

Pendal Group Limited
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Australia
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4 November 2020

Company Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

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

The following documents are attached for lodgement:

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

Yours sincerely

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

Authorising Officer

Joanne Hawkins
Group Company Secretary
Pendal Group Limited
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The future is worth
investing in



Delivering investment strategies globally

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

Investment strategies

- Regional Equities
- Global and International Equities
- Cash and Fixed Income
- Multi-Asset
- Environmental, Social and Governance (ESG)

For a complete overview of our investment strategies, fund performance and our investment management teams, go to annual-report-2020.pendalgroup.com/investment-strategies

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North America



- Investment & sales personnel
- Pendal office locations

Funds under management (FUM) classified by client domicile.

UK, Europe & Asia

Australia & NZ



Pendal offers a global distribution network which services a diverse client base, including:



High net-worth individuals / Family offices



Sovereign wealth funds



Superannuation and pension funds



Sub-advisory



Endowment funds



Investment platforms and wirehouses



Financial planners



Charitable organisations

FY20 Overview



Diversification underpins business resilience

- Cash NPAT of \$146.8 million
- Base management fees of \$458.1 million
- Positive flows in Institutional and US wholesale channels



Improved investment performance

- 72 per cent of FUM outperformed over one year
- Strong performance in global and Australian equities, cash and fixed income
- Performance fees of \$13.4 million



Investment for the markets of tomorrow

- Onboarded new investment team
- Launched new products
- Realigned distribution model with regional leadership
- Invested in technology enabled global operating platform

Average FUM	\$94.8 billion
Cash NPAT	\$146.8 million
Cash EPS	45.5 cents per share
Fee revenue	\$474.8 million
Dividend	37.0 cents per share

Investment outperformance¹

72%

of FUM over one year

71%

of FUM over three years

70%

of FUM over five years

88%

of FUM since inception

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

Chairman's Letter



2020 was a year of many parts. Brexit. Geo-political tensions and global trade impacts arising from the US/China trade disputes. And there was the COVID-19 global pandemic. All these events impacted markets to varying degrees and affected client sentiment and confidence. Of course, the most severe was the 'Black Swan' event of COVID-19. No one could have predicted the depth and extent of the pandemic and its impact on every facet of our lives.

Overview of the 2020 Financial Year

In response, we are managing an environment hitherto unknown. Until a vaccine is found, the COVID-19 pandemic will continue to disrupt our lives; to impact our communities and nations, and affect our economies – domestic and global. We are mindful of the effects and the disruption the pandemic is having on our people, our clients, markets and society in general.

The health and welfare of our people is paramount, as is business continuity and supporting our clients. We are a talent business and without our people, our business does not exist. This pandemic has shown our ability to adjust and adapt in this new environment, without disruption to our business, and I would like to acknowledge and thank our employees for their effort and commitment. COVID-19 might be with us for some time, but we cannot let it dominate us.

While we are seeing continued market volatility, overall, in the last quarter, markets have rallied from March lows. However, we are not complacent. Markets are fickle, and we operate in a globally contested marketplace.

Our investment management teams are actively engaging with our clients, so they are in no doubt that we are being proactive in the management of the funds entrusted to us. Clients are seeing the value of active managers, who as experienced and skilled investors, can adjust their portfolios both to manage the prevailing circumstances and position for emerging opportunities. In 'emotional' times such as these, our 'true to label' portfolio managers think and act with discipline.

Last year I commented that 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.

Without envisioning the COVID-19 'Black Swan' event, this attitude and approach has never been more important. We have taken current circumstances in our stride, confident that our long-term strategy will deliver positive outcomes for all stakeholders, over time and through the cycles.



Pendal has a strong balance sheet, with no debt. We continue to be profitable with a healthy cashflow and good margins.

Financial results

In the year just gone, our key measure of financial performance, Cash Net Profit After Tax (Cash NPAT), was \$146.8 million, down by 10 per cent. This represents a reduction of 11 per cent in cash earnings per share (Cash EPS) from 51.3 to 45.5 cents. This is to be expected. Performance of the business is largely determined by revenue from base management fees, meaning we are linked to markets and the value of our funds under management (FUM).

In the period from January to the end of March FUM fell by 15 per cent to \$86.0 billion. In the final quarter, FUM recovered to \$92.4 billion for a net fall of \$8.0 billion over the year. Importantly, investment performance has improved in a range of our key funds, resulting in positive inflows in the fourth quarter of the 2020 Financial Year and higher performance fees for Pendal Australia.

The Board recognises how important dividends are to our shareholders. Some companies are presently delaying or not declaring dividends but Pendal's strong balance sheet and diversified business model enables it to continue to support returns to shareholders, and with no change to the Group's dividend payout ratio.

A final dividend of 22.0 cents per share was declared, compared to the 25.0 cents in the prior year. The final dividend will be 10 per cent franked and paid on 17 December 2020 to ordinary shareholders at a record date of 4 December 2020.

The full year dividend was 37.0 cents per share, compared to 45.0 cents in the previous year, and reflects a payout ratio of 81 per cent, which is within the 80 to 90 per cent of Cash NPAT range of the dividend policy. The Dividend Reinvestment Plan has been activated for the 2020 final dividend and will support the Group's increased pace of investment over the coming years.

Looking at performance over the long term, Total Shareholder Return since listing is 128 per cent, which is well above the 53 per cent return of the Standard and Poor's ASX200 Accumulation Index over the same period.

Risk management

Risk management has been front and centre for your Board. We have conducted double the number of Board meetings this year and have engaged closely with our regional business leaders and our fund managers.

The Board regularly reviews and approves the design of the risk management framework, and sets the risk appetite. This year, we assessed and reset the risk management framework to prioritise the response to the COVID-19 pandemic.

Specific areas included staff wellbeing, culture, effective remote working, continued excellent client service, enhanced liquidity risk management, day-to-day management of portfolios, enhanced communication, and maintaining operational resilience.

We are mindful of protecting the culture that has been at the core of Pendal's success. Our culture encourages individuals to act with integrity and honesty, and to value the interests of our clients as the first priority. Our products are clear in their investment goals and transparent in their fees, and our boutique business model provides our fund managers with investment independence and agility. While we are seasoned to market cycles, we cannot control the markets, only our own actions.

Diversified business model supports resilience

Pendal is a diversified business. We have a stable revenue base from annuity style cashflows and also have the ability to earn performance fees. This diversification extends to the range and type of funds we manage.

Within the Pendal universe, clients have a broad choice of investment strategies, including defensive, growth, value, fixed income, and multi-asset. By offering a broad range of investments we ensure that, given investment trends vary at any particular time, Pendal always has a fund that meets clients' needs.

We have a stable and diversified client base, which includes some of the world's largest and strongest financial institutions, including pension funds, insurers, and wealth managers. As an active fund manager, we are fully cognisant of demonstrating the added value we deliver for our clients.

Positioned for growth

Pendal has a strong balance sheet, with no debt. We continue to be profitable with a healthy cashflow and good margins.

Our cost base contains a material component which is variable, and linked to revenue. When revenue declines, there is a natural offset with lower costs, particularly lower employee variable remuneration.

All of our strategic considerations and investments, particularly global diversification, look to support material FUM and revenue growth.

As a global fund manager, we have developed an operating model around key regions and regional CEOs for the US, UK, Europe and Asia, and Australia. This model is evolving with the changed dynamics of the business and markets. This global regional model will be fundamental to managing the company's future growth opportunities.

With a talented Global Executive Team in place, and long-tenured fund managers with outstanding track records, we have the right leadership on the ground, which ensures that we are able to respond quickly and effectively to changed circumstances and take advantage of market opportunities.

ESG and stewardship

Pendal has a long track record in sustainable investment. Our acquisition of Regnan last year was an important strategic move to ensure Pendal is well placed to capitalise on our history and reputation, as the worldwide demand for impact and other sustainable investment products gathers pace.

We are seeing a fast-paced change worldwide in investor requirements for environmental, social and governance (ESG) credentials. Pendal sees ESG as a significant growth opportunity and we are further investing in our capabilities in this market segment accordingly.

Outlook

The world may have recovered from the initial shock of the COVID-19 pandemic, but it is far from being resolved. We are all looking forward to the development of a vaccine. However, the ramifications of restrictions on the movement of people and the consequences of extraordinary fiscal measures are yet to fully play out. Nevertheless, human nature has an infinite capacity to surprise, and is attuned to thrive not despite, but because of, exceptional circumstances.

We are entering a new era. Companies around the world are reconfiguring their operations and how they engage with their stakeholders. There has been exponential growth in the use and development of communications technology. With this changed communications model, Pendal has reassessed how we engage with our clients and our global workforce. This has, and will continue to, require us to develop and invest in our digital capabilities. We believe it will bring about innovation and efficiencies in the way we conduct our business. We see opportunities to broaden our distribution capabilities, enhance our client engagement and service and extend our reach through digital marketing. We will not revert to old ways for the sake of it; at Pendal we always look to the future.

The 2020 Financial Year marked the final sell-down by Westpac of its residual 9.5 per cent stake in Pendal. We acknowledge the support of Westpac as a long-term shareholder and as a client. Importantly, we continue to have a strong client relationship with Westpac and currently manage \$16 billion in FUM on their behalf. This constitutes 17 per cent of our total FUM compared to 64 per cent in 2007.

Finally, I would like to thank the management team and all of our employees for their personal contribution during what has been a particularly difficult year, and for stepping up for our clients, while dealing with the personal and physical challenges arising during the pandemic.

I would like also to acknowledge and thank my Board colleagues for the significant extra time they have contributed to Pendal this year and for their ongoing resolve, commitment, and support for the long-term success of the business.



James Evans,
Chairman



Group Chief Executive Officer's Report

2020 has been an extraordinary year and a reminder of the importance of having a robust business to be able to manage through the most unpredictable of circumstances. The tumultuous and volatile market conditions as a result of the onset of COVID-19 tested many companies. Throughout, Pandal has remained strong thanks to our financial strength and a business model that provides resilience in the face of macroeconomic uncertainty and market volatility. This allowed us to continue to invest in key strategic initiatives despite the difficult times.

Whilst trading conditions during the year were challenging and Cash NPAT was lower by 10 per cent we remained focused on delivering long-term results for our clients which, over the full cycle, will deliver financial outcomes for our shareholders.

Our key measure of profitability Cash NPAT was \$146.8 million, a decline of 10 per cent on FY19. Performance fees were higher at \$13.4 million compared to \$5.9 million the prior year.

Total FUM at the close of the year was \$92.4 billion, down from \$100.4 billion the previous year. This eight per cent decline in FUM was mainly driven by net outflows of \$6.5 billion. Our key driver of revenue is average FUM. It was \$94.8 billion, down four per cent on the prior year.

The benefits of our diversification strategy meant we saw inflows into our International Select strategy of \$1.0 billion and our Global Opportunities strategy of \$0.7 billion. However, the onset of the pandemic, a lacklustre growth outlook for Europe and investment underperformance resulted in net outflows for our European strategies of \$3.3 billion.

In the Australian market, conditions remain challenged, impacted by the aftermath of the Hayne Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, the major banks exiting their wealth businesses, low levels of confidence, consolidation and increased regulation. Nonetheless, we saw a change in trend in flows from negative to positive as the year progressed on the back of strong investment performance in our Australian equity and fixed income strategies during COVID-19, the inclusion of strategies in client model portfolios, a successful brand campaign that significantly raised the brand awareness of Pandal as well as increased interest in the Australian range of sustainability funds. These achievements have been recognised with Pandal Australia being named Fund Manager of the Year by respected research house, Zenith.

There were also several significant wins in the institutional market, particularly in Australian equities and the International Select strategy which have performed well over the COVID-19 period.

Overall, our investment performance across the Group improved, with 72 per cent of FUM outperforming over a one-year period. Long-term performance also remains solid with 71 per cent of FUM outperforming over a three-year period and 70 per cent of FUM outperforming over a five-year period.

The past 12 months also showcased the dedication and resilience of our people. I am proud of the way the team has seamlessly navigated their way to a remote working environment while remaining focused on delivering for our clients in heightened market conditions.

At the onset of COVID-19, we established a response team led by our Global Chief Risk Officer based in London. Separately, crisis management teams met regularly around the globe in Sydney, London and the US to co-ordinate our response, provide regular communication to staff, and ensure consistent communications with clients who were keen to understand and hear directly from our portfolio managers. Our level of communication and engagement increased considerably as clients looked to us to provide insight and guidance on how to navigate through very uncertain times.

During the year we witnessed significant market volatility, including one of the quickest market recoveries in history, yet the economic fundamentals had Treasurers using the words "economic contraction" and "deep recession".

In volatile market conditions certain strategies will perform better than others and our own experience has showed this, hence our strategy of offering a range of diversified strategies across style and approach. Our investment teams operate autonomously within agreed parameters based on a stated investment philosophy and process for each investment strategy. This is applied consistently and our clients invest with us on that basis. It also means that our portfolio of investment strategies will perform differently under varying market conditions giving clients investment options to choose from to suit their needs.

Not surprisingly, this year we saw significant divergence in investment performance across our funds with our best strategy outperforming its benchmark by 24.1 per cent and another strategy underperforming by 13.5 per cent. This should not come as a surprise, as some of the strategies that are currently underperforming have been some of our best performers in the past. The strategies that have not performed well are those with a value bias and an investment philosophy well embedded in the investment process where investors expect a particular style and approach irrespective of the market conditions.

People and talent

At Pandal Group we focus on our people, culture and trust. This provides the foundation to attracting and retaining the right talent to deliver exceptional investment returns for our clients.

Top investment talent is attracted to our principles of providing investment autonomy, independence of thought, a transparent remuneration structure, ability to manage capacity and equity in the business. We promote a multi-boutique investment-led culture. Attracting and retaining the best talent within an investment-led culture is at the core of our proposition.

We are increasingly seeing new opportunities to onboard new talent and launch new strategies. Our most recent appointment was a team to manage a Global Equities Impact Solutions strategy. This expands our suite of ESG products, where we are seeing increased demand in line with our diversification strategy. This is an investment in the future and demonstrates the strength of our business model and ability to attract the best talent in the marketplace.

This follows on from key appointments made to the Global Executive team including a Global Chief Risk Officer and regional CEOs to lead our JOHCM businesses in the US and UK, Europe and Asia. These appointments will sharpen our focus and better position the firm to seek out opportunities for growth. In a period such as the last 12 months where we have seen significant disruption due to the global pandemic, the expanded leadership team and the on the ground presence and insights have been invaluable in ensuring our business continued to perform.

This year we have further evolved our remuneration programs to ensure we remain globally competitive, particularly once a team has established themselves in the marketplace. The ongoing assessment and review of our remuneration schemes is what differentiates Pandal as an employer. Different programs serve different purposes but overall,

they fall into three categories. Attracting talent and growing FUM in the early phase; retaining talent and continuing to grow FUM once established; and succession planning.

Locking in our key talent by providing the right environment and remuneration schemes that rewards over a full career reduces business risk and enables us to continue to deliver strong financial outcomes for our clients and shareholders. We have 85 investment professionals with an average of 20 years' industry experience providing a depth of experience and knowledge that our clients value. Having cultivated much of this experience within the business and being in a position to nurture and mentor a new generation of investors, it is important that we retain the talent we have invested in over many years.

During the year we also invested in people with technology skills in Sydney, London and New York. To succeed in the future, our business needs to adjust to an operating model that is more technologically enabled in operations, client service and managing investment data sets. We will invest in the right talent that will support and guide us on that journey. COVID-19 has shown the important role that technology plays in our society and has accelerated the digitisation of customer interactions, which will become an increasing feature of our business.

Diversifying the business

Core to our strategy is to build a diversified business where we offer different styles of investment strategies for different clients across geographies. This produces a more balanced portfolio but also achieves higher profitability. By expanding our reach and appeal we can explore new avenues for sales and, in turn, increase our potential to increase profits.

The US and Europe represent significant growth opportunities and, despite our success in growing in those markets, there is enormous potential for Pandal Group as we have a small market presence. In Australia, where we are the largest active manager of Australian equities, it is a more mature market.

The US is the world's largest market and in the past five years US client domiciled assets have grown from \$12.3 billion to \$26.2 billion. This market remains largely untapped and, with the expansion of our product range and the increasing number of strategies in the region reaching their three-year track record, we will be investing in our distribution capability to better access a deeper and broader client base.

Similarly, in Europe, we see the opportunity to expand our presence. While the UK formally left the EU on the 31 January 2020, it immediately entered an 11-month transition period to negotiate the terms of the future UK-EU relationship. In the coming year, we will establish a physical presence in Europe. The European market presents a significant growth opportunity for the Group, particularly in ESG strategies where we have expanded our product offering, further enhancing our opportunity to diversify.

The enhanced distribution capability will leverage the reach and efficiencies brought about by our investment in technology and the development of our global operating platform. COVID-19 has accelerated industry trends that were previously evident but none more than the need to invest in technology that connects businesses with their clients. Where previously much of the technology enabled business initiatives were seen as an enhancement, it is now a need in order to compete, particularly as clients have become much more accepting of technology as a way of doing business.



Our confidence to succeed comes from the quality of our people, our robust business model and financial strength.

Positioning Pental for the markets of tomorrow

The global pandemic is a pivotal moment in history, and our business model is once again proving to be resilient. In an environment of change, opportunities will arise to accelerate and place the business in an even stronger position. COVID-19 has had the effect of accelerating business trends that were already in motion, including a number that will have a profound impact on how we work and do business.

