging activities	–	(2,304)	10	–	(2,294)
Balance at 30 September 2018	218,336	44,507	10	(25,472)	237,381

Notes to the Consolidated Financial Statements

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C4. Dividends

Equity dividends on ordinary shares

	2019 \$'000	2018 \$'000
(i) Dividends declared and paid during the Financial Year		
Final 15% franked ¹ dividend for the 2018 Financial Year: 30.0 cents per share (2017 Financial Year: 26.0 cents per share 25% franked ¹)	90,666	78,191
Interim 10% franked ¹ dividend for the 2019 Financial Year: 20.0 cents per share (2018 Financial Year: 22.0 cents per share 15% franked ¹)	59,897	65,665
	150,563	143,856
(ii) Dividends proposed to be paid subsequent to the end of the Financial Year and not recognised as a liability		
Final dividend for the 2019 Financial Year 25.0 cents (10% franked ¹) per share (2018 Financial Year: 30.0 cents per share 15% franked ¹)	76,078	89,873

1. The whole of the unfranked amount of the dividend will be Conduit Foreign Income, as defined in the Income Tax Assessment Act 1997.

Franked dividends

Dividends declared or paid during the year were 15% and 10% franked, respectively, at the Australian corporate tax rate of 30%.

The franked portions of the final dividend declared or paid after 30 September 2019 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 September 2020.

	2019 \$'000	2018 \$'000
Franking credits available for subsequent financial years	33	24

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- (i) franking credits that will arise from the payment of the amount of the provision for income tax
- (ii) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- (iii) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The impact on the franking account of the dividends declared or paid by the Directors since year end, but not recognised as a liability at financial year end, will be a reduction in the franking account of \$3,260,420 (2018: \$5,777,577).

Accounting policy

Dividends

A provision is made for the amount of any dividend declared by the Directors before or at the end of the financial year but not distributed at balance date.

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C5. Financial assets held at FVTPL

	2019 \$'000	2018 \$'000
Unlisted securities		
Units held in pooled funds	259,036	237,530
Escrow units held in pooled funds ¹	16,148	17,847
Shares in Regnan ²	–	100
Shares in James Hambro & Partners LLP	2,891	210
Total	278,075	255,687

1. Escrow units held in pooled funds relate to deferred employee remuneration that is held by Pendal Group in trust until certain service conditions have been satisfied by the employee. A corresponding employee benefit liability is recognised on the Consolidated Statement of Financial Position.
2. Shares in Regnan were derecognised as financial assets held at FVTPL from the date that it became a wholly-owned subsidiary of Pendal Group Limited.

Accounting policy

Financial assets held at FVTPL

Financial assets held at FVTPL are equity instruments that the entity has not elected to recognise fair value gains and losses through other comprehensive income.

The fair value of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active, Pendal Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

C6. Borrowings

Multi-currency debt facility

Pendal Group Limited maintains a \$25 million multi-currency debt facility with Westpac Banking Corporation for a three year term, expiring on 14 November 2019. The facility remains undrawn at balance date.

Accounting policy

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as finance costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expires. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the Statement of Comprehensive Income as other income or finance costs.

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C7. Financial risk management

Pendal Group manages its business in Australia and outside of Australia and is consequently exposed to a number of financial risks. The key financial risks are market risk (including price risk, interest rate risk and foreign exchange risk), credit risk and liquidity risk. The Board is responsible for the establishment and oversight of an effective system of risk management. The Board delegates authority to management to conduct business activity within the limits of the approved business plans, policies and procedures.

The Group held the following financial instruments as at 30 September:

	2019 \$'000	2018 \$'000
Financial assets		
Cash and cash equivalents	149,044	168,134
Trade and other receivables	68,563	69,902
Financial assets held at FVTPL	278,075	255,687
Derivatives	–	314
	495,682	494,037
Financial liabilities		
Trade and other payables	41,578	44,889
Derivatives	1,288	–
	42,866	44,889

(a) Market risk

Pendal Group may bear exposure to market risks which include securities' price risk, interest rate risk and foreign exchange risk due to the nature of its investments and liabilities. The key direct risks are a result of investment and market volatility which have a resulting impact on the funds under management (FUM) of the Group. A reduction in FUM will reduce management fee income, calculated as a percentage of FUM, and will reduce gains on financial assets held at fair value through profit or loss, which consequently reduces net profit or loss after tax (Statutory NPAT). The Group estimates the potential movements in overall FUM, covering all its asset classes, and their impact on Statutory NPAT to be as follows:

Profit sensitivity to movement in FUM:

	2019		2018	
	10% increase	10% decrease	10% increase	10% decrease
FUM (\$ billion)	10.0	(10.0)	10.2	(10.2)
Statutory NPAT (\$'000)	51,549	(51,588)	49,024	(48,922)

The sensitivity calculation is made on the basis of FUM as at 30 September 2019 increasing or decreasing by 10%. The profit or loss sensitivity calculation is derived by holding net flows, foreign currencies and market movements flat for 12 months, maintaining the current management fee margin, and flowing the revenue result through the current operating cost parameters and/or assumptions. Depending on the extent and duration of an actual FUM movement, management would respond with appropriate measures which would change the parameters and/or assumptions and potentially reduce or improve the calculated profit or loss impact.

(i) Price risk

The Group is exposed to securities' price risk. This arises from both FUM and investments directly held by Pendal Group for which prices in the future are uncertain. The majority of the Group's revenue consists of fees derived from FUM. Exposure to securities price risk could result in fluctuations in FUM that would impact the Group's profitability.

Exposure to price risk also arises from directly held units in funds managed by the Group (refer Note C5), which invest in shares in unlisted companies and other investments.

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Price risk sensitivity

The Group provides seed capital to a number of funds which invest in regions including the UK, Europe, Emerging Markets, US, Asia (ex Japan) and Australia which may be subject to price volatility. In aggregate, if the price increased or decreased by 10% with all other variables held constant, the Statement of Comprehensive Income would be impacted by:

	2019		2018	
	10% increase \$'000	10% decrease \$'000	10% increase \$'000	10% decrease \$'000
Statutory NPAT (\$'000)	19,436	(19,436)	17,870	(17,870)

(ii) Interest rate risk

The Group is subject to interest rate risk, which impacts both the Group's FUM and the Group's cash balances and borrowings. This risk is managed through asset/liability management strategies that seek to limit the impact arising from interest rate movements.

Fair value sensitivity analysis

Pendal Group does not account for any fixed rate financial instruments at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not result in a change of fair value affecting profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change in interest rates would be applicable to the Group's cash balances. A change of 50 bps in the average of the effective interest rates over the year ended 30 September 2019 would have increased/(decreased) Statutory NPAT and equity by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or loss after tax		Equity	
	50 bps increase \$'000	50 bps decrease \$'000	50 bps increase \$'000	50 bps decrease \$'000
2019				
Cash and cash equivalents	562	(562)	–	–
2018				
Cash and cash equivalents	632	(632)	–	–

(iii) Foreign exchange risk

Pendal Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Group's functional currency.

Under AASB 9 any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to any ineffective portion is recognised immediately in Statement of Comprehensive Income within other income or other expenses. Gains or losses accumulated in equity are reclassified to Statement of Comprehensive Income when the foreign operation is partially disposed of or sold.