Zoom and Microsoft Teams became the globally accepted form of virtual communications in a matter of days and emphasised the importance of technology in how we do business. The pandemic has also raised the focus on social responsibility for consumers and corporates. This combined with the devastating bushfires in Australia and California and events surrounding the destruction of historical indigenous sites in Western Australia, has increased the focus on ESG considerations when investing.

We see this as an opportunity to position the business for the markets of tomorrow by accelerating our own investment in technology and product development to capture these trends. It is an opportunity to take advantage of our global scale, as well as drive efficiencies in the business for our people and clients and accelerate our ESG growth strategy.

Our investment in technology and the improvement of systems started in 2019 as part of the plan to move off the Westpac supported systems, where we identified a broader opportunity to re-configure our operating platform to better gain scale.

We made significant progress in FY20 with the launch of a global platform for substantial shareholder reporting and the roll-out of a global HR system. Additionally, this year we developed a global data management strategy. This exciting multi-year project will drive scale efficiencies, portfolio management data collection, and provide a better client experience. It will also facilitate a path to enhance our digital capability that will dramatically improve our reach and support our global distribution network. This will provide more effective information on where the opportunities lie and deliver more tailored and targeted marketing campaigns.

Building a more effective global operational platform not only better connects us with our clients in a more meaningful and dynamic way but also provides the opportunity to lower costs.

Pental has a strong heritage in ESG having managed ESG strategies since 1984. We have been at the forefront of development in ESG in Australia including being a founding member of the Investor Group on Climate Change. Pental Australia currently manages \$3.1 billion in ESG-specific strategies, including institutional mandates for some of Australia's largest pension funds. In 2001, we established the BT Governance Advisory Service¹ which was the precursor to establishing Regnan, a specialist ESG firm to provide Governance Research and Engagement services in partnership with our clients in 2007.

Regnan is now a wholly owned business within the Pental Group and has developed specialist ESG investment management capability with the launch of a range of Impact products, leveraging off Pental Group's global platform. The market opportunity is significant. In the US alone, there are US\$12.0² trillion of professionally managed sustainable assets and US\$14.0² trillion in Europe. With Regnan, we have the opportunity to differentiate our investment offering built on the foundation of strong ESG credentials.

In February 2020 we launched the first specialist strategy under the Regnan brand, the Regnan Credit Impact Trust. This is an actively managed portfolio investing in fixed income securities where the proceeds are used to create specific and measurable positive environment and social impacts. As mentioned earlier in my report, we also announced the appointment of a proven investment team based in London to manage the Regnan Global Equities Impact Solutions strategy. This strategy is being launched in the UK, Europe and Australia in the fourth quarter of the calendar year 2020, and has already received strong interest from clients.

History shows that Pental has successfully navigated through crises before and come out stronger on the other side. In mid-2011, when the sovereign debt crisis was at its peak, we purchased J O Hambro Capital Management. The purchase transformed our business, providing much needed diversification and growth.

Our confidence to succeed comes from the quality of our people, our robust business model and financial strength. Our very experienced investment managers have been tested through market cycles and understand the importance of not chasing returns in the short term at the expense of long-term value outcomes. Investor patience is required. The rewards will come.

In the near term, COVID-19 and other economic and geo-political issues will continue to create headwinds. Equally we see opportunities to invest in the business for future growth and potentially accelerate our strategic plans and diversification objectives through M&A. These investments do come at a cost but we do so with the confidence that it will deliver higher revenue and profitable outcomes in the future for shareholders.

It truly has been a most extraordinary year. These unprecedented times have seen our teams around the world not only move to home offices and virtual meetings but work incredibly hard to harness opportunities. I sincerely thank them for their hard work and dedication and our clients for their ongoing support.

Emilio Gonzalez CFA
Group Chief Executive Officer

¹ When Pental Group was part of the BT Financial Group

² Global Sustainable Investment Alliance - 2018 Global Sustainable Investment Review

Who we are



Pendal is an independent, global investment management business focused on delivering superior investment returns for clients through active management. Our proven and experienced fund managers are given autonomy and independence of thought to make decisions with conviction. Our business is built on a philosophy of meritocracy that fosters success from a diversity of insights and approaches to investment.

Pendal does not have a 'house view' and operates a multi-boutique structure offering a broad range of investment strategies. Investment teams are supported by a global operating platform and distribution network allowing our fund managers to focus on generating returns for our clients.

Our business is designed to attract and retain superior investment talent by offering a transparent remuneration model with the ability to manage capacity, which aligns the incentives of our investment professionals with client outcomes. Employees are given the opportunity to own equity in the business and this approach aligns our employees with our shareholders.

We strive for superior results through an investment-led performance culture that backs independent actions. Team members are recruited for their distinctive skills, experience and perspective, and shared values of integrity, honesty, respect, teamwork and high performance. It is through this culture that we earn and maintain the long-term trust of our clients and shareholders. This trust is critical to our success.

Continued attraction and retention of a talented investment team



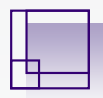
85

investment
professionals



20

years' average
industry
experience



20

investment
teams



10

years' average
tenure

Turnover of investment staff is two per cent
over the past five years

Strategic Developments



Investment capabilities

Identifying new investment capabilities to diversify and provide for future growth

- Launched first Impact strategy - the Regnan Credit Impact Trust
- Extended successful JOHCM Global Income Builder strategy with launch of JOHCM Credit Income strategy for US market
- Developed Regnan Global Equity Impact strategy
- Enhanced the Pendal Ethical Share Fund to better meet investor needs



People

Attract, develop, and retain investment talent

- Global executive team now in place with appointment of Nick Good as JOHCM CEO - USA
- Invested in leadership development program to support succession planning
- Onboarded the Regnan Global Equity Impact team
- Evolved key remuneration plans to strengthen investment talent retention



Distribution

Develop and enhance distribution channels to drive sales

- Realigned distribution model with regional leadership
- Launched Regnan brand globally
- Launched new fund vehicles for US institutional clients
- Raised Pandal Australia's brand awareness with award-winning marketing campaign



Operating platform

Create an operating platform that enables efficient execution of strategic priorities

- Developed global data strategy and commenced implementation
- Progressed transition away from Westpac back-office services
- Implemented global platform for substantial shareholder reporting
- Implemented global HR system
- Invested in technology that enabled a smooth transition to working remotely

Financial Performance

The 2020 Financial Year saw heightened market volatility, particularly in the March quarter as a result of COVID-19 before recovering in the second half of the year. Cash Net Profit After Tax (Cash NPAT) was \$146.8 million, a decrease of 10.2 per cent on the previous year, while Statutory NPAT declined 24.7 per cent to \$116.4 million. Funds under management (FUM) declined eight per cent to \$92.4 billion primarily due to net outflows of \$6.5 billion, resulting in a 3.3 per cent decline in revenue to \$474.8 million for the year.

Five-year profile	FY16	FY17	FY18	FY19	FY20
Cash NPAT (\$m)	156.0	173.1	201.6	163.5	146.8
Statutory NPAT (\$m)	142.0	147.5	202.0	154.5	116.4
Operating revenue (\$m)	493.9	491.0	558.5	491.2	474.8
Operating expenses (\$m)	297.0	281.9	316.9	290.2	298.5
Cash EPS (cps)	50.8	55.3	63.7	51.3	45.5
Dividends (cps)	42.0	45.0	52.0	45.0	37.0
Average FUM (\$b)	80.2	90.4	99.5	98.8	94.8
Closing FUM (\$b)	84.0	95.8	101.6	100.4	92.4

Funds under management (FUM)

Closing FUM was \$92.4 billion as at 30 September 2020, eight per cent lower than pcp (\$100.4 billion). The decline in FUM was primarily the result of net outflows of \$6.5 billion and unfavourable foreign currency movements of \$2.3 billion as the US dollar (-5.1%) and British pound (-0.9%) weakened against the Australian dollar. Market movements and investment performance combined added \$0.8 billion to FUM with strong investment performance more than offsetting the adverse impact of market movements.

Outflows were primarily the result of \$3.3 billion in net redemptions from European strategies as investors continued

to reduce their exposure to the region over Brexit concerns and investment underperformance.

Additionally, Westpac outflows totalled \$2.6 billion due to the ongoing run-off of the legacy book as well as further transitioning of corporate superannuation portfolios during the year.

Positive net flows were achieved in a number of strategies including International Select (+\$1.0 billion), Global Opportunities (+\$0.7 billion), UK Dynamic (+\$0.5 billion) and UK Opportunities (+\$0.4 billion).

\$b	30-Sep-19 Closing FUM	Net flows	Other ²	FX impact	30-Sep-20 Closing FUM
Institutional	38.0	0.3	0.4	(0.8)	37.9
Wholesale					
Australia	8.2	(0.5)	(0.4)		7.3
OEICs	19.1	(4.1)	(2.6)		12.4
US Pooled	16.3	0.4	3.6	(1.5)	18.8
Pendal Group Core Funds	81.6	(3.9)	1.0	(2.3)	76.4
Westpac - Other¹	13.8	(1.1)			12.7
Westpac - Legacy	5.0	(1.5)	(0.2)		3.3
Total Pendal Group FUM	100.4	(6.5)	0.8	(2.3)	92.4

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

² Includes market movement, investment performance and distributions

Investment performance

Global equity markets were volatile during the year. Following a rally in the four months to January 2020, markets contracted significantly in February and March upon the outbreak of the COVID-19 pandemic before recovering ground in the June and September quarters.

For the 12 months to 30 September 2020, market returns across the globe were quite varied. The MSCI ACWI Index in local currency terms returned 6.3 per cent and the S&P 500 rose 13.0 per cent, while the S&P/ASX All Ordinaries Index and the FTSE 100 fell 11.6 per cent and 20.6 per cent, respectively. Markets in Europe were particularly affected by the pandemic and declined significantly while Asian markets experienced mixed returns.

Pendal's investment performance during the year saw notable improvement with 72 per cent of the Group's FUM outperforming respective benchmarks. Global and Australian equity strategies performed particularly strongly, as well as those in cash and fixed income. Long-term investment performance remains strong with 71 per cent of investment strategies outperforming their benchmarks over the three years to 30 September 2020 and 70 per cent over five years.

	FUM FY20 (\$b)	% FUM outperformed ¹			
		1 Yr	3 Yr	5 Yr	Since inception
Global/International Equities	33.9	79%	79%	88%	83%
Australian Equities	15.1	95%	94%	82%	97%
Cash	12.1	92%	100%	100%	100%
Fixed Income	8.1	89%	89%	55%	82%
UK Equities	7.9	14%	8%	9%	83%
Emerging Market Equities	4.8	43%	51%	78%	97%
Multi-Asset	4.0	1%	1%	1%	67%
European Equities	2.9	37%	0%	0%	86%
Property	1.7	100%	100%	100%	100%
Asian Equities	1.6	83%	82%	3%	73%
Other	0.3	21%	21%	96%	96%
Total FUM	92.4	72%	71%	70%	88%

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

Revenue

Total fee revenue was \$474.8 million, down 3.3 per cent on the previous year, primarily due to lower base management fees which declined by 5.1 per cent. Average FUM over the year was 4.0 per cent lower at \$94.8 billion and fee margins declined one basis point to 48 basis points as a result of outflows in higher margin channels. Performance fees for the year totalled \$13.4 million, a \$7.5 million increase on the prior year led by strong outperformance in the Pendal MicroCap Opportunities Fund.

With global markets and flows stabilising in the second half of the year, and investment performance strong in a number of key investment strategies, momentum is positive heading into the 2021 Financial Year.

Expenses

Total operating expenses were \$298.5 million, a 2.8 per cent increase on FY19. During the year there was a natural reduction in certain expenses due to COVID-19 including travel, sales conferences and administrative expenses as activity was scaled back. Despite the challenging environment, investment in people, product and operations continued. The Group expanded its Global Executive team with the appointment of Nick Good, as JOHCM CEO – USA, onboarded a UK-based Global Equity Impact team and enhanced the operating platform with an increased focus on data and technology.

In the coming year, investment into strategic growth initiatives will continue. The Group is looking to expand its responsible investment capabilities, building on its strong reputation in the rapidly growing ESG sector, and broaden its global distribution network to capture market share, particularly in Europe and the US. Investment in the Group's operating platform will be elevated, particularly in data and digital marketing to drive efficiencies and leverage global scale.

New underlying profit measure from FY21

From the 2021 Financial Year, Pendal Group will be using "Underlying Profit After Tax (UPAT)" to report the underlying earnings of the business. Under UPAT there will be no adjustment for certain employee expenses which have historically been adjusted under Cash NPAT. This will simplify reporting and is aligned to market practice.

UPAT will continue to adjust for the amortisation and impairment of intangible assets, and gains and losses from financial assets including the Group's seed portfolio. Both of these items are not considered part of the underlying earnings of the business.

The Group's UPAT, if applied to the 2020 Financial Year, was \$132.6 million.

Financial Position

Pendal retains a strong balance sheet, with net assets at 30 September 2020 of \$895.8 million, cash and seed investments of \$407.9 million and no debt. This financial strength provides a platform to support ongoing investment for growth and diversification.

Cash

Cash held by the Group as at 30 September 2020 was \$207.5 million (2019: \$150.1 million). Cash increased on the prior year as redemptions from the seed portfolio during the year were yet to be deployed into new strategies.

Cash flows from ongoing operations are typically held for working capital purposes, to acquire equity for employee share schemes, and to fund strategic initiatives including seed investments. Surplus cash above these requirements are paid to shareholders in the form of dividends. Cash flows earned by overseas subsidiaries within the Group are held in foreign currencies, British pounds, Euro 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.

Seed investments

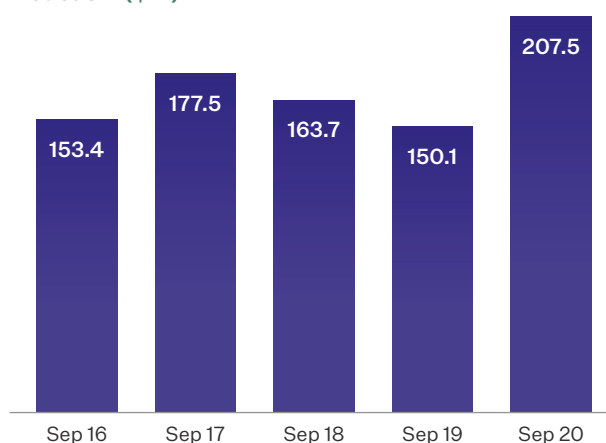
Seed investments are an important contributor to the Group's future growth. Investments are made into new fund vehicles, as they establish an investment performance track record, and existing funds to provide scale as they become marketable to clients.

At 30 September 2020, the seed portfolio was \$200.4 million (2019: \$259.0 million).

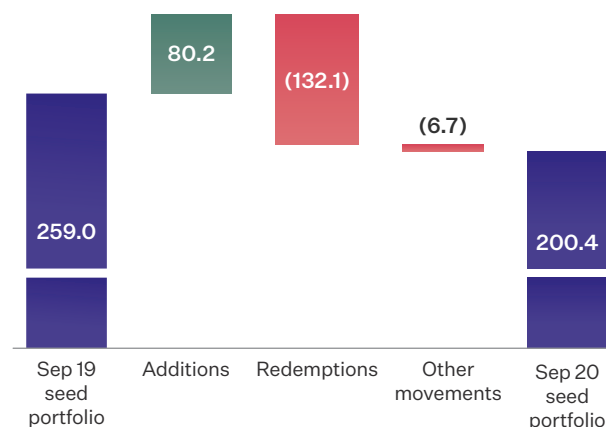
The seed portfolio is assessed regularly for investment performance and scale against targets and may be redeemed when fund size and maturity are achieved, or an investment strategy is closed. In total, seed investments with a market value of \$132.1 million were redeemed in the 2020 Financial Year, including the JOHCM Global Smaller Companies and JOHCM US SMID strategies.

The majority of the cash realised from redeeming investments was redeployed to support a number of fund vehicles including the JOHCM Global Opportunities UK OEIC, the JOHCM Global Income Builder OEIC, and its extension strategy, the JOHCM Credit Income mutual fund which was launched for the US market in August 2020. Subsequent to year end, \$18.3 million was also deployed into the Regnan Global Equity Impact UK OEIC, the Group's first Impact product for the UK market.

Net cash¹ (\$m)



Seed movements¹ (\$m)



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



Intangibles

Pendal's balance sheet as at 30 September 2020 carried intangible assets of \$532.1 million. This comprises the goodwill and management rights associated with the acquisition of JOHCM in 2011 and goodwill arising from Pendal Group Limited's IPO in 2007.

During the year, the Group expanded its operating segments to split the historically reported Pendal International segment, between Europe, the UK and Asia (EUKA) and the US regions. Consequently, the goodwill associated with the JOHCM acquisition has been separately attributed to the US and EUKA for the purpose of impairment testing. There was no impairment to the carrying value of goodwill across the Group during the year. The management rights associated with the acquisition of JOHCM continue to be amortised over time.

Liabilities and debt

Pendal's liabilities primarily consist of trade creditors and accruals, lease liabilities and employee benefits. Total liabilities were \$210.6 million at 30 September 2020 (2019: \$185.9 million), an increase of \$24.7 million. The increase can largely be attributable to a change in accounting standards from the 2020 Financial Year affecting the recognition of lease liabilities (and assets). This change had the effect of increasing the Group's liabilities by \$36.9 million over the year with a corresponding offset in lease assets.

The Group continues to have no debt outstanding at 30 September 2020. A \$25.0 million multi-currency revolving loan facility is maintained and remained undrawn throughout the financial year.

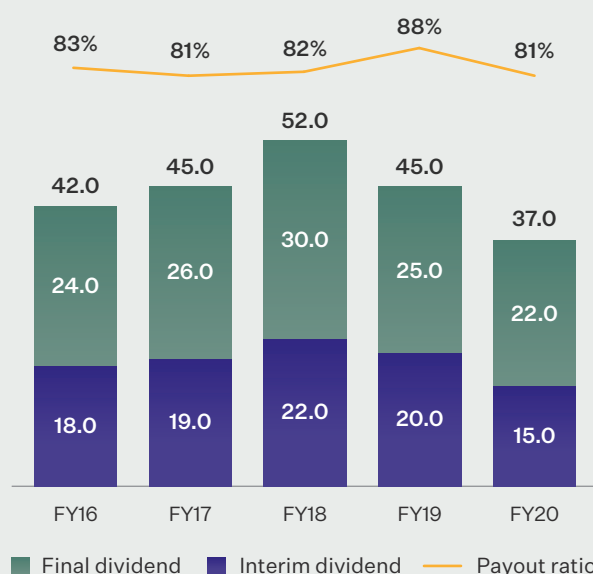
Equity and dividends

The issued capital of Pendal Group Limited remained constant during the 2020 Financial Year and there was no change to ordinary shares on issue. The Directors declared a final 2020 dividend of 22.0 cents per share, bringing total dividends for the year to 37.0 cents per share, a 17.8 per cent decrease on last year's dividend of 45.0 cents per share.

The total dividend represents a payout ratio of 81 per cent, which is within the Group's payout ratio target of 80 to 90 per cent of Cash NPAT. The Dividend Reinvestment Plan has been activated for the 2020 final dividend.

From the 2021 Financial Year, the Board has revised the Group's payout ratio policy and will pay 80-95 per cent of UPAT following the change in the Group's alternative profit measure.

Dividends (cps)



Risk Management

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 and risk aware decision making is embedded into our key processes. The Board sets the risk appetite and this guides management to proactively identify, monitor and manage the material and emerging risks that could impact our organisation.

Our approach to risk management

Overall accountability for risk management lies with the Pendal Group Board. The Group Audit & Risk Committee assists the Board in its oversight of risk management, financial and assurance matters. The Board regularly reviews and approves the design of the risk management framework and sets the risk appetite. This process incorporates a review of key aspects of the strategy and assesses whether adjustments to the material risks, risk appetite and related tolerances (i.e. limits and capacity) need to be made as the Group's operating environment and strategy evolves.

During FY20 in addition to embedding the enhanced risk framework, the key area of focus related to managing the risks associated with the unprecedented COVID-19 pandemic. Separate COVID-19 risk registers were developed and this is a 'live' process with the key COVID-19 risks being identified, monitored and managed. Areas of specific focus include staff wellbeing, culture, effective remote working, continued excellent client service, enhanced liquidity risk management, day-to-day management of portfolios, enhanced communication and maintaining operational resilience. COVID-19 was also part of the strategy update discussions with future threats and opportunities for the Group being key areas of consideration.

The Board delegates responsibility for implementing the risk management framework and managing the material risks within the appetite set to the Group Chief Executive Officer.

The Group Chief Risk Officer is responsible for designing the Group risk framework and working with the local risk teams to support and challenge the identification, assessment, monitoring and reporting of risk exposures and their associated mitigants.

Managing risk to deliver our strategy

The Board endorsed an updated risk framework during 2019 and this was implemented across the Group in 2020. When setting the risk appetite statement and updating annually, 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, and the risks associated with managing the COVID-19 pandemic, as 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.



Material risk	Risk description	Risk management
Strategic and business		
COVID-19 Pandemic 	<p>The risk that the Group is unable to continue servicing clients and manage the health, safety and wellbeing of employees.</p> <p>The risk that the Group fails to effectively consider the future threats and opportunities resulting from the COVID-19 pandemic.</p> <p>Both risks can impact on the ability of the Group to continue operating and deliver the strategy.</p>	<ul style="list-style-type: none"> Business Continuity Plans (BCPs) plans re-tested and crisis management teams in place Successful and timely transition to 'Working from Home' in all jurisdictions. Technology and home equipment enhanced to support remote working, including cyber risk management Client service and portfolio management processes continued and enhancements made where appropriate, e.g. proactive and more frequent client communications and enhanced liquidity risk management Enhanced risk management processes with specific COVID-19 risk registers in place Additional oversight to ensure material suppliers and third party providers continue to deliver on the agreed service levels Staff wellbeing seminars and increased leadership focus on communication and employee welfare, with regular staff surveys and feedback mechanisms in place Updated the Group strategy taking COVID-19 threats and opportunities into consideration
Strategic Alignment and Execution 	<p>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.</p> <p>Both risks can impact on the ability of the Group to deliver on expected outcomes.</p>	<ul style="list-style-type: none"> 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 	<p>The risk that the business model does not respond effectively to external change which could result in loss or missed opportunities. This includes external factors such as the markets, geo-political events and competition.</p>	<ul style="list-style-type: none"> 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 the Irish Management Company established, to allow the continued distribution of relevant products across Europe Global project underway to further develop the Group's Responsible Investment business under the 'Regnan' brand in a disciplined and controlled manner. New Regnan branded products will continue to be launched and a highly regarded Impact investing team has joined the Group, with their product being launched early in FY21
People 	<p>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.</p> <p>There is also the 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.</p> <p>The risk that our investors seek other investment products if we are unable to meet investment objectives.</p>	<ul style="list-style-type: none"> 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 	<p>The risk of inappropriate, unethical or unlawful behaviour by employees, which is not in line with the Group's core values.</p> <p>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.</p>	<ul style="list-style-type: none"> 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) 	<p>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 resources (including human capital), ineffective execution, and poor management of project interdependencies.</p> <p>Pendal Australia is undergoing a major transformational change program as it enhances its operational infrastructure and therefore there are heightened risks which are being carefully managed.</p>	<ul style="list-style-type: none"> 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 Appropriate governance processes in place to monitor, escalate and report on progress to the relevant Committees and Boards Internal audit providing independent oversight over major change projects Strategic skill sets for project teams tasked with transformational projects During FY20 a key transformation program focusing on global data commenced, this includes how we buy data related technology; use data to improve the client experience and our overall performance; and how we continue to protect data in line with regulation and legislation
Product and performance		
Product and investment performance 	<p>The risk that the Group's products and solutions do not meet client preferences. This includes changing client needs, fee structures, and asset classes.</p> <p>The risk that portfolios will not meet client investment objectives or that there is a failure to achieve consistent long-term performance that delivers on their expectations.</p>	<ul style="list-style-type: none"> Talent hiring and succession planning Clearly defined investment strategies and investment processes within stated risk parameters Regular investment risk 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 governance 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 During FY20, several new products were launched to meet client demands and the inaugural 'Value for Money' report was published for the in-scope JOHCM funds
Distribution 	<p>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.</p> <p>Funds flows have been negatively impacted in the UK and Europe primarily by external factors, including Brexit and COVID-19. FY20 Q4 has seen early signs of improvement and a return to positive net inflows. In Australia, the Banking Royal Commission has had a significant impact on the industry, and outflows from historically significant client Westpac have continued as they execute their exit from wealth management.</p>	<ul style="list-style-type: none"> 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 Fee structures benchmarked and updated where required Regular Board reporting and discussions on market trends and changes in FUM Operational restructure and recruitment to expand distribution capability has largely been completed in Australia and is underway in the UK/Europe and US

Material risk	Risk description	Risk management
Operational		
Regulation and legislation 	<p>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.</p> <p>The volume of regulatory and legislative change remains challenging. Examples of this include the developments coming from the UK's FCA Asset Management Market 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.</p> <p>There is also an increased focus on Responsible Investing, including areas such as climate risk. The implementation of the European Stewardship Code and other global regulatory initiatives should help to improve transparency and consistency in the ESG space.</p>	<ul style="list-style-type: none"> Clearly defined compliance framework to meet compliance obligations Establishing 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 Projects underway to improve processes and systems such as substantial shareholder reporting
Technology and data (including cyber) 	<p>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.</p> <p>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.</p> <p>Data management and digital transformation will continue to be key areas of future focus.</p>	<ul style="list-style-type: none"> Global data management project is underway to enhance processes and systems. Recruitment of dedicated data specialists is largely completed 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 penetration testing and consultation with cyber security specialists
Supplier management (including outsourcing) 	<p>The risk of loss or reputation damage arising from inadequate supplier selection and oversight processes.</p> <p>The Group has a number of key outsource providers, particularly with respect to fund administration and custody services. Over the next two years, the Group's operations will be exposed to heightened supplier risks as the business seeks to transition and introduce new infrastructure suppliers, for example, back office providers.</p>	<ul style="list-style-type: none"> 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 Major project underway, following a disciplined change methodology, to transition to new back/front office supplier/s
Market financial and treasury 	<p>The Group's fee income is derived from the assets managed on behalf of clients and the associated fee rates.</p> <p>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.</p> <p>The Group also invests its own capital alongside that of clients when establishing new financial products and building them to scale. This exposes the Group to the same potential loss of capital as clients. COVID-19 related market falls has seen this risk increase and this is reflected in significant mark-to-market losses on the seed portfolio over the year.</p> <p>There is also the risk of the failure of the Group to maintain appropriate working capital and reserves to respond to unexpected adverse events.</p>	<ul style="list-style-type: none"> Diversification across asset classes, investment styles and geographies Budgeting and financial forecast management Ongoing monitoring and review of strategy Conservative approach to leverage and the use of debt – currently no borrowings 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, including COVID-19 considerations



Markets: A Year in Review

As with everyday life everywhere, the past 12 months in financial markets have been, to use one of the words of 2020, unprecedented.

Investors had reasons for optimism early in the period. President Trump and Chinese Vice Premier Liu He signed a 'Phase 1' trade deal in January, putting an end to prolonged and damaging trade war rhetoric. In the UK, the resounding victory of Prime Minister Johnson's Conservative Party in the December 2019 general election facilitated the UK's departure from the EU with a 12-month transition period and seemingly brought clarity after a long period of uncertainty in UK politics. On the financial front, 2019 proved to be a banner year for global stock markets amid abundant liquidity from the major central banks.

This period of relative serenity in global economies and financial markets then rapidly evaporated as the COVID-19 pandemic rapidly became a global crisis. The resultant government-imposed lockdowns of economies around the world, introduced in an effort to halt the global pandemic, prompted a rapid and brutal stock market sell-off in February and March that proved to be the fastest bear market in history. As societies effectively closed down for weeks on end in a bid to halt the contagion, economies suffered unparalleled declines. Amid concerns over rapidly escalating job losses and permanent scarring of the corporate sector, particularly those areas of the economy most hurt by the lockdowns such as travel and hospitality, governments responded with a historically unmatched level of fiscal stimulus and packages, including furlough schemes to preserve jobs. Central banks dovetailed with government rescue efforts by providing a torrent of liquidity.

This global policy largesse caused stock markets to rebound quickly. The resurgent US equity market was in the vanguard, powered by technology stocks, many of which were deemed 'stay at home' winners and whose business models were largely unaffected by lockdown. Healthcare and consumer discretionary stocks also experienced major gains globally. Energy, financial and real estate stocks suffered significant losses over the 12-month period.

Government and corporate bond markets enjoyed a strong 12 months amid interest rate cuts, severe risk aversion in the depths of the pandemic and major purchases of corporate bond assets by central banks, such as the US Federal Reserve.

UK and Europe

In the UK, COVID-19 aside, Brexit dominated headlines and ensured that UK equities remained out of favour with investors, with the FTSE 100 index returning -20.6 per cent over the 12 months to 30 September 2020. Against this turbulent backdrop, the UK stock market was hit hard, with domestic-facing and 'value' stocks taking the brunt of the blow.

European equities, as measured by the MSCI Europe Index, fared better but still returned a disappointing -9.2 per cent in Euro terms. Emergency measures provided support for the rebound, but resurgent COVID-19 case numbers across the continent in early September, provoked investor concern about the strength and durability of the nascent economic recovery.

US

US equities topped the global leaderboard, with US large-cap technology stocks lifting indices higher and ensuring a remarkable recovery for the overall US market at the headline level. The S&P 500 Index returned 13.0 per cent over the year, in US dollar terms (for context, the MSCI World index returned 8.5 per cent in US dollar terms). But these figures belie underlying disparities at the stock level and what was actually very narrow market leadership.

Emerging markets

Emerging market equities achieved solid gains over the year, with the MSCI Emerging Markets Index returning 8.1 per cent in US dollar terms. With the US Federal Reserve's monetary taps fully opened, the US dollar weakened significantly, providing a welcome boost to emerging markets and commodity prices.

With technology stocks proving to be clear pandemic winners, it was no surprise to see Asia lead the gains. China, along with the tech-heavy markets of South Korea and Taiwan, were the top performers.

Australia

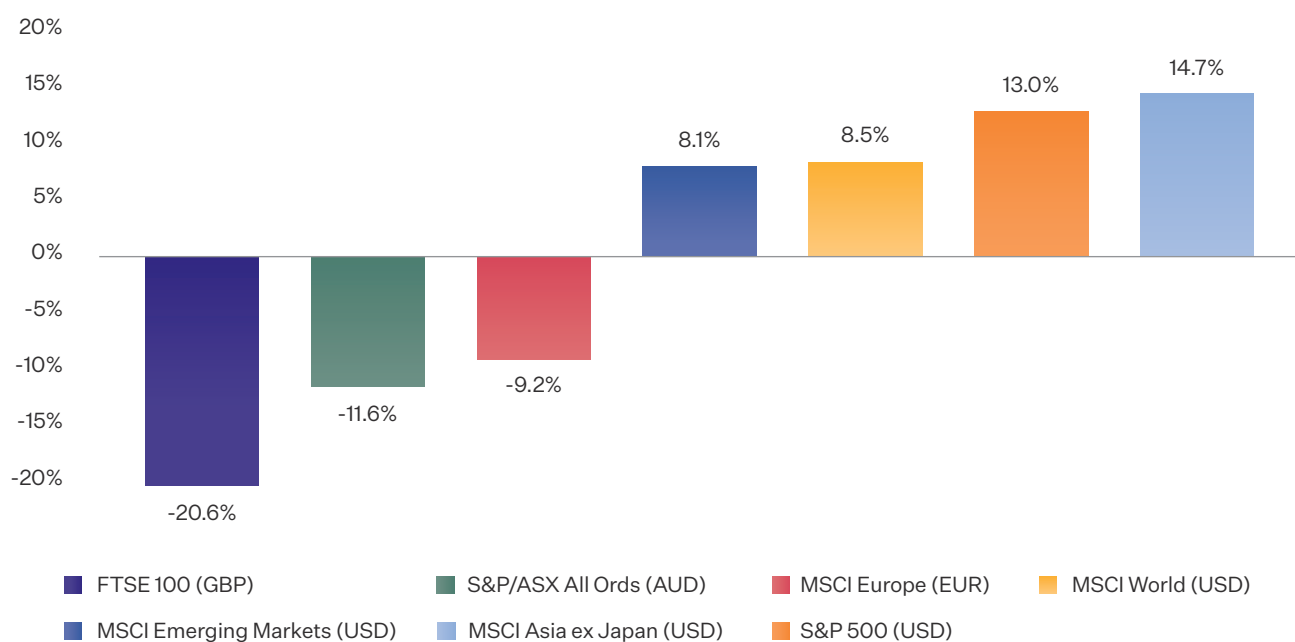
The Australian equity market ended the period down 11.6 per cent in AUD terms (S&P/ASX All Ords), lagging the global index in the rebound and over the year due in part to a smaller index exposure to the large cap growth stocks, particularly in tech, that have driven global equity returns.

Overall, Australia has weathered the impact of COVID-19 relatively well compared to most other advanced economies. Tourism and travel were hit hard by the lack of international travellers as well as state border closures. However retail spending remained strong, supported by a large fiscal stimulus package. Chinese demand for iron ore has proved resilient, although other commodity export volumes have been affected by political friction.



Equity market movements

12 months to 30 September 2020



10-year government bond yields



Sustainability Overview

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

For additional information, please refer to:

- [Corporate Sustainability Report](#)¹
- [Corporate Governance Statement](#)²
- Risk Management Report (page 16)



Our people

Our people are our greatest assets.



Our clients

We partner with our clients for long-term success.



Our community & environment

We make a positive contribution to society.