In order to manage the Group's dividend requirements, a hedging program using foreign currency forwards is in place to hedge a portion of its investment in its offshore operations.

As at 30 September 2019, the notional exposure of the Company's hedging instruments totalled \$79.3 million (2018: \$76.0 million).

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

The following table details Pental Group's net exposure to foreign currency as at reporting date in Australian dollar equivalent amounts:

	Financial assets				Financial liabilities			Total
	Cash at bank \$'000	Trade receivables \$'000	Financial assets held at FVTPL \$'000	Derivatives \$'000	Trade payables \$'000	Derivatives \$'000	Borrowings \$'000	Net exposure \$'000
2019								
GBP	64,327	21,405	60,479	–	(12,957)	(1,288)	–	131,966
EUR	5,209	1,005	1,436	–	(6,204)	–	–	1,446
USD	4,599	24,026	117,041	–	(5,340)	–	–	140,326
SGD	568	213	2,027	–	(1,198)	–	–	1,610
2018								
GBP	79,229	25,649	52,817	314	(14,547)	–	–	143,462
EUR	44	979	1,415	–	(8,353)	–	–	(5,914)
USD	1,988	22,656	190,811	–	(3,676)	–	–	211,780
SGD	403	198	–	–	(924)	–	–	(322)

The table below shows the impact on Pental Group's Statutory NPAT and equity of a 10% movement in foreign currency exchange rates against the Australian dollar for financial assets and financial liabilities:

	Profit or loss after tax		Equity	
	10% increase \$'000	10% decrease \$'000	10% increase \$'000	10% decrease \$'000
2019				
GBP	4,298	(4,298)	9,028	(9,028)
EUR	145	(145)	–	–
USD	22,418	(22,418)	488	(488)
SGD	161	(161)	–	–
2018				
GBP	3,647	(3,647)	10,699	(10,699)
EUR	(591)	591	–	–
USD	20,840	(20,840)	338	(388)
SGD	–	–	(32)	32

(b) Credit risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part under a contract. Credit risk exposures are monitored regularly with all Pental Group counterparties. The major counterparties are The Westpac Group, HSBC, the funds for which Pental Australia and JOHCM are the fund managers and trade debtors, including wholesale and institutional clients. Exposure to credit risk arises on the Group's financial assets which are disclosed at the beginning of this Note. Based on the credit quality of the Group's counterparties and the immaterial historical credit losses experienced by Pental Group, no expected loss provisions were recognised during the year (2018: Nil).

The credit quality of financial assets can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. The credit quality of financial assets is AA- for The Westpac Group (2018: AA-) and A for HSBC (2018: A). The credit quality of each wholesale or institutional client is assessed by taking into account its financial position, past experience and other factors.

Credit risk further arises in relation to financial guarantees given to certain parties (refer Note E1). Such guarantees are only provided in exceptional circumstances and are subject to specific Board approval.

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(c) Liquidity risk

Liquidity risk is the risk that Pendal Group may not be able to meet its financial obligations in a timely manner at a reasonable cost. The Group maintains sufficient cash and working capital in order to meet future obligations and statutory regulatory capital requirements.

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year \$'000	Between 1–2 years \$'000	Over 2 years \$'000	Total contractual cash flows \$'000	Carrying amount of liabilities \$'000
2019					
Trade and other payables	41,578	–	–	41,578	41,578
Derivatives	1,288			1,288	1,288
2018					
Trade and other payables	44,889	–	–	44,889	44,889

(d) Fair value estimation

Pendal Group measures and recognises its financial assets held at FVTPL (see Note C5) and derivatives at fair value on a recurring basis, and its borrowings initially at fair value and subsequently at amortised cost (see Note C6).

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. Due to the short-term nature of the current receivables and current payables, the carrying amount is assumed to approximate their fair value.

(i) Fair value hierarchy

The Group classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Changes in Level 2 and 3 fair values are analysed at each reporting date and there were no transfers between Levels 2 and 3 during the financial year.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2019				
Financial assets				
Financial assets held at FVTPL:				
Units held in pooled funds ¹	–	259,036	–	259,036
Escrow units held in pooled funds ²	–	16,148	–	16,148
Shares in James Hambro & Partners LLP ³	–	–	2,891	2,891
Total financial assets	–	275,184	2,891	278,075
Financial liabilities				
Derivatives	–	(1,288)	–	(1,288)
Total financial liabilities	–	(1,288)	–	(1,288)

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2018				
Financial assets				
Financial assets held at FVTPL:				
Units held in pooled funds ¹	–	237,530	–	237,530
Escrow units held in pooled funds ²	–	17,847	–	17,847
Shares in James Hambro & Partners LLP (JH&P) ³	–	–	210	210
Shares in Regnan ⁴	–	–	100	100
Derivatives	–	314	–	314
Total financial assets	–	255,691	310	256,001

Notes:

- These securities represent shares held in unlisted pooled funds managed by the Group and are measured at fair value. The fair value is measured with reference to the underlying net asset values of the pooled funds.
- Escrow units held in pooled funds relate to deferred employee remuneration that is held by the Group in trust until certain service conditions have been satisfied by the employee. A corresponding employee benefit liability is recognised on the Consolidated Statement of Financial Position.
- JH&P is an independent private asset management partnership business.
- On 28 February 2019, Pandal Group Limited obtained full ownership of Regnan, which now forms part of the consolidated Group.

(ii) Valuation techniques used to derive Level 2 and Level 3 fair values

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments that are not in an active market are determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and do not rely on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3, as is the case for unlisted equity securities.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active, Pandal Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Specific valuation techniques used to value financial instruments include:

Pooled funds

During the year JOHCM managed two open-ended investment companies (OEICs), domiciled in the United Kingdom and Ireland, an open-end registered investment company responsible for the JOHCM mutual fund range and a Delaware Statutory Trust, both domiciled in the United States of America. Each investment vehicle is an umbrella scheme with various sub-funds, each with their own investment strategy. Each sub fund had a single price directly linked to the fair value of its underlying investments.

Pandal Australia manages unit trusts, domiciled in Australia where units are redeemable at any time for cash based on redemption price, which is equal to a proportionate share of the unit trust's net asset value.

Shares

The interest in JH&P is included in Level 3 of the fair value hierarchy, as the inputs to the asset valuation are not based on observable market prices, and are measured at fair value. For the financial year ended 30 September 2019, the fair value has been measured at an estimated price that would be received to sell the asset, having regard to the terms of the partnership agreement and adjusted for risk assumptions. Pandal Group performs the valuations for Level 3 financial assets for financial reporting purposes half-yearly in line with the Group's reporting dates.

During the year, Pandal Group obtained full ownership of Regnan, which now forms part of the consolidated Group. The ownership interest held in Regnan has therefore been de-recognised in the consolidated financial statements of the Group.

Derivatives

The fair value of derivative foreign exchange forward contracts that are designated as hedging instruments was determined using forward exchange rates at balance date.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

(iii) Unobservable inputs

The following table represents the movement in Level 3 financial instruments:

	Shares in Regnan \$'000	Interest in James Hambro & Partners LLP \$'000	Total fair value – level 3 \$'000	Carrying amount \$'000
2019				
Balance at the beginning of the financial year	100	210	310	310
De-recognition on consolidation	(100)	–	(100)	(100)
Gains recognised in profit and loss	–	2,679	2,679	2,679
Effects of foreign exchange movements	–	2	2	2
Balance at the end of the financial year	–	2,891	2,891	2,891
2018				
Balance at the beginning of the financial year	100	199	299	299
Effects of foreign exchange movements	–	11	11	11
Balance at the end of the financial year	100	210	310	310

D. Employee remuneration

This section provides a breakdown of how Pendal Group rewards and remunerates its employees, including key management personnel (KMP). Talent management is at the centre of Group's remuneration framework which is aimed at attracting, retaining and equitably rewarding its highly talented workforce while safeguarding the interests of its clients and delivering returns to shareholders.

Further information on the Group's overall remuneration approach, remuneration of KMP and insights into how the fund managers, sales teams and general corporate employees are remunerated can be found in the Remuneration Report.

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D1. Employee benefits

	2019 \$'000	2018 \$'000
Annual leave	1,888	1,678
Long service leave	1,878	1,535
Provision for incentives	89,686	97,532
Total current employee liabilities	93,452	100,745
Long service leave	1,319	1,135
Provision for incentives	5,399	5,826
Total non-current employee liabilities	6,718	6,961

Included in employee expenses recognised in the Consolidated Statement of Comprehensive Income is an amount related to Pendal Group's defined contributions to employees' superannuation and pensions of \$5.2 million (2018: \$5.0 million).

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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

Accounting policy

Employee benefits

Employee benefit liabilities represents accrued wages, salaries, annual and long-service leave entitlements and other incentives recognised in respect of employee services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled and include related on-costs, such as payroll tax and national insurance.

D2. Share-based payments

(a) Share options and performance share rights

Pendal Group has four long-term incentive plans which are aimed at driving performance by delivering value only when specific performance hurdles are met or exceeded. Under these plans eligible employees are granted either nil cost options or performance share rights in the Company, which convert to ordinary shares on a one-to-one basis when performance and service conditions are met.

Scheme	Description	Vesting conditions	Vesting period
Pendal Australia Performance Reward Scheme (Pendal Aust PRS)	This scheme gives the employee the right to receive ordinary shares at a future point in time upon meeting specified vesting conditions, with no amount payable. They are granted at no consideration and carry no dividend entitlement or voting rights until they vest, however, there will be a dividend-equivalent payment made for dividends attributable to performance share rights that vest at the end of the performance period.	Continued employment and performance hurdles based on Total shareholder return (TSR), and Cash earnings per share growth (Cash EPS).	Up to 8 years
JOHCM Performance Reward Schemes (JOHCM PRS)	This scheme gives the employee the right to receive ordinary shares at a future point in time upon meeting specified vesting conditions, with no amount payable. They are granted at no consideration and carry no dividend entitlement or voting rights until they vest, however, there will be a dividend-equivalent payment made for dividends attributable to performance share rights that vest at the end of the performance period.	Continued employment and performance hurdles based on TSR, and Cash EPS.	3 years
JOHCM Long Term Retention Equity – nil cost options (LTR – NCOs)	As part of the acquisition of JOHCM, JOHCM fund managers were awarded nil cost options which will vest and be exercised into ordinary shares in the Company, on a one-to-one basis.	Continued employment and FUM retention.	Up to 1 year post fund manager departure
JOHCM Long Term Retention Equity (NCOs)	Following the JOHCM acquisition additional awards were made. The number of other nil cost options awarded is determined with reference to individual performance each year through the performance period ending 30 September.	Continued employment.	Up to 7 years

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

Number and weighted average share price at date of exercise and grant date fair value of nil cost options and performance share rights awarded during the year:

	Pendal Aust PRS		JOHCM PRS		LTR – NCOs		NCOs	
	Rights No.	\$	Rights No.	\$	Rights No.	\$	Rights No.	\$
2019								
Outstanding at 1 October	856,812		595,547		4,937,282		8,254,286	
Granted	437,341	7.02	335,308	7.02	–	–	1,620,908	8.18
Vested / Exercised	(105,619)	8.59	(99,948)	8.59	(681,343)	8.59	–	
Forfeited	(63,188)		(49,810)		–		–	
Lapsed	(138,550)		(99,972)		(226,038)		–	
Outstanding at 30 September	986,796		681,125		4,029,901		9,875,194	
Exercisable at 30 September	–		–		681,337		8,254,286	
2018								
Outstanding at 1 October	1,087,115		973,750		5,618,628		6,772,201	
Granted	340,450	8.95	339,829	8.95	–	–	1,482,085	10.69
Vested / Exercised	(407,926)	11.27	(318,000)	11.27	(681,346)	11.27	–	
Forfeited	(142,155)		(383,916)		–		–	
Lapsed	(20,672)		(16,116)		–		–	
Outstanding at 30 September	856,812		595,547		4,937,282		8,254,286	
Exercisable at 30 September	137,910		99,960		681,346		–	

Fair value of nil cost options granted during the year

The fair value of the options are valued with reference to the Company's share price at grant date. The fair value at grant date of the nil cost options issued during the year was \$8.18 (2018: \$10.69). The weighted average remaining contractual life of outstanding nil cost options as at 30 September 2019 was 0.8 years (2018: 1.4 years).

Fair value of performance share rights awarded during the year

The fair value of the performance share rights linked to Cash EPS or revenue targets are valued with reference to the Company's share price at grant date and the fair value of performance share rights linked to TSR are determined using a Monte Carlo simulation pricing model with the following inputs:

- Risk free interest rate 2.07%
- Volatility 30%
- Dividend yield 0%

The fair value at grant date of the performance share rights issued during the year was \$5.33 (2018: \$6.85) for the TSR performance share rights and \$8.70 (2018: \$11.04) for the Cash EPS performance share rights. The weighted average remaining contractual life of outstanding performance share rights at 30 September 2019 was 1.2 years (2018: 1.0 years).

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

(b) Equity grants

Pendal Group has a number of short-term incentive schemes, under which ongoing equity grants are made to employees and key management personnel. Details of the schemes are as follows:

Scheme	Description	Vesting conditions	Vesting period
Pendal Australia new and existing employee equity grants	New and existing employees may receive one-off equity grants for retention.	Continued employment	Up to 5 years
Pendal Australia Boutique variable reward scheme	Eligible fund managers receive variable remuneration based on a profit share arrangement directly attributed to the boutique, with a portion of the variable reward deferred into ordinary shares in the Company.	Continued employment	Up to 5 years
Pendal Australia Corporate variable reward scheme	Management employees are paid a combination of fixed and variable reward in the form of cash and mandatorily deferred ordinary shares in the Company.	Continued employment	Up to 5 years
Pendal Australia Annual CEO award	To recognise individual achievement, the winner of the Annual CEO Award is eligible to receive ordinary shares in the Company to a value of \$5,000.	Continued employment	Up to 1 year
Sales Incentive Plans	Incentive schemes designed to reward performance of Pendal Australia and JOHCM sales teams.	Continued employment	Up to 5 years
JOHCM Fund manager variable reward scheme	Eligible fund managers receive variable remuneration based on a profit share arrangement with a portion of the variable reward deferred into ordinary shares in the Company.	Continued employment	Up to 5 years
JOHCM Corporate variable reward scheme	Management employees are paid a combination of fixed and variable reward in the form of cash and/or ordinary shares in the Company.	Continued employment	Up to 5 years

Number and weighted average grant date fair value of equity grants awarded during the year:

	Equity grants 2019 Number	Fair value 2019 \$	Equity grants 2018 Number	Fair value 2018 \$
Total	3,104,459	8.18	2,235,949	10.69

Fair value of equity grants awarded during the year

The fair value of the equity grants was estimated using the Company's share price on grant date and a discount rate reflecting the expected dividend yield over the applicable vesting periods.