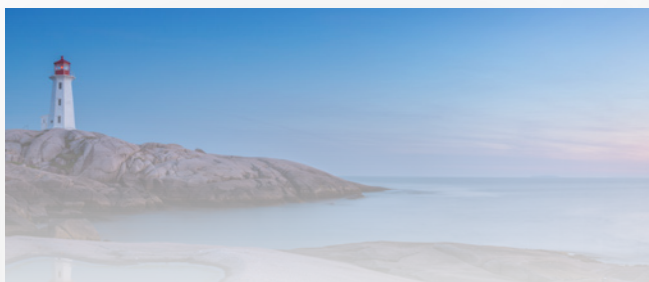
FY20 Highlights

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

¹ pend.al/CSR-2020

² pend.al/CGS-2020

Engagement in action



JOHCM and International Select Team

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



Australian equities focus on cultural heritage

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



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

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



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

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

2020 Directors' Report and Financial Report

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Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

The Directors present their report and the annual financial report for Pental Group Limited (the Company) and its consolidated subsidiaries (together referred to as the Pental Group or the Group) for the 2020 Financial Year.

Board of Directors

The Directors of the Company during the 2020 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	Full 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, brings to the Board over 40 years of corporate leadership experience in finance, risk management and business development and operations. James' corporate experience spans accounting, capital markets, corporate finance, mergers and acquisitions, insurance, joint venture arrangements, strategy and technology for companies including the Commonwealth Bank, Lendlease Group, GEC Australia and Grace Bros.

James has significant experience as a company director across ASX-listed, private and regulated entities and accordingly, brings to the Board both executive and company director skills in financial and risk management, strategy and corporate governance and compliance. Specifically, he has sector experience and expertise in banking and financial services, including funds management, superannuation and financial services technology, property investment, lease financing and life and general insurance.

James is currently Chairman of ME Bank Limited and J O Hambro Capital Management Holdings Limited and a Non-executive Director of Investa Wholesale Funds Management Limited and ICPF Holdings Limited.

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 Pental 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 of JOHCM (USA) Inc, Pental 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 2020



Sally Collier

BEC GAICD

Independent Non-executive Director

Board Committees:

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



Andrew Fay

BAGec (Hons) A Fin

Independent Non-executive Director

Board Committees:

Chair of the Remuneration & Nominations Committee

Sally Collier, who is based in Australia, brings to the board 20 years of investment banking experience and 10 years of asset management executive experience. Most of Sally's executive career was spent in the USA (two years), London (23 years) and Hong Kong (four years). Prior to returning to Australia, Sally was a partner at the international private equity and infrastructure investment firm, Pantheon, where she held leadership roles in business and product development, investor relations, and marketing and communications. This followed nearly 20 years in investment banking, mostly at HSBC Investment Bank in the UK, where she was engaged in a broad range of transactions including mergers and acquisitions, capital markets (both debt and equity) and initial public offerings, before joining the Management Committee as an Executive Director.

Since returning to Australia in 2013, Sally has held non-executive positions in the financial services sector covering funds management and financial services technology, across ASX listed, private and regulated entities. Sally brings to the Board, through her executive and non-executive experience, skills in merger and acquisitions, strategic development, international markets, stakeholder engagement, and capital markets.

Sally is currently a Non-executive Director of J O Hambro Capital Management Holdings Limited, Indue Ltd, Utilities Trust of Australia and the Clayton Utz Foundation.

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

Andrew Fay, who is based in Australia, brings to the Board over 30 years' experience in funds and investment management. Andrew's significant experience includes Chief Executive Officer and Chief Investment Officer roles at Deutsche Asset Management (Australia) Limited. He also 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 has experience as a company director across ASX listed, private and regulated entities and accordingly brings to the Board skills in financial and risk management, capital markets, executive remuneration frameworks, strategy, investment and corporate governance. Specifically, he has sector experience and expertise in financial services, including investment, funds, property and infrastructure management.

Andrew is currently a Non-executive Director of J O Hambro Capital Management Holdings Limited, Cromwell Property Group, Spark Infrastructure RE 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)

Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020



Christopher Jones

MA (Cantab) CFA

*Independent
Non-executive Director*

Board Committees:

Member of Audit &
Risk Committee

Christopher Jones, who is based in New York City, has over 35 years' experience in the financial services industry. He has significant experience in investment management 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 brings to the Board skills in financial and risk management, financial services technology, strategy and investment governance. Specifically, he has sector experience and expertise in international financial services, including investment and funds management.

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, brings to the Board nearly 40 years' experience in funds and investment management. She has extensive experience in global investment management businesses in the UK and Hong Kong, including as 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 16 years as a global equity portfolio manager and latterly as the Head of Institutional Business, Europe and UK.

Kathryn has experience as a company director across listed, private and regulated entities and accordingly brings to the Board skills in financial and risk management, strategy, marketing and distribution, investment and corporate governance. Specifically, she has sector experience and expertise in financial services, including banking, funds and investment management.

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 and VinaCapital Vietnam Opportunity Fund Limited.

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.

Directorships of other listed entities over the past three years:

Rathbones Plc, JPMorgan Chinese Investment Trust (Both listed on LSE).

Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020



Deborah Page AM

BEC FCA FAICD

*Independent
Non-executive Director*

Board Committees:

Chair of the Audit & Risk Committee



Group Company Secretary & Head of Corporate Governance

Joanne Hawkins

BCom LLB Grad Dip CSP FGIA
FCG GAICD

Deborah Page, who is based in Australia, brings to the Board extensive financial expertise from her time at Touche Ross/ KPMG including as a Partner, and subsequently from senior finance and operating executive roles with the Lend Lease Group, Allen, Allen & Hemsley and the Commonwealth Bank. She has specific experience in corporate finance, accounting, audit, mergers & acquisitions, capital markets, insurance and joint venture arrangements.

Deborah is a member of Chief Executive Women and has extensive experience as a company director gained across ASX listed, private, public sector and regulated entities since 2001. Her relevant sector experience includes funds management, life and general insurance, superannuation and financial services technology. Deborah's experience includes Board leadership, governance and compliance, risk management, remuneration practices, technology, investor relations and health, safety and environment.

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

Directorships of other listed entities over the past three years:

GBST Holdings Limited (2016 - 2019 retired as entity delisted in November 2019).

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.

Name	Board		Audit & Risk Committee		Remuneration & Nominations Committee	
	A	B	A	B	A	B
James Evans	15	15	-	-	-	-
Emilio Gonzalez	15	15	-	-	-	-
Sally Collier	15	15	6	6	9	9
Andrew Fay	15	15		-	9	9
Christopher Jones	15	15	6	6	-	-
Kathryn Matthews*	15	15	-	-	9	8
Deborah Page AM	15	15	6	6	-	-

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 the Remuneration and Nominations Committee. She contributed her views to the Chairman of the Board prior to the meeting.

Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

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
Nick Good	Chief Executive Officer, JOHCM USA	2019	2019
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 was appointed Chief Executive Officer, JOHCM UK, Europe and Asia in July 2019 and commenced employment in September 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 25 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 Chief Investment Officer at Aware Super (formerly 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 is currently Chair of the Australian Advisory Board on Impact Investing and is a member of the NSW Government Social Impact Investment Expert Advisory Group. He is a former President of the CFA Society of Sydney.

Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020



Nick Good

MA (Oxon)

*Chief Executive Officer,
JOHCM USA*

Nick Good joined Pendal Group as Chief Executive Officer, JOHCM USA in December 2019.

Nick has over 24 years' industry experience across the US and Asia. Most recently, Nick served as Executive Vice President, Chief Growth and Strategy Officer at State Street Corporation, based in Boston. In this role, he was responsible for setting overall business strategy and leading corporate development at State Street.

Previously, he was co-head of State Street Global Advisors' Global ETF business, with primary responsibility for North America and Latin America. During his tenure, the Global ETF business grew assets under management by 50 per cent, including the launch of the SPDR Portfolio ETFs in the US.

Prior to joining State Street, Nick worked at BlackRock (initially Barclays Global Investors) in San Francisco and Hong Kong, including five years as head of the iShares ETF business in Asia-Pacific, which enjoyed rapid growth under his leadership. Nick also worked at the Boston Consulting Group in San Francisco and at the Kalchas Group in New York and London.

Nick has a Bachelor of Arts and a Master of Arts in Biochemistry from the University of Oxford. He previously served on the Security & Futures Commission Product Advisory Committee in Hong Kong and on the Executive Committee of the Hong Kong Investment Funds Association.



Bindesh Savjani

BA (Hons) FCCA

Group Chief Risk Officer

Bindesh Savjani joined Pendal Group as the Group Chief Risk Officer in March 2019. He is a qualified accountant and has over 20 years' experience in investment management.

Bindesh has extensive experience in risk management, compliance and internal audit from his time as a consultant at Ernst & Young and thereafter for several asset managers. Prior to joining Pendal Group, Bindesh was the Global Chief Risk Officer for Intermediate Capital Group (ICG) where he 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 then moved to Scottish Widows Investment Management (SWIP) as the Director of Risk, Legal and Compliance. He was a core member of the executive team that sold SWIP to Aberdeen Asset Management and thereafter worked to integrate the two businesses.

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 2020

Principal activities

The principal activity of Pandal Group during the 2020 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 2020.

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 19 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.

COVID-19

The Coronavirus (COVID-19) pandemic has caused a global health crisis and significant economic impacts during the year. Pandal Group's priority during this time has been to ensure the health and safety of the Group's employees and to maintain our ability to service our clients and continue to manage their portfolios. Global business continuity plans were activated under the oversight of the COVID-19 response team led by the Group Chief Risk Officer. Staff across our business worked remotely from March 2020, with partial transitioning back to our offices in some locations, with appropriate social distancing and COVID-safe measures, as the financial year progressed.

Global equity markets were particularly volatile as the pandemic took hold and resulted in a decline of 15% in Pandal Group's funds under management (FUM) during the March quarter. In the second half of the financial year, equity markets have partially recovered those declines as record global stimulus packages have favourably supported asset prices.

Pandal Group's robust business model, operational responsiveness and focus on delivering strong investment performance for our clients have mitigated the impacts of COVID-19 on the business. The Group has not required the benefit of rental relief or Government support initiatives such as JobKeeper in Australia, the Job Retention Scheme in the UK, or the *Coronavirus Aid, Relief and Economic Security (CARES) Act* in the USA. The Group has not participated in any programs or Government support initiatives beyond those which are generally available or automatically applied, such as the Singapore Job Support Scheme (benefit of \$67,781 received in the 2020 Financial Year).

Business Review

During the 2020 Financial Year, Pandal Group changed its management reporting structure to operate under three operating segments (formerly two) comprising the investment management businesses in Australia (Pandal Australia), Europe, the UK and Asia (Pandal EUKA) and the United States of America (Pandal US).

The statutory net profit after tax (Statutory NPAT)¹ of the Group for the year was \$116.4 million (2019: \$154.5 million), a decline of 24.7%. Statutory NPAT was significantly impacted by mark-to-market movements in the Group's seed investments, which experienced losses over the year of \$14.3 million versus gains of \$16.1 million in the 2019 Financial Year. The Group's cash net profit after tax (Cash NPAT)¹ for the 2020 Financial Year was \$146.8 million (2019: \$163.5 million) representing a 10.2% decline on the previous year. The decrease in Cash NPAT was primarily due to lower base management fees as a result of a decline in average funds under management (FUM) which was impacted by COVID-19-related market volatility and net outflows.

For the 12 months to 30 September 2020, market returns across the globe varied. The MSCI ACWI Index in local currency terms returned 6.3 per cent and the S&P 500 rose 13.0 per cent, while the All Ordinaries Index and the FTSE 100 fell 11.6 per cent and 20.6 per cent, respectively. Markets in Europe were particularly affected by the pandemic and declined significantly while Asian markets experienced mixed returns.

Pandal Group's FUM declined by 8.0% during the year to \$92.4 billion (2019: \$100.4 billion). Markets and investment performance were positive overall contributing \$0.8 billion to FUM, however net outflows were \$6.5 billion and unfavourable currency movements further reduced FUM by \$2.3 billion as the Australian dollar strengthened against key major currencies.

Net outflows of \$6.5 billion during the year reflected continuing negative sentiment for European strategies (-\$3.3 billion) as well as redemptions from the Westpac book (-\$2.6 billion) following further consolidation of their superannuation offerings. Pleasingly, there were positive inflows into global equities strategies (+\$0.5 billion) and UK equity strategies (+\$0.5 billion) through the year.

Base management fees for the financial year were \$458.1 million, a 5.1% decline on the prior year. This was a result of lower average FUM levels (-4.0%) and a contraction in fee margins; which declined one basis point to 48bps (2019: 49bps) primarily due to outflows in higher margin channels.

Investment performance across the Group saw improvement with 72% of the Group's FUM exceeding respective benchmarks for the 12 months to 30 September 2020. Pandal Group earned performance fees of \$13.4 million (2019: \$5.8 million) led by strong outperformance in a number of Australian equities strategies, in particular the Pandal MicroCap Opportunities Fund.

Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

Pendal Group's cash operating expenses were 2.9% higher over the year to \$298.5 million (2019: \$290.2 million). Variable employee costs were lower in line with revenue and other activities affected by COVID-19 restrictions such as travel, sales events and administration expenses were also lower. However, strategic investment in people, products and operations continued during the year including developing our ESG and Impact capabilities and products, broadening executive leadership to deliver regional growth, and creating a more scalable global operating platform.

During the year, Pendal Group hired a UK-based Global Equities Impact team to capture a growing segment of the market with product launches for the UK, Europe and Australian markets scheduled for the December 2020 quarter. The products will be launched under the Regnan brand, continuing our strategic development of Regnan into a globally-recognised responsible investment management business.

In December 2019, the Global Executive Committee was expanded with the appointment of Nick Good as CEO of J O Hambro Capital Management (JOHCM) in the USA, to implement the Group's strategic initiatives in the region. The appointment complements the addition of Alexandra Altinger in September 2019 as CEO of JOHCM Europe, UK and Asia. These regions remain strategically important to Pendal Group's future growth and diversification.

The underlying fundamentals of Pendal Group's business are strong. A balance sheet with no debt, a seed portfolio deployed to underpin future growth and a resilient operating model that is proven through economic and market cycles. Our experienced executive team remains committed to the long-term strategy of growth through diversification, while stable and proven investment teams navigate through the cycles with an active, high conviction approach to deliver superior investment performance for our clients.

From the 2021 Financial Year, the Group is amending its alternative profit measure from Cash NPAT to Underlying profit after tax (UPAT). Cash NPAT has been historically adjusted for certain employee related costs which will no longer be adjusted under UPAT.

UPAT will comprise statutory net profit after tax, adjusted to exclude amortisation and impairment of intangible assets and gains or losses from financial assets held at FVTPL. The Directors believe that UPAT is a more appropriate measure of underlying profitability of the Group. The Group's UPAT for the 2020 Financial Year was \$132.6 million (2019: 148.5 million).

Reconciliation of Statutory NPAT to Cash NPAT¹	2020 \$'000	2019 \$'000
Statutory NPAT	116,386	154,477
Add back:		
Amortisation and impairment of intangibles ²	6,140	6,758
Net (gains)/losses on financial assets held at fair value through profit or loss (FVTPL) ³	14,316	(15,416)
Adjust for tax effect	(4,247)	2,689
Underlying profit after tax (UPAT)	132,595	148,508
Add back:		
Amortisation of employee equity grants	35,192	44,852
Amortisation of employee deferred share of performance fees and related incentives	3,270	6,744
Deduct:		
Cash cost of ongoing equity grants in respect of the current year	(30,079)	(32,710)
Cash cost of employee deferred share of performance fees and related incentives in respect of the current year	–	(4,120)
Adjust for tax effect	5,835	181
Cash NPAT	146,813	163,455

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 realised and unrealised gains or losses from financial assets held at FVTPL. Cash NPAT excludes the effect of these adjustments.

2. Amortisation and impairment of intangibles relates to fund and investment management contracts.

3. Net gains or losses on financial assets held at FVTPL primarily relate to seed investments in pooled funds managed by Pendal Group. Realised gains or losses on financial assets held at FVTPL are excluded from Cash NPAT from the beginning of the 2020 Financial Year.

Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

Dividends

The Directors have resolved to pay a final dividend of 22.0 cents (10% franked⁴) per share, (2019: 25.0 cents per share 10% franked) on ordinary shares. The amount of dividend which has not been recognised as a liability at 30 September 2020 is \$68.6 million (2019: \$76.1 million). The Company paid an interim dividend of 15.0 cents per share (\$46.8 million) on 1 July 2020.

Equity dividends on ordinary shares		2020 \$'000	2019 \$'000
(a)	Dividends declared and paid during the financial year		
	Final 10% franked ⁴ dividend for the 2019 Financial Year: 25.0 cents per share (2018 Financial Year: 30.0 cents per share 15% franked)	82,571	90,666
	Interim 10% franked ⁴ dividend for the 2020 Financial Year: 15.0 cents per share (2019 Financial Year: 20.0 cents per share 10% franked)	46,782	59,897
		129,353	150,563
(b)	Dividends proposed to be paid subsequent to the end of the financial year and not recognised as a liability		
	Final dividend for the 2020 Financial Year 22.0 cents (10% franked ⁴) per share (2019 Financial Year: 25.0 cents per share 10% franked)	68,612	76,078

4. 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 Pendal Group during the 2020 Financial Year.

Matters subsequent to the end of the financial year

At the date of signing this Report, the future impact of COVID-19 on global and domestic economies and equity market indices, and their resulting impact on Pendal Group, remains uncertain.

Following the formal withdrawal of the UK from the European Union ("Brexit") on 31 January 2020, the transition period in which the UK effectively remains in the EU's customs union and single market ends on 31 December 2020. As part of the Group's Brexit planning, an Irish domiciled UCITS management company was established in 2019 to allow the continued management and distribution of relevant products within Europe. While Brexit negotiations between the UK and EU are ongoing, future European regulatory and licensing requirements for Group entities may be subject to change.