(c) Fund linked equity (FLE)

The FLE Scheme allows JOHCM fund managers to convert part of the revenue generated from the growth in FUM related to their investment strategies into ordinary shares in the Company based on a pre-determined formula.

Prior to conversion, no dividends are payable on the FLE awards, and the awards do not carry voting rights.

The fair value of the FLE awards at the time of grant is independently determined based on a market-based valuation of the relevant investment strategies.

At the time of conversion, the number of ordinary shares in the Company converted from FLE awards is based on a pre-determined formula which applies a market-based measure to the after-tax profits generated by the relevant investment strategies. The ordinary shares in the Company allocated on conversion are then subject to vesting over a further period of five years.

The FLE Scheme is an equity-settled scheme which is not re-measured after grant date. If the scheme was re-measured to reflect current after-tax profits generated by the investment strategies, the current value of the FLE awards issued would exceed the valuation accounted for at grant date.

During the year, new FLE awards were issued to one investment team who had rights to participate in the FLE Scheme. In addition, the Company issued a total of 4,795,815 ordinary shares to two investment teams who converted their previously issued awards under the FLE Scheme. The shares issued are subject to vesting conditions for up to five years.

Further details on the FLE Scheme are outlined on pages 44 to 46 of the Remuneration Report.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

(d) Expenses arising from share-based payment transactions

Expenses of Pendal Group arising from share-based payment transactions recognised during the financial year as part of employee benefit expense were as follows:

	2019 \$'000	2018 \$'000
Total amortisation of employee equity grants	44,852	43,303

Critical accounting assumptions and estimates: Share based payments

The cost of equity-settled share-based payments is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value calculation is performed by an external valuation expert and is determined using Binomial/Monte-Carlo simulation valuation techniques and other market based valuation techniques, taking into account the terms and conditions upon which the equity instruments were granted. The valuation methodologies involve a number of judgements and assumptions which may impact the share based payment expense taken to profit and loss and equity.

The tax effect of the excess of estimated future tax deductions for share-based payments over the related cumulative remuneration expense is recognised directly in equity. The estimated future tax deduction is based on the share price of ordinary shares in the Company at balance date in accordance with AASB 112 Income Taxes.

Accounting policy

Share-based payments

Share-based payment compensation benefits are provided to employees via employee shares, performance share rights and option schemes. The fair value of shares, performance share rights and options granted to employees for no consideration is recognised as an expense over the vesting period, with a corresponding increase in shareholders' equity. The fair value of shares, performance share rights and options granted without market-based vesting conditions approximates the listed market price of the shares on the ASX at the date of grant. The fair value of shares granted with market-based vesting conditions has been determined using option-equivalent valuation methodologies. The fair value of performance share rights and options granted are measured using Binomial/Monte-Carlo simulation valuation techniques, taking into account the terms and conditions upon which the performance share rights and options were granted.

D3. Key management personnel disclosures

(a) KMP compensation¹

	2019 \$	2018 \$
Short-term employee benefits	6,115,154	6,601,868
Post-employment benefits	161,617	169,975
Long-term benefits	46,618	32,549
Share-based payments	2,161,959	1,569,892
Total	8,485,348	8,374,284

1. The 2018 Financial Year comparative figures have been adjusted to align with disclosures made in the Remuneration Report.

(b) Shareholdings

The following table sets out details of number of ordinary shares in the Company held by KMP (including their related parties):

	2019	2018
Held at the beginning of the year	1,900,847	1,677,407
Granted as remuneration	176,869	141,701
Purchases	112,683	16,694
Sales	(50,000)	(11,109)
Other changes ²	28,746	76,154
Held at the end of the year	2,169,145	1,900,847

2. Other changes relate to the conversion of performance share rights to ordinary shares and change of KMP during the year.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

(c) Other equity instruments

The following table sets out the number of performance share rights held by KMP (including related parties):

	2019	2018
Held at the beginning of the year	403,047	646,495
Granted as remuneration	249,509	312,168
Acquired during the year	–	–
Vested during the year	(61,097)	(183,229)
Lapsed during the year	(61,099)	(9,270)
Other changes ³	–	(363,117)
Held at the end of the year	530,360	403,047

3. Other changes relate to change of KMP during the year.

E. Group structure

This section explains significant aspects of the Pendal Group structure including changes during the year. The ultimate parent entity within the Group is Pendal Group Limited which is a listed entity in Australia with subsidiaries in Australia and overseas.

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E4.	Related party transactions	99

E1. Parent entity information

(a) Summary financial information

	Company	
	2019 \$'000	2018 \$'000
Profit for the financial year	144,305	189,693
Total comprehensive income for the financial year	141,822	187,338
Current assets	83,989	93,124
Total assets	829,074	822,323
Current liabilities	39,061	37,939
Total liabilities	48,492	44,292
Shareholders' equity:		
Contributed equity	434,886	435,785
Reserves		
Common control reserve	(25,471)	(25,472)
Share-based payment reserve	214,606	196,836
Foreign currency translation reserve	(7,883)	(5,383)
Cash flow hedge reserve	28	10
Retained earnings	164,416	176,254
Total equity	780,582	778,030

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

(b) Guarantees entered into by the parent entity

The parent entity has guaranteed the obligations of its subsidiary, PIL, to its institutional clients. The effect of the guarantee, which is capped at \$5 million, is to provide recourse to capital exceeding the minimum regulatory capital required to be maintained by PIL.

(c) Contingent liabilities of the parent entity

The parent entity has contingent liabilities as outlined in Note F3.

(d) Contractual commitments for the acquisition of property, plant or equipment

The parent entity had no contractual commitment for the acquisition of property, plant and equipment at balance date (2018: \$nil).

Accounting policy

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements of the Pandal Group, except for the items below.

Capital contributions

The grant by the Company of interests in its equity instruments to the employees of its subsidiaries is treated as a capital contribution to that subsidiary. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiaries, with a corresponding credit to equity. The amounts recognised are reduced to the extent that the fair value of equity grants is recharged by the Company to the subsidiary.

Financial guarantees

Where the Company has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of the guarantees are accounted for as contributions and recognised as part of the cost of the investment.

E2. Subsidiaries and controlled entities

Name	Country of incorporation/formation	Class of shares	Equity holding	
			2019 %	2018 %
Pendal Institutional Limited	Australia	Ordinary	100	100
Pendal Fund Services Limited	Australia	Ordinary	100	100
Regnan – Governance Research and Engagement Pty Ltd	Australia	Ordinary	100	50
Pendal UK Limited	UK	Ordinary	100	100
J O Hambro Capital Management Holdings Limited	UK	Ordinary	100	100
J O Hambro Capital Management Limited	UK	Ordinary	100	100
JOHCM (USA) Inc.	USA	Ordinary	100	100
JOHCM (Singapore) Pte Limited	Singapore	Ordinary	100	100
JOHCM Funds (UK) Limited	UK	Ordinary	100	100
JOHCM Funds (Ireland) Limited	Ireland	Ordinary	100	100
Pendal Group Limited Employee Equity Plan Trust	Australia	–	–	–
Pendal Group Employee Benefit Trust	Jersey	–	–	–

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

Accounting policy

Principles of consolidation

The Financial Report incorporates the financial statements of the Company and entities controlled by Pendal Group and its subsidiaries. Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which the Company obtains control and until such time as control ceases.