There is no other 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 Pendal 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 19 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 Pendal Group.

Environmental regulations

The operations of Pendal 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*, Pendal 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 2020

A message from the Chair of the Remuneration & Nominations Committee

On behalf of the Board, I present the Pental Group Remuneration Report for the 2020 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. We also provide an overview of our remuneration approach for key employee groups, namely our sales teams and investment managers given their significant role in our business.

Our vision has not changed: 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; supports our business model, vision and values; while meeting the expectations of our shareholders.

2020 was a challenging year for Pental Group, particularly with the global impact of the Coronavirus (COVID-19) pandemic. The Pental Group's focus at this time has been on the health and well-being of our employees to ensure we maintain our ability to service our clients and continue to manage their portfolios. The most significant impact to the business as a result of COVID-19 has been volatility in global equity markets, initially posting some of the most severe market falls since the December quarter 2008, only to bounce back quickly with a number of key global equity markets recovering to pre COVID-19 levels.

While governments globally this year introduced wage subsidy schemes to assist employers with the ongoing employment of their workforce during the COVID-19 pandemic, Pental Group's businesses did not apply for, or request assistance from, government support arrangements (e.g. Australia's JobKeeper Scheme, the UK's Job Retention Scheme and the USA's Coronavirus Aid, Relief and Economic Act), beyond those automatically applied, such as the Singapore Job Support Scheme (benefit of \$67,781 received in the 2020 Financial Year).

The Group's overall performance has been reflected in remuneration outcomes for the Executive team. No fixed remuneration increases were awarded to Executive team members in the 2020 Financial Year. 2020 Short Term Incentive (STI) awards for the Executive team were reduced with the Group CEO receiving 50% of target and 25% of maximum opportunity and an average outcome of 93% of target and 55% of maximum opportunity for other members of the Executive Team. The Board believes the outcomes for 2020 reflect the balance between employee and shareholder interests appropriately. This alignment with shareholder returns is also incorporated in remuneration outcomes through the deferral of up to 50 per cent of the STI in Pental shares, vesting over five years with the reduction in the Pental share price impacting shares issued in prior STI payments. Further, as the Cash Earnings Per Share and the Total Shareholder Return hurdles in the 2017 Long Term Incentive (LTI), due to vest in 2020, did not meet their targets, Pental executives forfeited 100 per cent of their original 2017 LTI grants.

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.

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

- Implemented the Senior Managers and Certification Regime in the UK in line with regulatory requirements in December 2019;
- Reviewed the Corporate bonus pool for the Australian business and the JOHCM Senior Staff bonus pool;
- Evaluated and considered long term revenue share plans as an important retention strategy for JOHCM Fund Managers;
- Oversaw the appointment of the independent Chair of the JOHCM Limited Board to further strengthen governance arrangements;
- Approved the issue of Fund Linked Equity (FLE) Scheme grants;
- Reviewed and confirmed the Key Management Personnel remuneration structures; and
- Reviewed our remuneration practices in jurisdictions where regulatory changes required the adoption of new standards.

Pental is a talent business and the core of our Remuneration Framework is to support the attraction of the best talent and retention of our key employees. During a year of heightened uncertainty for all our shareholders due to COVID-19, we have taken the opportunity to review our remuneration schemes to ensure they remain competitive, promote the interests of our clients and continue to focus our executives on growing long-term shareholder value.



Andrew Fay

Chair of the Remuneration & Nominations Committee

Directors' Report - Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

Introduction to the 2020 Remuneration Report

The Directors are pleased to present the Remuneration Report for the year ended 30 September 2020. 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	35
2. Global Reward Framework	36
3. Remuneration Structure	38
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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 2020 Financial Year. From 1 October 2019 to 30 September 2020, the KMP for the Pandal Group were the Non-Executive Directors (NED) of the Company and the members of the Global Executive Committee.

In line with the previously announced decision to appoint dedicated CEOs for the JOHCM business in UK, Europe and Asia and a CEO for the USA business to support growth in offshore markets, Nick Good commenced in the role of Chief Executive Officer, JOHCM USA on 2 December 2019.

Non-Executive Directors during the 2020 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	Full year
Kathryn Matthews	Director	Full year
Deborah Page	Director	Full year

Global Executive Committee during the 2020 Financial Year

Name	Position	Term as KMP
Emilio Gonzalez	Group Chief Executive Officer	Full year
Alexandra Altinger	Chief Executive Officer, JOHCM UK/Europe and Asia	Full year
Richard Brandweiner	Chief Executive Officer, Australia	Full year
Nick Good ¹	Chief Executive Officer, JOHCM USA	2 December 2019 to 30 September 2020
Bindesh Savjani	Global Chief Risk Officer	Full year
Cameron Williamson	Group Chief Financial Officer	Full year

Notes:

1 Nick Good was appointed to the role of Chief Executive Officer, JOHCM USA and commenced employment with the Company on 2 December 2019.

Directors' Report - Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

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 long-term business growth 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 historical results for Total Shareholder Return (TSR) and Cash Earnings Per Share (Cash EPS). The hurdles in our LTI Plan continue to align our Executives to our shareholders at a time of significant change in the industry and through periods of extreme market volatility.

Pendal Group Corporate Vision

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

Pendal Group Strategic Priorities

- Attract and retain investment talent that creates a portfolio of complementary strategies
- Preserve investment performance through disciplined capacity management
- Develop extension strategies and new products in line with evolving client needs
- Build out and leverage our global distribution network to drive new client relationships
- Develop world class Environmental, Social and Governance/Responsible Investment capability
- Invest in technology to provide for future long-term growth, drive efficiencies and better serve our clients

Pendal Reward Framework

A Global Total Reward Framework aligns our Corporate Vision and Strategy to deliver a balance between short-term achievement and long-term performance. Our remuneration policies are framed by three principles and weighted towards longer term rewards encouraging share ownership that aligns our employees' interests to our shareholders.

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
- Long term targets
- Two equally weighted performance hurdles;
 - one measured against the S&P/ASX 200 Accumulation Index; and
 - the other measured on Cash EPS growth
- Both performance hurdles are measured over three years



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
 - Base Management Fee Revenue
 - Progress against growth strategy objectives
 - Progress towards business development objectives
 - Risk Management

Short Term Incentives (STI) 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 2020

Risk management is a fundamental consideration for the Pendal Group when determining variable remuneration outcomes. Pendal Group ensures that its risk management culture is supported by its reward framework by ensuring sound risk management practices are incorporated into variable remuneration arrangements including:

- 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

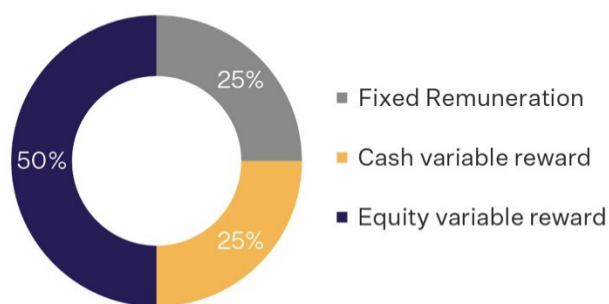
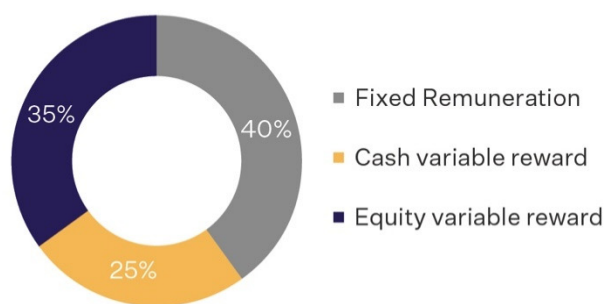


Chart 2: Group CRO and CFO Target Remuneration Mix



Directors' Report - Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

3. Remuneration Structure

Group CEO Remuneration

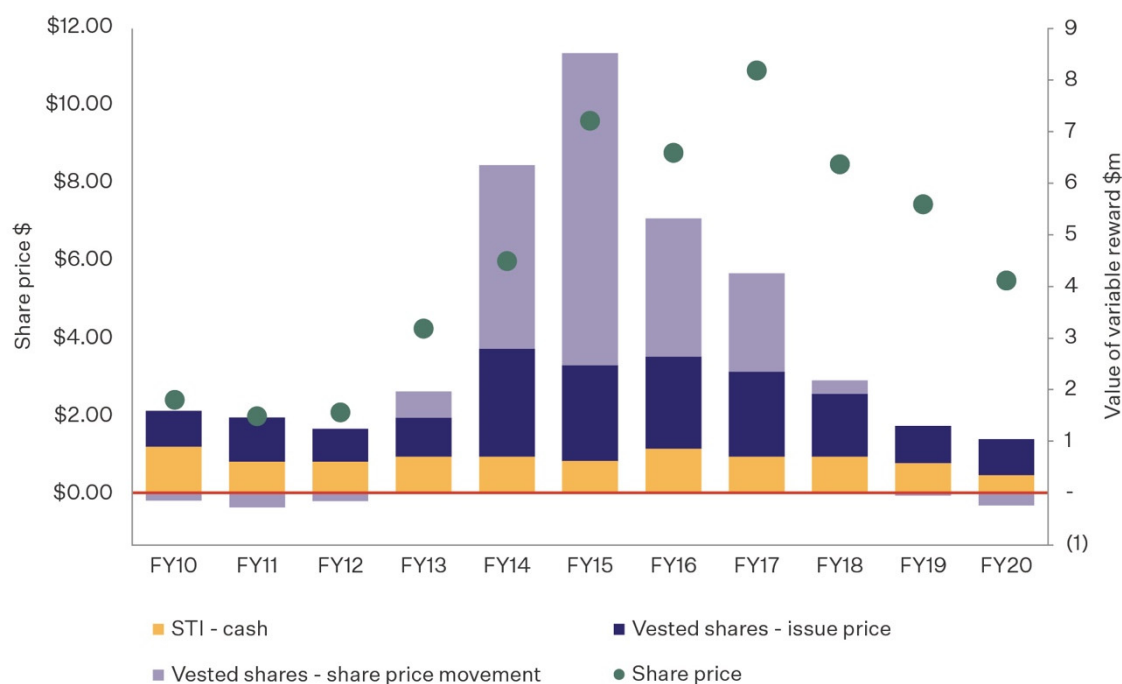
The Group CEO has the following remuneration components in place:

- Fixed Remuneration of \$800,000;
- 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 2020 Financial Year, the entirety of the LTI award, granted in 2017, has not vested. This is explained further in Section 5 of this Remuneration Report. Pendal is committed to providing LTI only where justified by company performance.

A significant proportion of the Group CEO's variable reward (STI deferral) and the vesting or forfeiture of the LTI component of his remuneration is impacted by increases and decreases in the share price over time. Pendal 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 2020

The table below outlines the Group CEO's remuneration structure for the 2020 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	<p>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 2020 Financial Year was unchanged from the 2019 Financial Year and 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.</p> <p>The Board has the discretion to vary the Group CEO's awarded STI outcome (up or down) with consideration to Pendal Group's financial performance and the Group CEO's overall performance.</p> <p>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.</p> <p>For the 2020 Financial Year, the Group CEO's key performance indicators included the following. Performance against these key performance indicators has been outlined in section 5:</p> <table> <tr> <td>Financial</td><td>Cash NPAT Base Management Fee Revenue (targets previously agreed with Board)</td></tr> <tr> <td>Execute on Growth Strategy</td><td>Progress against strategic objectives previously approved by the Board including the achievement of competitive investment performance, capital allocation, business strength and global synergies.</td></tr> <tr> <td>Business Development</td><td>Progress towards the development of new business opportunities, enhancement of the distribution strategy and strengthening of succession plans.</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)	Execute on Growth Strategy	Progress against strategic objectives previously approved by the Board including the achievement of competitive investment performance, capital allocation, business strength and global synergies.	Business Development	Progress towards the development of new business opportunities, enhancement of the distribution strategy and strengthening of succession plans.	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.
Financial	Cash NPAT Base Management Fee Revenue (targets previously agreed with Board)								
Execute on Growth Strategy	Progress against strategic objectives previously approved by the Board including the achievement of competitive investment performance, capital allocation, business strength and global synergies.								
Business Development	Progress towards the development of new business opportunities, enhancement of the distribution strategy and strengthening of succession plans.								
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.								

Directors' Report - Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

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:

- a) 50 per cent subject to relative TSR performance; and
- b) 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.

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%

Fully Diluted Cash EPS performance hurdle

The Cash EPS portion of awards vests as follows, based on compounded annual growth rate (CAGR) performance.

Cash EPS CAGR	Percentage of cash EPS-tested award to vest
Less than or equal to 5% CAGR	Nil
At 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%

Details of equity based remuneration

Details of the various equity-based reward plans are noted in the table below. As at 30 September 2020, approximately 10 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 2020 Financial Year, it should be noted that the Trustee of the Pandal Group Employee Benefit Trust acquired a total of 4,706,197 PDL shares at an average price of \$7.97, totalling \$37.5 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 purchase requirements will be \$25 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 are designed to be Cash EPS neutral. In a scenario where FUM declines post issuance of the grant, or the share of revenue to the firm decreases, the Cash EPS outcome may be adversely affected.

Directors' Report - Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

The table below provides details on all equity programs available to employees.

Equity-based employee reward schemes/plans

Variable Reward Scheme/Plan	Description	Participants
Pendal Australia Corporate Variable Reward (VR) Scheme, CEO, Pendal Australia VR Plan, JOHCM Senior Staff Bonus Scheme and General Staff Bonus Scheme	<p>The four schemes are designed to reward performance specifically for senior and general employees (including the CEO, Pendal Australia, CEO, JOHCM UK/Europe and Asia and CEO, JOHCM USA) who work within the Pendal 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.</p> <p>The schemes are linked to the performance of Pendal Australia and JOHCM through the creation of variable reward pools from which employees are paid their variable reward outcomes. The size of the variable reward 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.</p>	Corporate roles including Global Executive Committee members and investment teams not covered by the Boutique VR Scheme
Sales Incentive Plans	<p>The Sales Incentive Plans are designed to reward performance specifically for business development managers who work within the Pendal Australia and JOHCM sales teams.</p> <p>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.</p>	Sales roles
Pendal Australia and JOHCM Performance Reward Schemes (PRS)	<p>The PRS was implemented in 2012 and is a broad-based LTI program which provides all eligible corporate employees with an amount of equity in the form of Performance Share Rights, aimed at rewarding success.</p> <p>Vesting of PRS awards is contingent on Cash EPS and TSR performance hurdles being met at the end of a three-year performance period.</p> <p>PRS awards granted in 2017 were tested against performance hurdles at the end of the 2020 Financial Year.</p> <p>Vesting outcomes for 2017 PRS awards are set out in Charts 4a and 4b.</p>	Corporate roles including the Group CEO and other Global Executive Committee members and Australian investment teams not covered by the Pendal Australia Boutique VR Scheme
Pendal Australia Boutique Variable Reward (VR) Scheme	<p>The Boutique VR Scheme seeks to reward performance specifically for investment employees who are in boutiques on a revenue share arrangement. For the 2020 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.</p> <p>Some funds 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 team and the Company.</p>	Fund Managers
JOHCM Fund Manager Remuneration Schemes (FMRS)	<p>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; a legacy plan and the FLE Scheme. Fund Managers managing more established funds receive a variable reward opportunity as part of a revenue share arrangement, with a portion of the variable reward deferred into PDL equity with a vesting period of up to five years.</p> <p>Fund Managers 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.</p> <p>Some funds 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 team and the Company. Further detail on the FLE Scheme is outlined in the Fund Manager Remuneration section.</p>	Fund Managers
JOHCM Long-Term Retention Equity	<p>The LTI plan provides 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 are also issued retention equity which vests over a specified holding period or after cessation of employment, provided certain conditions have been satisfied.</p>	Fund Managers

Directors' Report - Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

Variable Reward Scheme/Plan	Description	Participants
CEO, JOHCM, USA LTI Arrangements	<p>As the newly appointed CEO, JOHCM, USA, Nick Good, to align his remuneration with the long-term performance of the JOHCM USA business, and to provide a further retention mechanism, has been offered Performance Share Rights vesting at the end of a four-year performance period.</p> <p>The 314,559 Performance Share Rights are subject to three equally weighted long term performance hurdles of USA Client Revenue, JOHCM (USA) Inc Operating Profit and Net New Money raised from nominated strategies. Vesting conditions specifically relate to Pandal's USA business, given its strategic importance, over a period where actions are expected to achieve results, with the performance period commencing 1 October 2019.</p>	CEO, JOHCM USA

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 Pandal 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

Pandal Group seeks to align Fund Manager remuneration with longer term shareholder interests through equity ownership in the business without compromising client outcomes. Equity in the Group is earned by Fund Managers from either the FLE scheme or the FMRS revenue share component. The Fund Manager remuneration scheme that a team participates in will vary depending on the lifecycle of their fund, the complexity of the team structure and the market in which they operate.

For teams managing funds in the early phase of their development, the business offers a FLE program where remuneration arrangements have a greater focus on rewarding business building outcomes, such as growth in recurring investment management fees. Once teams are rewarded for the development phase of their strategy through the FLE scheme, and the strategy becomes more established, the program may transition to a long term scheme that rewards for retention and growth of FUM. This scheme is in line with the revenue share principles of the organisation and is designed to retain talent that has delivered investment performance. The introduction of a long-term approach supports our ability to retain talent for delivering investment performance that has resulted in FUM growth.

Fund Managers can participate in a number of plans as outlined below.

JOHCM Fund Linked Equity Scheme

To attract new teams and reward for value in newly created 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 Pandal 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 the seven year period. 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 Fund Managers and the Pandal Group and is 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 2020 Financial Year, the Company did not issue any ordinary shares under the FLE Scheme.

When the FLE has been 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 or the Company's revenue is maintained. In a scenario where FUM declines post issuance of the grant, or the share of revenue to the firm decreases, 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 2020

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.

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 year seven.
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 or the share of revenue to the firm is maintained.

Participation in the FLE

During the 2020 Financial Year no PDL shares were issued to satisfy the remaining conversion of the FLE scheme.

Investment strategies participating in the FLE Scheme represents FUM of \$2.1 billion as at 30 September 2020. Based on the FUM as at 30 September 2020, the value of PDL equity that may be granted to participants in the FLE Scheme is approximately \$11.8 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 \$11.8 million in PDL equity, this would equate to 2.1 million newly issued shares based on a theoretical PDL share price of \$5.62 in accordance with the FLE Scheme rules. The 2.1 million shares would increase the fully diluted share count by 0.7 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	2021	2022	2023	2024+
Estimated number of shares to be issued (m)	0.4	0.8	0	0.9

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 or the share of the revenue to the firm is maintained post issuance.

For employee incentive arrangements other than the 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.

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.

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.

We believe this approach has cultivated a performance oriented and stable environment that has aligned Fund Managers to the business, therefore promoting a desirable business for our clients when determining a suitable Fund Manager.

Directors' Report - Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

The FLE scheme is a long-term scheme designed to attract investment management talent to the business and reward for value in newly created strategies. As outcomes from the FLE scheme taper off through the vesting of equity, those Fund Managers coming off the FLE scheme may transition to a long term scheme in line with those managing established funds. The scheme is aligned with the revenue share principles of the organisation and is designed to retain talented employees who have delivered investment performance. A material component of the revenue share is deferred into PDL equity and into the fund strategies managed by the Fund Manager, with vesting periods up to five years. This aligns the interests of the Fund Manager with both the Company and clients and continues to reward them in line with historical levels. It will have an upfront cost to the business as it is implemented, however the initial investment will be balanced by mitigating the loss of key talent resulting in decline in FUM and revenue, and will improve the long-term sustainability of the Company's revenue stream.

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. Consistent 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 Group 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.

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During the 2020 Financial Year, the Board and Remuneration Committees actioned the following significant items in relation to remuneration arrangements as outlined in the table below.

Significant matters considered during the 2020 Financial Year

Approved various equity scheme awards	Approved the issue of FLE Scheme grants.
Implemented the Senior Manager and Certification Regime UK	The regime was implemented in line with regulatory requirements in December 2019.
Oversaw the appointment of the independent Chair of the JOHCM Limited Board	An independent Chair was appointed to the Board of JOHCM Limited, our UK regulated subsidiary.
Evaluated changes to the FLE scheme for JOHCM Fund Managers	Evaluated and considered long-term revenue share plans as an important retention strategy for JOHCM Fund Managers.
Reviewed Corporate Remuneration Arrangements	Reviewed the Corporate bonus pool for the Pandal 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 continued to act as the Remuneration & Nominations Committee's appointed remuneration adviser.

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

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

- Tapestry Global Compliance Partners
- Ernst & Young (EY); EY also provided management updates on legislative and regulatory developments in the financial services industry

Directors' Report - Remuneration Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

5. Link between remuneration outcomes and group performance

Pendal Group's position against peer groups

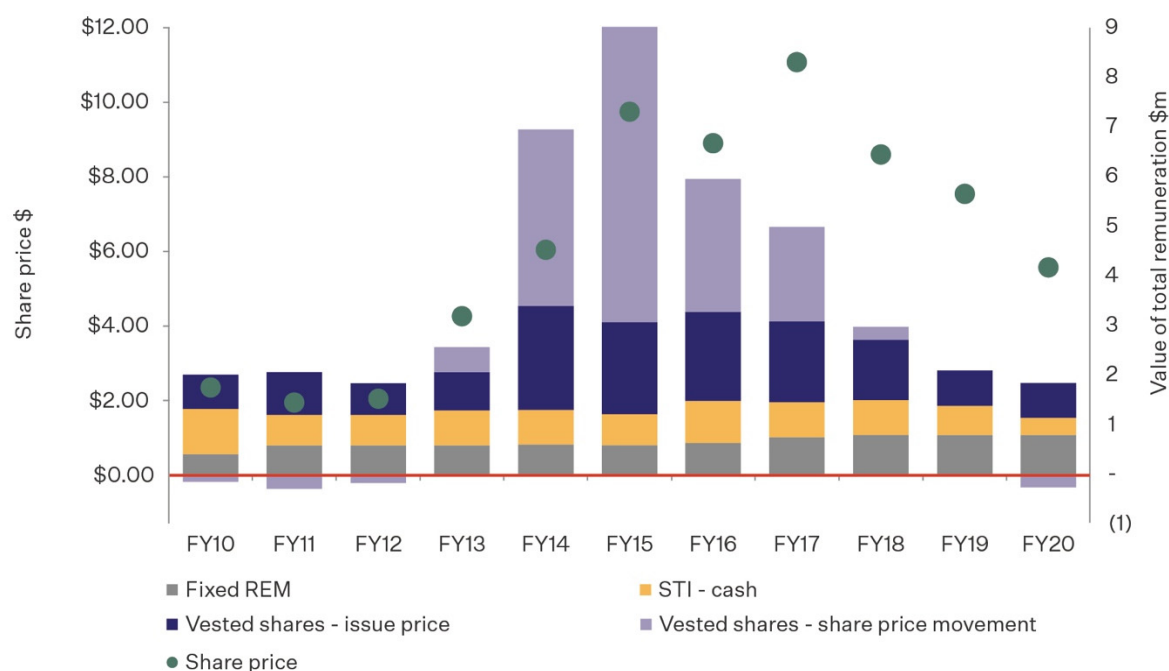
For the purpose of assessing the Group CEO's remuneration, Pendal is positioned in the upper quartile against the Australian ASX benchmarks for market capitalisation amongst the Australian Asset Management peers. Pendal is placed closer to the lower quartile against the UK market peers.

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 the Group CEO's exposure to share price movements during the vesting period.

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 33 per cent in 2020 when compared to 2019. This was driven by the share price decline and zero vesting of the LTI award (see vesting of LTI Grants on page 48). 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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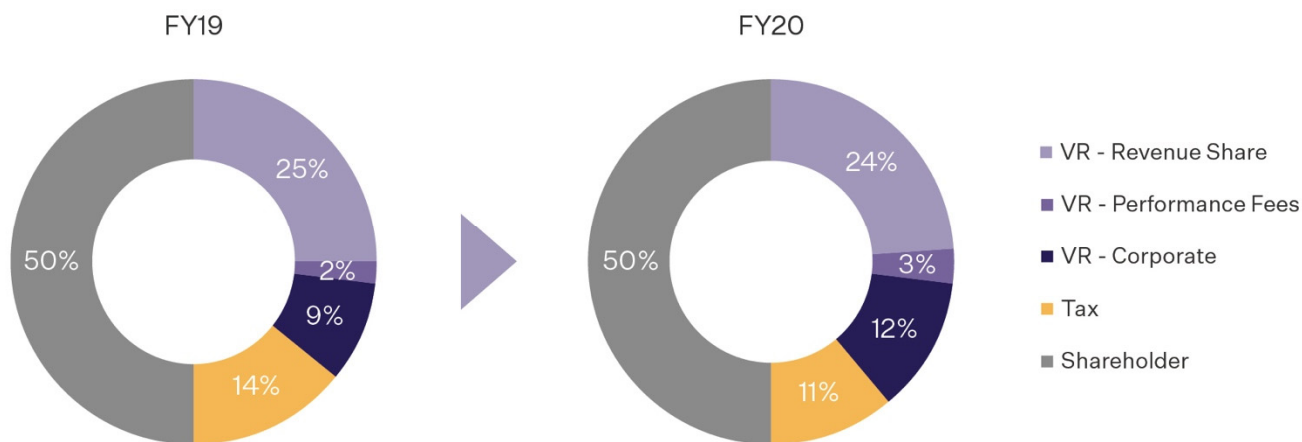
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

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)



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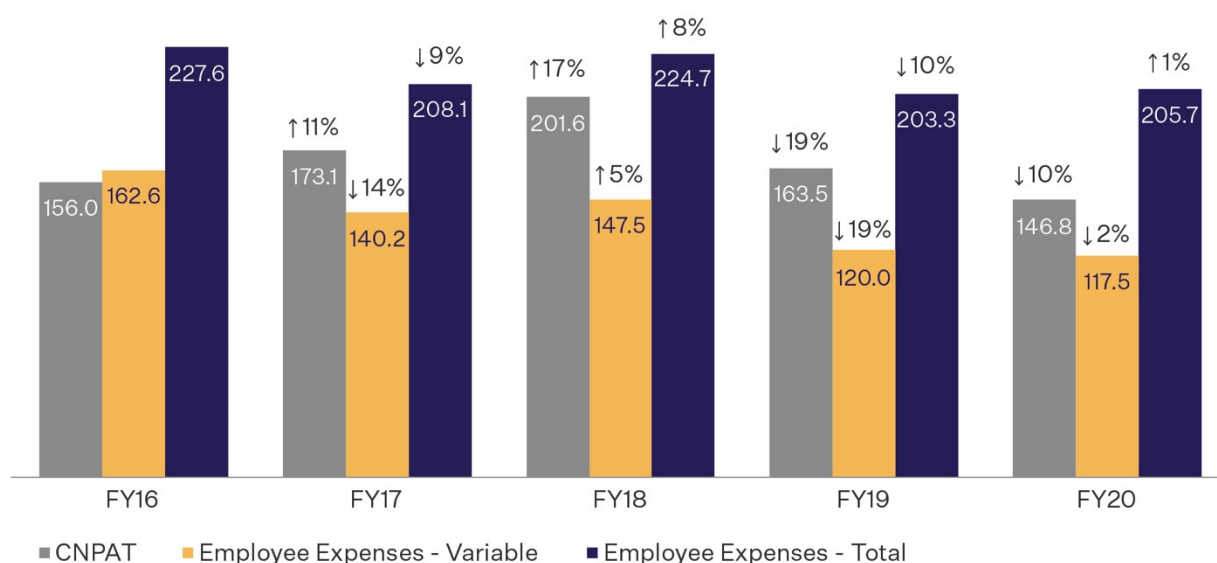
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

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 2020 Financial Year resulted in lower variable employee expense as a result of lower base fees generated but offset by higher employee variable expense due to higher performance fees generated where the fund managers get a larger share of the revenue. The total remuneration expense was higher as a result of increase FTE supporting the business growth strategy including the first full year expense for the JOHCM regional CEOs and Group CRO.

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



Vesting of LTI grants

The 2017 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:

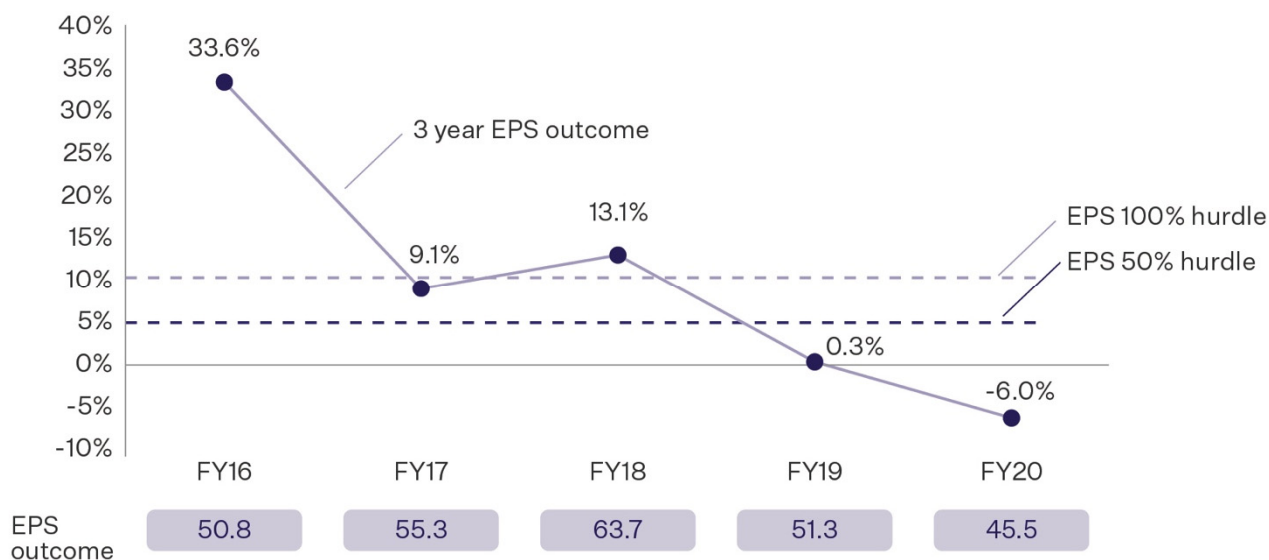
1. Fully Diluted Cash EPS growth: 50 per cent of award. Target range of greater than 5 per cent to 10 per cent annual compound growth. Cash EPS over the three year performance period was -6.0 per cent, therefore the Cash EPS portion of the award has not vested.
2. TSR: 50 per cent of award. Target range of ASX 200 median to the top quartile. Pendal Group's TSR over the three-year performance period of -37.3 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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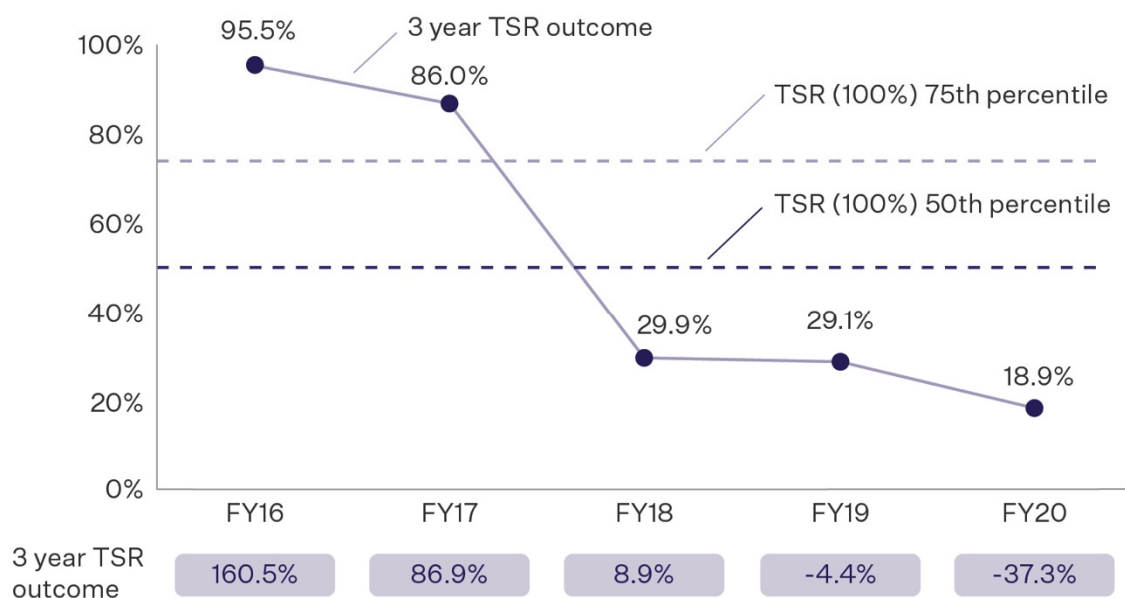
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

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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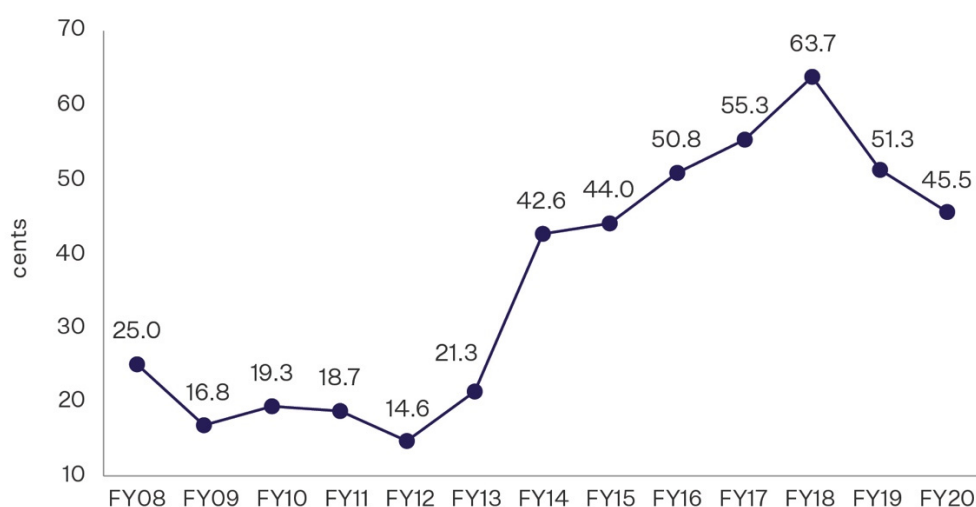
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

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

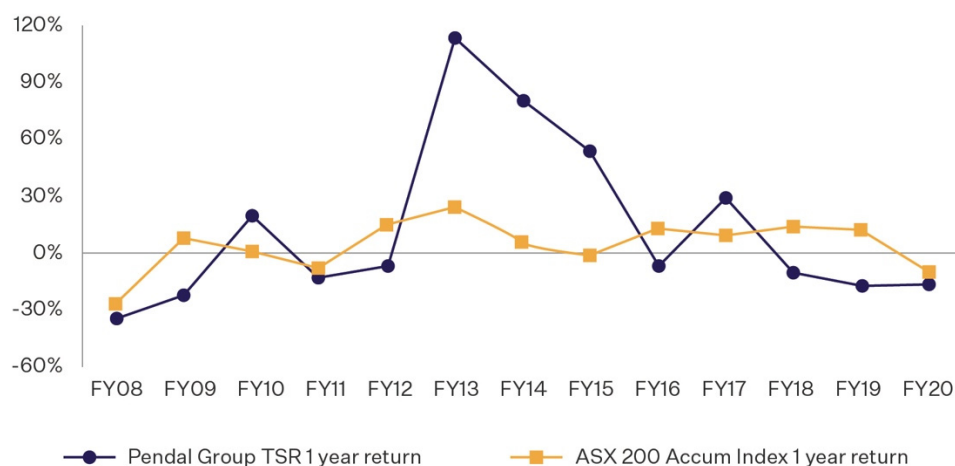
Why relative TSR and Fully Diluted Cash EPS hurdles?