In preparing the Financial Report, all Intercompany transactions, balances and unrealised gains arising within the Group are eliminated in full.

Controlled entities within the Group conduct investment management and other fiduciary activities as responsible entity, trustee or manager on behalf of individuals, trusts, retirement benefit plans and other institutions. These activities involve the management of assets in investment schemes and superannuation funds, and the holding or placing of assets on behalf of third parties.

Where the controlled entities, as responsible entity or trustee, incur liabilities in respect of these activities, a right of indemnity exists against the assets of the applicable trusts. To the extent these assets are sufficient to cover liabilities, and it is not probable that the controlled entity will be required to settle them; the liabilities are not included in the consolidated financial statements.

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses included in the Statement of Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income in the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

E3. Unconsolidated structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity and the relevant activities are directed by means of contractual arrangements. Pendal Group has significant influence over the funds it manages due to its power to participate in the financial and operating policy decisions of the investee through its investment management agreements.

The Group considers all its fund vehicles to be structured entities. The Group invests its own capital for the purpose of seeding fund vehicles to develop a performance track record prior to external investment being received. The Group also receives management and performance fees for its role as investment manager.

The funds' objectives range from achieving returns of income and/ or capital exceeding certain benchmarks over the medium to long term. The funds invest in a number of different financial instruments including equities and debt instruments. The funds finance their operations by issuing redeemable shares or units which are puttable at the holder's option and entitle the holder to a proportional stake in the respective fund's net assets.

Notes to the Consolidated Financial Statements

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Pendal Group holds redeemable shares or units in some of its managed funds. The nature and extent of the Group's interests in funds is summarised by asset class below:

	Australian equities \$'000	Australian diversified and property \$'000	Australian cash and fixed income \$'000	International equities \$'000	Other \$'000	Total \$'000
2019						
Cash and cash equivalents	–	–	65,776	–	–	65,776
Trade and other receivables	2,125	–	2,053	29,746	260	34,184
Financial assets held at FVTPL	–	–	–	275,184	–	275,184
Total Assets	2,125	–	67,829	304,930	260	375,144
Maximum exposure to loss	2,125	–	67,829	304,930	260	375,144
Net asset value of funds	3,421,735	1,769,567	4,859,259	37,090,800	688,965	47,830,326
2018						
Cash and cash equivalents	–	–	71,539	–	–	71,539
Trade and other receivables	2,233	–	1,352	31,910	264	35,759
Financial assets held at FVTPL	–	–	–	255,377	–	255,377
Total Assets	2,233	–	72,891	287,287	264	362,675
Maximum exposure to loss	2,233	–	72,891	287,287	264	362,675
Net asset value of funds	3,235,807	1,610,023	4,241,378	41,750,159	918,009	51,755,376

Unless specified otherwise, the Group's maximum exposure to loss is the total of its on-balance sheet positions as at reporting date. There are no additional off-balance sheet arrangements which would expose the Group to potential loss in respect of unconsolidated structured entities.

During the year the Group earned both management and performance fee income from structured entities. Refer to Note B2 for further information.

E4. Related party transactions

J D Hambro was Deputy Chairman of J O Hambro Capital Management Holdings Limited, a wholly owned subsidiary of the Company, until his resignation effective 30 September 2019. He was also a member and had a significant interest, held directly and indirectly, in JH&P, of which JOHCM holds a 5.13% interest (2018: 5.13%).

J D Hambro was also a director and substantial shareholder of Runnall Limited, and a director and shareholder of JH&P Holdings Limited, which were both members of JH&P.

J D Hambro holds an equity interest in Barnham Broom Holdings Limited which holds the trademark licences for the "J O Hambro" name. During the year, Pendal Group renewed its licence to use the "J O Hambro" trademark for a further term of 7 years, to 26 October 2025, for an annual fee of £150,000 (\$273,324) for the first 4 years, and £250,000 (\$455,539) for each of the remaining 3 years.

F. Other

This section provides details on other required disclosures to comply with the Australian Accounting Standards and International Financial Reporting Standards.

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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

F1. Intangible assets

	Goodwill \$'000	Fund and investment management contracts \$'000	Other intangibles \$'000	Total \$'000
2019				
Net book value as at 1 October 2018	476,929	66,290	1,794	545,013
Additions	–	–	968	968
Foreign exchange gain	1,376	374	–	1,750
Amortisation expense	–	(5,633)	(627)	(6,260)
Impairment loss	–	(1,125)	–	(1,125)
Net book value as at 30 September 2019	478,305	59,906	2,135	540,346
<i>Represented by:</i>				
Cost	478,305	135,762	5,678	619,746
Accumulated amortisation and impairment	–	(75,856)	(3,543)	(79,400)
2018				
Net book value as at 1 October 2017	463,341	69,997	1,940	535,278
Additions	–	–	845	845
Foreign exchange gain	13,588	3,994	–	17,582
Amortisation expense	–	(5,735)	(746)	(6,480)
Impairment loss	–	(1,967)	(245)	(2,211)
Net book value as at 30 September 2018	476,929	66,290	1,794	545,013
<i>Represented by:</i>				
Cost	476,929	134,988	4,710	616,628
Accumulated amortisation and impairment	–	(68,698)	(2,916)	(71,615)

Fund and investment management contracts:

Fund management contracts relate to contractual relationships to manage open-ended funds (OEICs). Investment management contracts comprise contractual relationships with individual clients. The contracts were acquired by Pandal Group when it purchased JOHCM and are recognised as follows:

	2019 \$'000	2018 \$'000
Fund management contracts – OEICs	55,009	60,056
Investment management contracts – Segregated mandates	4,897	6,234
Total	59,906	66,290

The recoverable amount of each fund and management contract has been measured using the present value of future cash flows expected to be derived for each asset. The discount rate used to discount the cash flow projections (post-tax) is 12% (2018:12%), based on the cost of capital.

An impairment loss of \$1.1 million (2018: \$2.0 million), due to the re-measurement of the fund and investment management contracts to the lower of their carrying value and their recoverable amount, is included in the depreciation, amortisation and impairment expense in the Statement of Comprehensive Income. Impairment losses may be reversed in certain circumstances if there has been a change in forecasts and market conditions used in determining the recoverable and carrying amounts.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

Goodwill:

Goodwill has been derived from the following business combinations:

	2019 \$'000	2018 \$'000
Purchase of the Pental (BTIM) investment management business effective 19 October 2007	233,300	233,300
Purchase of JOHCM effective 1 October 2011	245,005	243,629
Total	478,305	476,929

For the purpose of impairment testing, assets are grouped at the lowest level for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units or CGUs). To determine if goodwill is impaired, the carrying value of the identified CGU to which the goodwill is allocated is compared to its recoverable amount.

Goodwill is allocated to CGUs according to operating segments (refer B1). Goodwill attributable to Pental Australia and Pental International is \$233.3 million and \$245.0 million respectively.