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 provides a 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/Accumulation Index over time



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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

Group CEO and other Global Executive Committee members' performance outcomes in the 2020 Financial Year

Group CEO Performance and Short Term Incentive Outcome

The Group CEO remuneration structure that applied in the 2020 Financial Year is in line with the remuneration structure set out earlier in this Remuneration Report.

The 2020 Financial Year short term incentive outcome of \$0.7 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 \$0.7m	Description of key performance indicators and performance			
	Performance Measure	Key Performance Indicators (KPIs)	Weighting	FY20 Performance Against KPIs
	Financial	Cash NPAT Base Management Fee Revenue	30%	<p>Profit was down for the year primarily driven by lower revenue resulting from large outflows with markets hindered by COVID-19 impacts. Pandal experienced a challenging operating environment, resulting in pressure across key financial measures including:</p> <ul style="list-style-type: none"> • Average FUM of -4% • Base management fee revenue of -5% • Cash net profit after tax of -10% • Cash earnings per share of -11% <p><i>Overall below target</i></p>
	Execute on Growth Strategy	Progress against Strategic Objectives regarding investment performance, capital allocation, business strength and global synergies.	30%	<p>Key investment strategies outperforming with 71% of FUM over three years above benchmarks and 70% over five years above benchmarks. Global Executive Committee senior positions filled and operating well. Updated thorough SWOT analysis completed for each region, including likely longer term COVID-19 impacts on the business eg Digital marketing, product and distribution priorities. Good progress on global operating platform to improve efficiency.</p> <p>COVID-19 environment had some negative impact on executing on the growth strategy but managed well.</p> <p><i>Overall below target</i></p>
	Business Development	Progress towards the development of new business opportunities, enhancement of the distribution strategy and strengthening of succession plans.	30%	<p>Good progress on growing Regnan business. Successful launch of ESG Credit Impact product, hiring of Global Equity Impact team well executed with imminent launch of fund. Early implementation of global data hub to enhance distribution and client experience in all regions.</p> <p>Well developed long term remuneration scheme for Investment professionals aimed at mitigating the loss of key talent that improves the long-term sustainability of the Company's revenue stream.</p> <p>Good progress on strengthening succession plans for key investment teams.</p> <p><i>Overall slightly below target</i></p>
	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.	10%	<p>Outstanding response to Covid-19 environment with effective switch to work from home across the Group. No errors or significant issues identified.</p> <p>Joint working groups identifying global operational synergies and creating operational efficiencies.</p> <p>Further enhancements in Group risk reporting on regulatory and compliance matters.</p> <p>Embedded quality risk culture throughout the Group.</p> <p>Clean US SEC regulatory review with confirmation of "No Action" letter.</p> <p>Long standing FCA investigation successfully resolved.</p> <p>Business positioned for either hard or negotiated Brexit decision.</p> <p><i>Overall above target</i></p>

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	Description of Long-Term Incentive Award performance hurdles and outcome
Long-Term Incentive Award \$1,000,000 0% vesting of 2017 LTI Award	<p>The Group CEO was awarded \$1 million face value equivalent of Performance Share Rights to PDL shares for no consideration for the 2020 Financial Year, following a vote by shareholders at the 2019 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.</p> <p>Vesting of the award is subject to two equally weighted hurdles, measured over three years:</p> <ul style="list-style-type: none">a) 50% (\$500,000) subject to relative TSR performance; andb) 50% (\$500,000) subject to Cash EPS growth. <p>For the LTI award for which performance was measured over three years from 1 October 2017 to 30 September 2020, 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 2017 Financial Year.</p>

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. 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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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

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.

Table 1a Short Term Incentive (STI) outcomes for the Global Executive Committee in the 2020 and 2019 Financial Years

The table below sets out the Global Executive Committee's (KMP) STI outcomes for the 2020 and 2019 Financial Years. STI outcomes are awarded in both cash and Pandal 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 Pandal 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 (\$)	Total STI as % STI Maximum
Emilio Gonzalez	20	350,000	350,000	700,000	25%
	19	575,000	575,000	1,150,000	41%
Alexandra Altinger ^{3,4}	20	458,920	196,680	655,600	45%
	19	-	-	-	-
Richard Brandweiner	20	303,000	303,000	606,000	51%
	19	270,000	270,000	540,000	45%
Nick Good ^{5,6,7}	20	788,000	-	788,000	59%
	19	-	-	-	-
Bindesh Savjani ³	20	477,330	204,570	681,900	91%
	19	380,780	163,191	543,971	75%
Cameron Williamson	20	187,513	62,487	250,000	31%
	19	253,258	100,742	354,000	44%
Total	20	2,564,763	1,116,737	3,681,500	
	19	1,479,038	1,108,933	2,587,971	

Notes to Table 1a

- Equity-based remuneration represents the actual short term equity awarded for performance for the 2020 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 2020 Financial Year award will be determined closer to the allocation date on 4 December 2020.
- Alexandra Altinger and Bindesh Savjani are remunerated in Pound Sterling. An average exchange rate of 0.5323 (2019:0.5515) has been applied to convert their total STI to Australian dollars.
- Alexandra Altinger commenced employment with JOHCM on 9 September 2019 and did not qualify for a STI for the 2019 Financial Year.
- Nick Good is remunerated in US Dollars. An average exchange rate of 0.6789 has been applied to convert his total STI to Australian dollars.
- Nick Good commenced employment on 2 December 2019 so he received no STI for the 2019 Financial Year.
- Equity exposure to Pandal Group shares for Nick Good is via the CEO, JOHCM, USA LTI arrangement.

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Table 1b: Global Executive Committee remuneration – actual or realised remuneration received in the 2020 and 2019 Financial Years

This table shows the actual remuneration paid to, and the equity which vested for, each Global Executive Committee member (KMP) in the 2020 and 2019 Financial Years. This includes:

- Fixed remuneration received during the year;
- The cash component of STI awarded in 2020 and 2019;
- Deferred STI equity awarded in prior years that vested in 2020 and 2019;
- LTI equity awarded in prior years that vested in 2020 and 2019; and
- Other payments.

	FY	Fixed Remuneration (\$)	Cash component of STI ⁴ (\$)	Vesting of prior years STI awards ⁵ (\$)	Vesting of prior years LTI awards ⁶ (\$)	Dividends paid on deferred shares and hurdled LTI equity ⁷ (\$)	Other ⁸ (\$)	Total (\$)
Current KMP								
Emilio Gonzalez ¹	20	803,077	350,000	432,314	-	89,311	-	1,674,702
	19	800,000	575,000	681,789	-	160,352	300,000	2,517,141
Alexandra Altinger ^{2,3}	20	586,686	458,920	-	-	-	-	1,045,606
	19	34,591	-	-	-	-	-	34,591
Richard Brandweiner ¹	20	552,116	303,000	63,527	-	21,029	-	939,672
	19	550,001	270,000	35,913	-	11,907	-	867,821
Nick Good ^{2,3}	20	429,617	788,000	140,201	-	20,589	1,026,661	2,405,068
	19	-	-	-	-	-	-	-
Bindesh Savjani ^{2,3}	20	661,281	477,330	209,476	-	22,084	-	1,370,171
	19	339,587	380,780	-	-	-	375,340	1,095,707
Cameron Williamson ¹	20	451,731	187,513	66,541	-	14,342	-	720,127
	19	445,120	253,258	104,942	-	25,492	-	828,812
Former KMP								
Andrew Shiels ²	20	-	-	-	-	-	-	-
	19	397,779	-	-	-	-	-	397,779
Total Global Executive Committee Remuneration	20	3,484,508	2,564,763	912,059	-	167,355	1,026,661	8,155,346
	19	2,567,078	1,479,038	822,644	-	197,751	675,340	5,741,851

Notes to Table 1b

- The 2020 Financial Year fixed remuneration for Emilio Gonzalez, Richard Brandweiner and Cameron Williamson did not increase from the 2019 Financial Year. The difference is attributable to moving our pay day as part of the transition to a new payroll system.
- Alexandra Altinger and Bindesh Savjani, are remunerated in Pounds Sterling. An average exchange rate of 0.5323 for 2020 (2019: 0.5515) has been applied to convert their remuneration to Australian dollars. Nick Good is remunerated in US dollars. An average exchange rate of 0.6789 for 2020 has been applied to convert his remuneration to Australian dollars. Andrew Shiels was remunerated in Pounds Sterling in the 2019 Financial Year.
- Nick Good commenced employment with JOHCM on 2 December 2019 and his total fixed remuneration reflects the period that he worked in the 2020 Financial Year from his employment start date. The total fixed remuneration for both Alexandra Altinger and Bindesh Savjani for the 2019 Financial Year also reflects the period that they worked from their employment start dates of 9 September 2019 and 4 March 2019 respectively. Alexandra Altinger did not qualify for a bonus or equity for the 2019 Financial Year.
- The cash component of STI represents the award for performance during the 2020 Financial Year and will be paid in December 2020. These amounts were determined after performance reviews were completed, and were 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 2020 are treated as vesting in the 2020 Financial Year. The equity value has been calculated as the number of securities that vested during the year ended 30 September 2020, multiplied by the closing PDL share price on the date of vesting.
- The LTI granted in the 2017 Financial Year has not vested in 2020 as it did not meet the minimum performance hurdles for TSR or Cash EPS. The LTI granted in the 2016 Financial Year did not vest in 2019 as it did not meet the minimum performance hurdles for TSR or Cash EPS.
- Dividend payments are dividends paid on STI shares granted from previous years' rewards that have been deferred in accordance with the Equity Plan Rules. There were no dividend equivalent payments made in 2020 and 2019 in relation to Performance Share Rights because they did not vest.

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8 Other payments to Nick Good represent 2020 Financial Year cash payments for deferred remuneration foregone following the commencement of his employment. Future payments for deferred remuneration foregone are scheduled to be paid in diminishing instalments over the next three financial years as a retention mechanism, subject to employment conditions. Other payments made in the 2019 Financial Year represent a one-off cash payment to Emilio Gonzalez in recognition of the additional responsibilities he fulfilled as interim CEO of JOHCM and a cash payment for deferred remuneration foregone to Bindesh Savjani following the commencement of his employment.

Table 1c: Statutory remuneration for the Global Executive Committee in the 2020 and 2019 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 2020 and 2019 Financial Years.

Table 1c 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's actual remuneration outcomes which the Directors believe is more informative as to what was actually realised for senior executives in the period. Please see footnote 8 to Table 1c for greater clarification.

	Short term benefits				Post-employment benefits	Other long-term benefits	Equity based payments				
	FY	Salary & fees (\$)	Cash component of STI ⁴ (\$)	Non-monetary benefits ⁵ (\$)	Super-annuation (\$)	Long service leave ⁶ (\$)	STI Equity ⁷ (\$)	LTI Equity ⁸ (\$)	Dividends paid on deferred shares and hurdled LTI equity ⁹ (\$)	Other ¹⁰ (\$)	Total (\$)
Current KMP											
Emilio Gonzalez ¹	20	778,077	350,000	9,647	25,000	12,333	606,815	390,548	89,311	-	2,261,731
	19	775,000	575,000	12,502	25,000	23,363	696,668	311,284	160,352	300,000	2,879,169
Alexandra Altinger ^{2,3}	20	582,698	458,920	8,298	3,988	-	65,284	293,222	-	-	1,412,410
	19	34,591	-	-	-	-	-	-	-	-	34,591
Richard Brandweiner ¹	20	527,116	303,000	-	25,000	7,615	203,851	273,854	21,029	-	1,361,465
	19	525,001	270,000	18,000	25,000	7,925	126,598	255,747	11,907	-	1,240,178
Nick Good ^{2,3}	20	429,617	788,000	27,612	-	-	726,804	692,531	20,589	1,026,661	3,711,814
	19	-	-	-	-	-	-	-	-	-	-
Bindesh Savjani ^{2,3}	20	601,165	477,330	18,576	60,116	-	364,800	161,001	22,084	-	1,705,072
	19	334,751	380,780	6,256	4,836	-	246,660	73,034	-	375,340	1,421,657
Cameron Williamson ¹	20	426,731	187,513	2,100	25,000	(8,303)	83,844	108,181	14,342	-	839,408
	19	420,120	253,258	-	25,000	15,330	132,390	121,827	25,492	-	993,417
Former KMP											
Andrew Shiels ²	20	-	-	-	-	-	-	-	-	-	-
	19	397,779	-	-	-	-	-	-	-	-	397,779
Total Global Executive Committee Remuneration	20	3,345,404	2,564,763	66,233	139,104	11,645	2,051,398	1,919,337	167,355	1,026,661	11,291,900
	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

Note to Table 1c:

- 1 The 2020 Financial Year fixed remuneration for Emilio Gonzalez, Richard Brandweiner and Cameron Williamson did not increase from the 2019 Financial Year. The difference is attributable to moving our pay day as part of the transition to a new payroll system.
- 2 Alexandra Altinger and Bindesh Savjani are remunerated in Pounds Sterling. An average exchange rate of 0.5323 for 2020 (2019: 0.5515) has been applied to convert their remuneration to Australian dollars. Nick Good is remunerated in US dollars. An average exchange rate of 0.6789 for 2020 has been applied to convert his remuneration to Australian dollars. Andrew Shiels was remunerated in Pounds Sterling in the 2019 Financial Year.
- 3 Nick Good commenced employment with JOHCM on 2 December 2019 and his total fixed remuneration reflects the period that he worked in the 2020 Financial Year from his employment start date. The total fixed remuneration for both Alexandra Altinger and Bindesh Savjani for the 2019 Financial Year also reflects the period that they worked from their employment start dates of 9 September 2019 and 4 March 2019 respectively. Alexandra Altinger did not qualify for a bonus or equity for the 2019 Financial Year.

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- 4 The cash component of VR represents the award for performance during the 2020 Financial Year and will be paid in December 2020. These projected amounts were determined after performance reviews were completed, and were approved by the Board. It should be noted that 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.
- 5 The non-monetary benefit for Emilio Gonzalez, Richard Brandweiner and Cameron Williamson 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 Alexandra Altinger, Nick Good and Bindesh Savjani includes healthcare coverage, life cover and long-term disability cover.
- 6 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.
- 7 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'.
- 8 LTI does not represent what has vested. The actual value of the 2017 LTI grant measured in 2020 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 2020 of the likely level of vesting of the EPS hurdled LTI. For the 2017 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 2017 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.
- 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. There were no dividend equivalent payments made in 2020 and 2019 in relation to Performance Share Rights because they did not vest.
- 10 Other payments to Nick Good represent 2020 Financial Year cash payments for deferred remuneration foregone following the commencement of his employment. Future payments for deferred remuneration foregone are scheduled to be paid in diminishing instalments over the next three financial years as a retention mechanism, subject to employment conditions. Other payments made in the 2019 Financial Year represent a one-off cash payment to Emilio Gonzalez in recognition of the additional responsibilities he fulfilled as interim CEO of JOHCM and a cash payment for deferred remuneration foregone to Bindesh Savjani following the commencement of his employment.

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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 which are based on the target equity-based remuneration.

Table 2: Global Executive Committee 2020 and 2019 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	
	2020 (%)	2019 (%)	2020 (%)	2019 (%)	2020 (%)	2019 (%)
Emilio Gonzalez	36	39	15	20	49	41
Alexandra Altinger	42	100	32	-	26	-
Richard Brandweiner	41	46	22	22	37	32
Nick Good	40	n/a	21	n/a	39	n/a
Bindesh Savjani	40	51	28	27	32	22
Cameron Williamson	53	47	22	25	25	28

Notes to Table 2:

- 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 2020 and 2019 Financial Years and long-term incentives.