The recoverable amount of each CGU is determined using a 'Fair value less cost of disposal' methodology that utilises cash flow projections (post-tax) based on management's best estimates over a 5 year period and then applies a terminal value in perpetuity of 3%. The discount rates used to discount the cash flow projections for Pental Australia and Pental International are 11% and 12% (2018: 11% and 12%) respectively based on the cost of capital (post-tax) for each of these CGU's.

Management is of the view that reasonably possible changes in the key assumptions, such as an increase to the discount rate of 2% or a reduction in cash flow of 10%, would not cause the recoverable amount for each CGU to fall short of the carrying amounts as at 30 September 2019. The current head room for Pental Australia is \$91.2 million. For the estimated recoverable amount of the goodwill attributable to Pental Australia to be equal to its carrying amount, the discount rate would have to increase to 13.1%, or the projected cash flows would need to reduce by 23.0%.

There has been no impairment of goodwill during the year ended 30 September 2019. The amount of goodwill relating to the JOHCM acquisition has been translated from British pounds to Australian dollars using the spot exchange rate at 30 September 2019.

Accounting policy

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Pental Group's share of the net identifiable assets acquired at the date of acquisition. Goodwill is carried at cost less accumulated impairment losses.

Fund and investment management contracts

Fund and investment management contracts acquired as part of a business combination are recognised separately from goodwill. They are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives, currently estimated at between 5 and 20 years.

Other intangibles

Other intangibles consist of IT development and software costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction. Costs capitalised include external direct costs of service and are recognised as intangible assets. Amortisation is calculated on a straight-line basis between three and five years.

Impairment

Goodwill and other intangibles assets are tested each reporting period for impairment or more frequently if events or changes in circumstances indicate that they might be impaired, or whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

An impairment loss is recognised through the Statement of Comprehensive Income for any amount by which the asset's carrying amount exceeds its recoverable amount. Intangible assets other than goodwill are reviewed for possible reversal of impairment losses at each reporting date. Reversals are made in certain circumstances if there has been a change in forecasts and market conditions used in determining the recoverable and carrying amounts.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

Critical accounting assumptions and estimates: Intangible assets

The fund and investment management contracts are initially measured at their fair value. This involves the use of judgements, estimates and assumptions about future fund flows and investment performance, based largely on past experience and contractual arrangements.

Pendal Group tests whether goodwill has suffered any impairment at each reporting period. The recoverable amount of a cash generating unit (CGU) is determined based on 'fair value less cost of disposal' methodology which requires the use of assumptions. Key assumptions requiring judgement include projected cash flows, growth rate assumptions and discount rates.

F2. Lease and capital commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2019 \$'000	2018 \$'000
Within one year	7,023	4,630
Later than one year but not later than five years	28,223	26,711
Later than five years	16,630	21,496
Total commitments	51,876	52,837

Lease commitments predominantly represent property leases entered into by Pendal Group. The Group had no finance leases as at 30 September 2019.

Accounting policy

Leases

When the terms of a lease transfer substantially all the risks and rewards of ownership to Pendal Group, the lease is classified as a finance lease, all other leases are classified as operating leases. Payments made under operating leases are recognised as an expense on a straight-line basis over the period of the lease, net of any incentives received from the lessor which are deducted from the lease incentive liability in the Statement of Financial Position.

F3. Contingent liabilities

Regulatory authority

JOHCM is the subject of an investigation by its UK regulator relating to the eligibility of certain services approximating \$9.1 million (£5.0 million) paid for out of dealing commissions between 2006 and 2016. It is possible that, as part of the investigation, the eligibility of other services may also be assessed. This is a continuation of the dialogue arising out of a thematic industry review referenced in the Group's prior period financial reports. The UK regulator has stated that, although an investigation has been commenced, this does not mean that any determination has been made that rule breaches and/or other contraventions have occurred. The likely outcome or consequence of this matter (including any sanctions or penalties) is unable to be reliably estimated at this time.

Capital guarantee

The Company has guaranteed the obligations of PIL to its institutional clients. The effect of the guarantee, which is capped at \$5 million in aggregate, is to provide recourse to capital exceeding the minimum regulatory capital required to be maintained by PIL.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

F4. Remuneration of auditors

(a) Audit and other services – Australia

	2019 \$	2018 \$
PricewaterhouseCoopers		
Audit and review of Financial Reports	437,073	407,798
Other services	14,000	14,000
Audit of Australian Financial Service Licences	25,884	17,364
Total remuneration for services – Australia	476,957	426,562

(b) Audit and other services – outside of Australia

	2019 \$	2018 \$
PricewaterhouseCoopers		
Audit and review of Financial Reports	318,380	253,624
Other services	144,144	126,436
Financial Conduct Authority client assets report	176,449	117,754
	638,973	497,814

(c) Other services to non-consolidated trusts

The Company's external auditor provides audit and non-audit services to non-consolidated trusts for which PFSL and PIL act as trustee, manager or responsible entity. The fees were approximately \$1,373,753 for the financial year (2018: \$1,310,759), including fees for non-audit services of \$185,600 (2018: \$168,000).

F5. Subsequent events

On 31 October 2019, JOHCM Funds (Ireland) Limited, a Pandal Group subsidiary domiciled in Ireland, replaced JOHCM, a UK subsidiary, as manager of Group's Irish-domiciled UCITS vehicle, J O Hambro Capital Management Umbrella Fund plc. Both companies are wholly-owned subsidiaries within the Group. Investment management sub-advisory services and support services are provided to JOHCM Funds (Ireland) Limited under agreements entered into with other Group entities and third parties. These changes enable the operations of the Group to continue on an ongoing basis in the relevant markets in the event that the United Kingdom formally withdraws from the European Union.

Other than the above, there is no matter or circumstance which is not otherwise reflected in this Financial Report that has arisen subsequent to the balance date, which has significantly affected or may significantly affect the operations of Pandal Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

Directors' Declaration

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019

In the Directors' opinion:

a) the financial statements and notes set out on pages 69 to 103 are in accordance with the *Corporations Act*, including:

- i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements
- ii) giving a true and fair view of Pendal Group's financial position as at 30 September 2019 and of its performance for the year ended on that date; and

b) there are reasonable grounds to believe that Pendal Group Limited will be able to pay its debts as and when they become due and payable.

Note A1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations required under section 295A of the *Corporations Act* by the Group Chief Executive Officer and Group Chief Financial Officer.

This declaration is made in accordance with a resolution of the Directors.

For and on behalf of the Board.



James Evans

Chairman



Emilio Gonzalez

Managing Director and Group Chief Executive Officer

Sydney, 6 November 2019



Independent auditor's report

To the members of Pendal Group Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Pendal Group Limited (the Group) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 September 2019 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 September 2019
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the declaration of the directors.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, ABN 52 780 433 757

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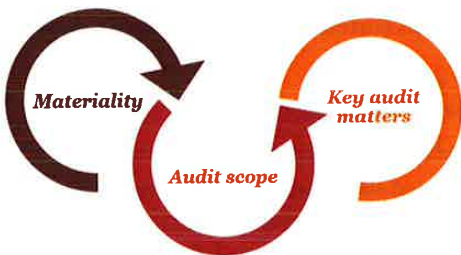
Liability limited by a scheme approved under Professional Standards Legislation.



Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates. The Group provides investment management services through its two operating segments comprised of the investment management business in Australia (Pendal Australia) and outside Australia (Pendal International).



Materiality	Audit scope	Key audit matters
- For the purpose of our audit we used overall Group materiality of \$10.1 million, which represents approximately 5% of the Group's profit before tax. - We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. - We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. - We utilised a 5% threshold based on our professional	- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. - The Australian engagement team directed the involvement of overseas PwC teams, who performed an audit of the financial information of Pendal International. All other procedures were performed by the Australian engagement team. - For the work performed by overseas PwC teams, we considered the level of involvement we needed to have in their audit work to be able to evaluate whether sufficient appropriate audit evidence had	- Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: - Carrying value of intangible assets - goodwill and fund and investment management contracts - Accounting for employee remuneration schemes and employee bonuses - Recognition of fee revenue - These are further described in the <i>Key audit matters</i> section of our report.



judgement, noting it is within the range of commonly acceptable thresholds.

been obtained as a basis for our opinion on the Group financial report as a whole. This included active dialogue during the audit with overseas teams and review of their work.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
Carrying value of intangible assets - goodwill and fund and investment management contracts <i>Refer to Note F1 of the financial report</i> This was a key audit matter as the intangible assets were the largest asset balance (\$540 million as at 30 September 2019) and due to the complexity and judgments in the discounted cash flow models used each year by the Group to perform an impairment assessment of the assets. The Group's significant judgements in assessing impairment of goodwill, fund and investment management contracts included forecasting cash flows of the Group into perpetuity for goodwill and between five and twenty years for fund and investment management contracts, which involved making revenue growth rate and discount rate assumptions.	Our audit procedures on the goodwill asset included, amongst others: • Obtaining an understanding and evaluating relevant controls associated with the Group's goodwill impairment assessment process. • Assessing whether the Group's determination of Cash Generating Units (CGUs), which are the smallest identifiable groups of assets that can generate largely independent cash inflows, was consistent with our understanding of the nature of the Group's operations and internal Group reporting. • Testing the mathematical accuracy of the calculations in the discounted cash flow models used in the impairment assessment (the models). • Evaluating the cash flow forecasts used in the models and the process by which they were developed, including comparing the forecasts to historical results and the latest Board-approved management accounts. • Assessing the historical ability of the Group to forecast future cash flows by comparing current year (2019) actual results with the prior year (2018) forecast to consider whether any forecasts included assumptions that, with hindsight, had



Key audit matter	How our audit addressed the key audit matter
	been optimistic. • Obtaining supporting evidence for the key assumptions for revenue growth rates and assessing discount rates against independent benchmarks, calculating what rates would result in an impairment and considering whether these levels were reasonably possible based on our knowledge of the business and historical results. • Performing stress-test calculations of the potential impact from severe market shocks on the impairment of goodwill. • Assessing if the disclosures relating to goodwill are in accordance with the requirements of Australian Accounting Standards. Our audit procedures on the fund and investment management contracts included, amongst others: • Selecting a sample of contracts based on certain risk criteria and comparing the cash flow forecasts in the discounted cash flow model used to assess impairment to actual contract performance for the year. • Recalculating the amortisation charge for the year for each contract and comparing this to the Group's calculations, checking that the key inputs were consistent with contractual terms. • Varied key assumptions within the model to identify what change would result in an impairment. • Assessing if the Group's disclosures relating to fund and investment management contracts are in accordance with the requirements of Australian Accounting Standards.



Key audit matter

Accounting for employee remuneration schemes and employee bonuses

Refer to Section D and the remuneration report of the financial report

Accounting for employee remuneration schemes and incentives, specifically Fund Linked Equity (FLE) and share-based payments, was a key audit matter due to the financial significance of the expenses in the consolidated statement of comprehensive income, the nature of the expenses and the level of judgement that is applied in their determination, including assessing the likelihood of specific performance hurdles being met.

During the year, the Group issued 4.8 million ordinary shares to satisfy a partial exercise of the equity rights by fund managers under the FLE schemes.

How our audit addressed the key audit matter

Our audit procedures performed on the FLE expense included, amongst others:

- Recalculating the FLE expense and agreeing the key inputs in the calculation (such as the listed share price of the Group, FUM, margin, earnings per share) to appropriate supporting data.
- Obtaining an understanding of performance hurdles specified in the FLE agreements and assessing if the calculations of the FLE were consistent with the actual performance.
- Assessing the disclosures in the financial report in light of our understanding and the requirements of Australian Accounting Standards.

Our audit procedures performed on the share-based payments expense included, amongst others:

- For a sample of employees, compared the number of shares granted in the year to third party confirmations and approval by the Company, and agreeing the grant date share price to published pricing data.
- For grants made in prior periods, recalculating the amortisation expense for the current year based upon the grant date share price and the number of shares.
- For a sample of share-based payment expenses recognised during the year, we obtained the relevant employee contract and checked the performance and service conditions were met.
- Recalculating the current and deferred tax impact of the accounting entries posted.



Key audit matter	How our audit addressed the key audit matter
Recognition of fee revenue <i>Refer to Note B2 of the financial report</i> This was a key audit matter because revenue was the most significant account balance in the consolidated statement of comprehensive income. Additionally, although there was no significant judgement involved in their determination, performance fees fluctuate depending on market performance and some employee incentives are linked to fund performance. Revenue of \$491 million comprises: • Investment management fees (\$485 million) • Performance fees (\$6 million)	In relation to the key controls over recognising fee revenue for Pendal Australia: • We obtained the most recent report issued by the provider of accounting and administration services setting out the controls in place at that service organisation (including those over the recognition of fee revenue). This report included an independent audit opinion over the design and operating effectiveness of those controls. • We assessed the report by: developing an understanding of the control objectives and associated control activities; evaluating the tests undertaken by the auditor; and evaluating the results of these tests and the conclusions formed by the auditor on the design and operational effectiveness of controls to the extent relevant to our audit of the Group. For Pendal International and Pendal Australia, we also performed the following audit procedures, amongst others: • Assessing whether the revenue accounting policy was consistent with the requirements of Australian Accounting Standards. • Agreeing a sample of investment management, performance and transaction fees back to invoices and relevant supporting external evidence, such as underlying fund financial statements and third party calculations (Pendal International). • Recalculating a sample of investment management fees and performance fees.



Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 September 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.



Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 36 to 66 of the directors' report for the year ended 30 September 2019.

In our opinion, the remuneration report of Pental Group Limited for the year ended 30 September 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Group are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

A stylized signature of the PricewaterhouseCoopers firm.

PricewaterhouseCoopers

A stylized signature of Andrew Wilson.

Andrew Wilson
Partner

Sydney
6 November 2019

Shareholder Information

The shareholder information set out below is current as at 11 October 2019.

Securities Exchange Listing

The ordinary shares of Pendal Group Limited are listed on the Australian Securities Exchange under the ASX code PDL.

Number of shareholders and shares on issue

The Company has 322,802,391 ordinary shares on issue, held by 30,172 shareholders.

Twenty largest shareholders

Details of the 20 largest holders of ordinary shares in the Company are:

Name	Number of shares	%
1 HSBC Custody Nominees (Australia) Limited	63,075,002	19.54
2 J P Morgan Nominees Australia Pty Limited	35,585,947	11.02
3 Westpac Financial Services Group Limited	30,814,493	9.55
4 Pacific Custodians Pty Limited <PDL Plans Ctrl A/C>	28,938,735	8.96
5 Citicorp Nominees Pty Limited	19,008,331	5.89
6 Equiniti Tst (Jersey) Ltd <PDL Emp Benefit Tst 3 A/C>	9,875,195	3.06
7 BNP Paribas Nominees Pty Ltd <Agency Lending Drp A/C>	8,733,381	2.71
8 National Nominees Limited	6,952,584	2.15
9 BNP Paribas Noms Pty Ltd <Drp>	6,185,706	1.92
10 Equiniti Tst (Jersey) Ltd <PDL Emp Benefit Tst 1 A/C>	4,029,901	1.25
11 Equiniti Tst (Jersey) Ltd <PDL Emp Benefit Tst A/C>	2,571,740	0.80
12 Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	2,238,298	0.69
13 Vesta Investments Pty Ltd	2,158,009	0.67
14 Milton Corporation Limited	1,546,643	0.48
15 BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd DRP	1,417,961	0.44
16 BKI Investment Company Limited	1,093,185	0.34
17 Equiniti Tst (Jersey) Ltd <PDL Emp Benefit Tst 2 A/C>	730,936	0.23
18 Mrs Belinda Jane Hannan	728,315	0.23
19 UBS Nominees Pty Ltd	700,148	0.22
20 Australian United Investment Company Limited	650,000	0.20
Total for Top 20	227,034,510	70.33
Total Number of Shares	322,802,391	100.00

Shareholder Information

Distribution schedule

Holding	Number of shareholders	Number of shares	%
1 - 1,000	7,410	4,097,661	1.27
1,001 - 5,000	19,044	38,768,128	12.01
5,001 - 10,000	2,407	17,306,556	5.36
10,001 - 100,000	1,260	26,653,541	8.26
100,001 and over	51	235,976,505	73.10
Total	30,172	322,802,391	100.00

Unmarketable parcels of shares

There are 493 shareholders holding less than a marketable parcel of ordinary shares.

Substantial shareholders

The number of securities held by substantial shareholders and their associates, as disclosed in substantial holding notices given to the Company, is set out below:

Name	Number of shares	%
Lazard Asset Management Pacific Co	20,132,228	6.24
Pendal Group Limited (Employee Equity Plans including vested and unvested shares)	34,495,408	10.90
Pinnacle Investment Management Group Limited and subsidiaries	23,524,373	9.49
Westpac Banking Corporation and associated entities	33,897,506	10.50

Restricted securities

There are no restricted securities or securities subject to voluntary escrow.

Unquoted securities

The following unquoted securities are on issue:

Class	Number
2015 Performance Share Rights issued in 2015	33,964
2016 Performance Share Rights issued in 2016	474,415
2017 Performance Share Rights issued in 2017	441,342
2018 Performance Share Rights issued in 2018	737,351
JOHCM Long Term Retention Equity Nil Cost Options issued 2012	4,029,902
JOHCM Long Term Retention Equity Nil Cost Options expiring December 2019	8,254,286
JOHCM Long term retention Equity Nil Cost Options expiring December 2022	1,620,908
Conversion rights under FLE Scheme at vwap pricing as at date of conversion. Please refer to the Remuneration Report for details of the operation of the FLE Scheme	Variable

Voting rights of ordinary shares

Under the Company's Constitution, holders of fully paid ordinary shares have at a general meeting, one vote on a show of hands and on a poll one vote for each share held.

No voting rights are attached to converting notes or nil cost options.

Shareholder Calendar

Record date for final dividend	6 December 2019
2019 Annual General Meeting	13 December 2019
Payment date for final dividend	19 December 2019

Please note that the above dates are subject to change.

Glossary

\$	Australian dollars, unless indicated otherwise
£ or GBP	Pounds sterling
€ or EUR	Euro
2019 Financial Year or FY19	The financial year ended 30 September 2019
20XX Financial Year or FYXX	Refers to the financial year ended 30 September 20XX, where XX is the two-digit number for the year
AASB	Australian Accounting Standards Board
ABN	Australian Business Number
ACN	Australian Company Number
ASX	Australian Securities Exchange or ASX Limited (ABN 98 008 624 691)
Board	Board of Directors
bps	Basis points
Brexit	A process by which the UK will withdraw from the European Union, as a result of a referendum held in June 2016
CAGR	Compound annual growth rate
CGU	Cash generating unit
CODM	Chief operating decision-maker. This is the Company's Global Executive Committee
Company	Pendal Group Limited (ABN 28 126 385 822)
Corporations Act	Corporations Act 2001
cps	Australian cents per share
Directors	Directors of the Company
DRP	Dividend reinvestment plan
ESG	Environmental, social and governance
FUM	Funds under management
GEC	Global Executive Committee
Group	Pendal Group Limited and its consolidated subsidiaries
JOHCM	J O Hambro Capital Management Limited
JOHCM Holdings	J O Hambro Capital Management Holdings Limited

Glossary

Key management personnel or KMP	Those persons having authority and responsibility for planning, directing and controlling the activities of Pandal Group
KPIs	Key performance indicators
NED	Non-executive Director
NPAT	Net profit after tax
OEIC	Open-ended investment company
Pandal Australia	The Australian operations of the Group
Pandal Funds	The managed investment schemes or unit trusts of which PFSL is the RE
Pandal Group	Pandal Group Limited and its consolidated subsidiaries
PFSL	Pendal Fund Services Limited (ABN 13 161 249 332), a wholly-owned subsidiary of the Company and the RE of the Pandal Funds
PIL	Pendal Institutional Limited (ABN 17 126 390 627), a wholly-owned subsidiary of the Company
PwC	PricewaterhouseCoopers, the external auditor of the Pandal Group
RE	Responsible entity
Regnan	Regnan – Governance Research and Engagement Pty Ltd (ABN 93 125 320 041)
Reporting period	The financial year ended 30 September 2019
RI	Responsible Investing
S\$ or SGD	Singapore dollars
SMA	Separately managed account
Soft-close	Strategies and funds closed to new investors but which remain open to existing investors on existing terms
VR	Variable reward
TSR	Total shareholder return is calculated using share price movements and dividends to shareholders. The share price movement is calculated using the average three-month closing share price prior to the beginning and end of the performance period, consistent with market practices.
US\$ or USD	US dollars

Corporate Directory

Directors

James Evans (Chairman)
Emilio Gonzalez (Group CEO)
Sally Collier
Andrew Fay
Christopher Jones
Kathryn Matthews
Deborah Page AM

Company Secretary

Joanne Hawkins

Registered Office

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Email: enquiries@pendalgroup.com

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Website

www.pendalgroup.com

Australian Company Number

126 385 822

Australian Business Number (ABN)

28 126 385 822

ASX Code

PDL

Auditors

PricewaterhouseCoopers
One International Towers Sydney
Watermans Quay
Barangaroo
Sydney NSW 2000

Share Registry

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Key dates

Record date for final dividend	6 December 2019
2019 Annual General Meeting	13 December 2019
Payment date for final dividend	19 December 2019
2020 Interim results announcement	30 April 2020
2020 Final results announcement	4 November 2020

Please note the above dates are subject to change

2019 Annual General Meeting

Date:	Friday, 13 December 2019
Time:	10.00am (Sydney time)
Venue:	Fullerton Hotel (previously known as "The Westin Hotel") 1 Martin Place Sydney NSW 2000

Full details of the meeting are included
in the Notice of Meeting

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