Share based-payments

Details of the shares in Pendal 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 2020 (#)	Proportion of award vested (%)	Proportion of award forfeited (%)
Group CEO						
Emilio Gonzalez	3-Dec-15	94,638	13.01	18,928	100	-
	8-Dec-16	81,714	10.82	16,343	80	-
	7-Dec-17	68,347	10.69	13,670	60	-
	6-Dec-18	74,085	8.18	14,817	40	-
	5-Dec-19	71,389	8.06	14,278	20	-
Other Global Executive Committee Members						
Richard Brandweiner	6-Dec-18	23,813	8.18	4,763	40	-
	5-Dec-19	33,522	8.06	6,704	20	-
Nick Good	31-Dec-19	137,263	8.59	25,307	18	-
Bindesh Savjani	15-Mar-19	66,275	8.94	31,327	47	-
	5-Dec-19	20,261	8.06	4,053	20	-
Cameron Williamson	3-Dec-15	15,457	13.01	3,091	100	-
	8-Dec-16	7,688	10.82	1,538	80	-
	7-Dec-17	11,712	10.69	2,343	60	-
	6-Dec-18	12,696	8.18	2,540	40	-
	5-Dec-19	12,507	8.06	2,501	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 or four 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

	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 2020 (#)
Emilio Gonzalez	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
	1-Oct-19	Performance Share Rights	136,085	6.75	8.76	1-Oct-22	-	-	136,085
Alexandra Atlinger	1-Oct-19	Performance Share Rights	123,984	5.86	8.33	1-Oct-22			123,984
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
	1-Oct-19	Performance Share Rights	81,651	5.86	8.33	1-Oct-22			81,651
Nick Good	1-Oct-19	Performance Share Rights	60,491	6.72	8.93	1-Oct-22			60,491
	1-Oct-19	Performance Share Rights	314,559	-	6.80	1-Oct-23			314,559
Bindesh Savjani	1-Oct-18	Performance Share Rights	31,224	5.33	8.70	1-Oct-21	-	-	31,224
	1-Oct-19	Performance Share Rights	37,195	5.86	8.33	1-Oct-22			37,195
Cameron Williamson	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
	1-Oct-19	Performance Share Rights	40,825	5.86	8.33	1-Oct-22			40,825

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 or four years.
- 3 The Performance Share Rights allocated to the Global CEO and other Global Executives with a test period commencement date of 1 October 2017 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 2020 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				
					FY21 (\$)	FY22 (\$)	FY23 (\$)	FY24 (\$)	FY25 onwards (\$)
Emilio Gonzalez	2016	619,179	1,231,240	Nil	246,253	-	-	-	-
	2017	849,997	884,145	Nil	176,831	176,820	-	-	-
	2018	700,000	730,629	Nil	146,122	146,122	146,122	-	-
	2019	700,000	606,015	Nil	121,203	121,203	121,203	121,203	-
	2019	1,000,000	806,175	Nil	-	806,175	-	-	-
	2020	575,000	575,395	Nil	115,081	115,081	115,081	115,080	115,072
	2020	1,000,000	1,055,340	Nil	-	-	1,055,340	-	-
Alexandra Altinger	2020	911,079	879,666	Nil			879,666		
Richard Brandweiner	2019	225,000	194,790	Nil	38,961	38,961	38,953	38,954	
	2019	600,000	483,703	Nil	-	483,703	-	-	-
	2020	270,000	270,187	Nil	54,034	54,034	54,034	54,034	54,051
	2020	600,000	579,313	Nil			579,313	-	-
Nick Good	2020	1,116,024	1,179,089	Nil	832,843	262,734	83,512	-	-
	2020	444,510	473,341	Nil	-	-	473,341	-	-
	2020	2,655,259	2,139,001	Nil	-	-	-	2,139,001	-
Bindesh Savjani	2019	576,887	592,499	Nil	226,709	85,727	-	-	-
	2019	271,788	219,102	Nil	-	219,102	-	-	-
	2020	163,191	163,304	Nil	32,667	32,659	32,659	32,659	32,660
	2020	273,324	263,900	Nil	-	-	263,900	-	-
Cameron Williamson	2016	101,129	201,096	Nil	40,214	-	-	-	-
	2017	79,971	83,184	Nil	16,641	16,620	-	-	-
	2018	119,960	125,201	Nil	25,036	25,036	25,036	-	-
	2019	119,960	103,853	Nil	20,769	20,769	20,769	20,769	-
	2019	300,000	241,851	Nil	-	241,851	-	-	-
	2020	100,472	100,806	Nil	20,158	20,158	20,158	20,158	20,174
	2020	300,000	289,655	Nil	-	-	289,655	-	-

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
Nick Good	6 months
Bindesh Savjani	6 months
Cameron Williamson	3 months

Summary of termination entitlements

Term	Who	Conditions
Termination with notice	Emilio Gonzalez	<p>Any amount payable on the termination of employment will be made up of the following components:</p> <ul style="list-style-type: none">• 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	<p>Any amount payable on the termination of employment will be made up of the following components:</p> <ul style="list-style-type: none">• 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	<p>Any amount payable on the termination of employment will be made up of the following components:</p> <ul style="list-style-type: none">• 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.

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Term	Who	Conditions
	Nick Good	<p>Any amount payable on the termination of employment will be made up of the following components:</p> <ul style="list-style-type: none"> • 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.
	Bindesh Savjani	<p>Any amount payable on the termination of employment will be made up of the following components:</p> <ul style="list-style-type: none"> • 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.
	Cameron Williamson	<p>Any amount payable on the termination of employment will be made up of the following components:</p> <ul style="list-style-type: none"> • 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 • 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
Termination for cause	Emilio Gonzalez	Any amount payable on the termination of employment will be made up of the following components: <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • 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.
	Nick Good	Any amount payable on the termination of employment will be made up of the following components: <ul style="list-style-type: none"> • 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.
	Bindesh Savjani	Any amount payable on the termination of employment will be made up of the following components: <ul style="list-style-type: none"> • 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.
	Cameron Williamson	Any amount payable on the termination of employment will be made up of the following components: <ul style="list-style-type: none"> • 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.

Make Good payments¹

Where Global Executive Committee member employment agreements include a make good payment in the form of cash and/or equity and their employment is terminated with notice before the payment has been fulfilled, the payment will generally continue to be made in the amounts and at the times agreed, unless the Pandal Board in its sole discretion decides otherwise. If the termination is for cause, then make good cash payments will be subject to repayment conditions and the unvested equity awards will be forfeited, in accordance with the Pandal Equity Plan Rules.

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.

¹Payments made to offset deferred remuneration foregone due to a change in employment.

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8. Non-Executive Director remuneration

NED remuneration in the 2020 Financial Year

NED annual fee pool

The total NED fee pool for the 2020 Financial Year was \$1.6 million, which was approved by shareholders at the 2015 AGM.

For the 2020 Financial Year, \$1.56 million (97 per cent) of the annual fee pool was used. This is an increase on the 2019 Financial Year due to Chris Jones fulfilling his first full financial year as a NED, having joined early in the 2019 Financial Year.

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 Pandal 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 Pandal 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 2020 Financial Year are set out in the table below and were unchanged from the 2019 Financial Year.

Non-Executive Director fees

Pandal 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

Pandal 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 Pandal 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 2020 and 2019 Financial Years are shown in Table 6 below.

Table 6: 2020 and 2019 Financial Years' Non-Executive Director remuneration

2020 Financial Year		Fees ¹ (\$)	Superannuation (\$)	Total (\$)
Current NEDs				
James Evans ²	20	400,301	25,000	425,301
	19	398,467	25,000	423,467
Sally Collier ²	20	200,151	19,014	219,165
	19	199,234	18,927	218,161
Christopher Jones ³	20	241,567	-	241,567
	19	209,420	-	209,420
Andrew Fay ²	20	200,151	19,014	219,165
	19	199,234	18,927	218,161
Kathryn Matthews ⁴	20	234,830	-	234,830
	19	231,188	-	231,188
Deborah Page ²	20	200,151	19,014	219,165
	19	199,234	18,927	218,161
Total	20	1,477,151	82,042	1,559,193
	19	1,436,777	81,781	1,518,558

Notes to Table 6:

- 1 The Director fees took effect from 1 January 2017. No adjustments to the base fees were made in the 2020 Financial Year.
- 2 The 2020 Financial Year fixed remuneration for James Evans, Sally Collier, Andrew Fay and Deborah Page did not increase from the 2019 Financial Year. The difference is attributable to moving our pay day as part of the transition to a new payroll system.
- 3 Christopher Jones is remunerated in US dollars and an average exchange rate of 0.6789 for 2020 (2019: 0.7038) has been applied to convert his annual fees to Australian dollars. His total remuneration in the 2019 Financial Year reflects the period that he worked from his employment start date of 8 November 2018.
- 4 Kathryn Matthews is remunerated in Pound Sterling. An average exchange rate of 0.5323 for 2020 (2019: 0.5515) has been applied to convert her annual fees to Australian dollars.

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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 2020 Financial Year:				
	Type of holding	Equity held at 1 Oct 2019	Number of securities acquired	Number of securities granted as remuneration	Net change other ¹	Equity held at 30 Sep 2020
Non-Executive Directors						
James Evans ²	Ordinary	50,000	-	-	-	50,000
Sally Collier	Ordinary	14,000	10,000	-	-	24,000
Christopher Jones	Ordinary	22,000	-	-	-	22,000
Andrew Fay	Ordinary	63,609	-	-	-	63,609
Kathryn Matthews	Ordinary	25,000	-	-	-	25,000
Deborah Page	Ordinary	39,993	-	-	-	39,993
Total for Non-Executive Directors		214,602	10,000	-	-	224,602
Global Executive Committee						
Emilio Gonzalez	Ordinary	1,684,215	-	71,389		1,755,604
	Performance share rights	317,306	-	136,085	(111,873)	341,518
Alexandra Altinger	Performance share rights	-	-	123,984	-	123,984
Richard Brandweiner	Ordinary	23,813	-	33,522	(4,763)	52,572
	Performance share rights	100,623	-	81,651	-	182,274
Nick Good	Ordinary	-	-	137,263	-	137,263
	Performance share rights	-	-	60,491	-	60,491
Bindesh Savjani	Ordinary	66,275	-	20,261	(16,000)	70,536
	Performance share rights	31,224	-	37,195	-	68,419
Cameron Williamson	Ordinary	180,240	-	12,507	(115,000)	77,747
	Performance share rights	81,207	-	40,825	(19,577)	102,455
Total for Global Executive Committee		2,484,903	-	755,173	(267,213)	2,972,863

Notes to Table 7:

- 1 Net change other relates to the conversion of Performance Share Rights to ordinary shares, sale of shares and shares forfeited.
- 2 Please see the Company's Notice of Annual General Meeting which we intend to issue on 11 November 2020 for an update in relation to James Evans' holdings in the Company's shares.

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 2020

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.

2020 Corporate Governance Statement

Pendal Group's 2020 Corporate Governance Statement can be viewed on the Group's website at www.pend.al/CGS-2020.

Non-audit services

Details of the amounts paid or payable to the external auditor, PricewaterhouseCoopers (PwC), for non-audit services provided during the financial year are set out in Note F5 to the financial statements.

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*.

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 67.

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



James Evans

Chairman

4 November 2020



Emilio Gonzalez

Managing Director and Group Chief Executive Officer

4 November 2020

Auditor's Independence Declaration

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020



Auditor's Independence Declaration

As lead auditor for the audit of Pandal Group Limited for the year ended 30 September 2020, 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 Pandal Group Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Andrew Wilson'.

Andrew Wilson
Partner
PricewaterhouseCoopers

Sydney
4 November 2020

PricewaterhouseCoopers, ABN 52 780 433 757

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Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

	Notes	2020 \$'000	2019 \$'000
Revenue			
Investment management fees		461,339	485,489
Performance fees		13,417	5,840
Total revenue	B2	474,756	491,329
Other income	B2	(8,600)	22,780
Expenses			
Employee expenses			
Salaries and related expenses		175,688	166,489
Amortisation of employee equity grants	D2	35,192	44,852
Amortisation of employee deferred share of performance fees and related incentives		3,270	6,744
Information, technology and data		27,114	23,837
Fund administration		18,519	16,104
Depreciation, amortisation and impairment		16,098	9,202
General office and administration		10,106	8,762
Business development and promotion		10,059	13,396
Professional services		8,118	9,003
Occupancy		4,064	9,571
Investment management		3,418	2,266
Product distribution		1,596	1,544
Finance costs		1,515	131
Total expenses		314,757	311,901
Profit before income tax		151,399	202,208
Income tax expense	B4	35,013	47,731
Profit after tax attributable to shareholders		116,386	154,477
Earnings per share for profit attributable to shareholders		Cents	Cents
Basic earnings per share	B3	39.8	54.4
Diluted earnings per share	B3	38.6	51.2
Profit after tax for the financial year		\$'000	\$'000
		116,386	154,477
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	(1,995)	4,999
Gain / (loss) on derivative hedging instruments	C3	3,147	(2,482)
Other comprehensive income, net of tax		1,152	2,517
Total comprehensive income for the financial year attributable to shareholders		117,538	156,994

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 2020

	Notes	2020 \$'000	2019 \$'000
Current assets			
Cash and cash equivalents	B5	207,485	150,071
Trade and other receivables		66,969	68,563
Current tax assets		6,923	–
Derivatives		78	–
Prepayments		7,102	6,975
Total current assets		288,557	225,609
Non-current assets			
Property, plant and equipment		8,665	9,050
Right-of-use assets	F3	36,927	–
Financial assets held at FVTPL	C5	211,171	278,075
Deferred tax assets	B4	28,931	43,488
Intangible assets	F1	532,103	540,346
Total non-current assets		817,797	870,959
Total assets		1,106,354	1,096,568
Current liabilities			
Trade and other payables		41,660	42,605
Employee benefits	D1	96,019	93,452
Derivatives		–	1,288
Lease liabilities	F3	7,356	957
Current tax liabilities		20,235	14,724
Total current liabilities		165,270	153,026
Non-current liabilities			
Employee benefits	D1	1,974	6,718
Lease liabilities	F3	33,204	2,729
Deferred tax liabilities	B4	10,148	23,391
Total non-current liabilities		45,326	32,838
Total liabilities		210,596	185,864
Net assets		895,758	910,704
Equity			
Contributed equity	C2	471,249	419,431
Reserves	C3	205,340	258,319
Retained earnings		219,169	232,954
Total equity		895,758	910,704

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 2020

	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 30 September 2019		419,431	258,319	232,954	910,704
Correction of immaterial prior period error		–	–	(667)	(667)
Change in accounting policy	A3	–	–	(151)	(151)
Restated balance at 1 October 2019		419,431	258,319	232,136	909,886
Profit for the financial year		–	–	116,386	116,386
Other comprehensive income for the financial year		–	1,152	–	1,152
Total comprehensive income for the financial year		–	1,152	116,386	117,538
Transactions with owners in their capacity as owners:					
Treasury shares acquired	C2	(37,532)	–	–	(37,532)
Treasury shares released	C2	89,350	(89,350)	–	–
Share-based payments	C3	–	35,219	–	35,219
Dividends paid	C4	–	–	(129,353)	(129,353)
Balance at 30 September 2020		471,249	205,340	219,169	895,758
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
Dividends paid	C4	–	–	(150,563)	(150,563)
Balance at 30 September 2019		419,431	258,319	232,954	910,704

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 2020

	Notes	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Fees and other income received		496,854	508,993
Interest received		163	459
Distributions from unit trusts		895	1,427
Expenses paid		(285,303)	(287,644)
Fund application settlement amounts paid		(443)	(1,027)
Income tax paid		(35,084)	(50,011)
Net cash inflows from operating activities	B5	177,082	172,197
Cash flows from investing activities			
Payments for property, plant and equipment		(1,927)	(5,473)
Payments for financial assets held at FVTPL		(80,142)	(13,431)
Proceeds from sales of financial assets held at FVTPL		140,539	16,596
Payments for IT development		(997)	(1,607)
Proceeds from / (Payments for) derivative hedging instruments		1,837	(899)
Net cash inflows/ (outflows) from investing activities		59,310	(4,814)
Cash flows from financing activities			
Payments for purchase of treasury shares		(37,532)	(34,790)
Interest and other financing costs		(59)	(131)
Payments for leases and related finance costs		(9,797)	–
Fund application settlement amounts received		443	1,027
Dividends paid		(129,353)	(150,563)
Net cash outflows from financing activities		(176,298)	(184,457)
Net increase/ (decrease) in cash and cash equivalents		60,094	(17,074)
Cash and cash equivalents at the beginning of the financial year		150,071	168,134
Effects of exchange rate changes on cash and cash equivalents		(2,680)	(989)
Cash and cash equivalents at the end of the financial year		207,485	150,071

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 2020

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
Subsidiaries and controlled entities	E2
Intangibles	F1

Coronavirus (COVID-19)

COVID-19, which is an illness caused by a new form of coronavirus, was characterised as a pandemic by the World Health Organisation in March 2020. The COVID-19 pandemic and measures implemented in response to the health emergency have had a significant impact on the economic environment in the financial markets in which Pendal Group operates, including Australia, the UK, Europe, Singapore and the United States. The Group has considered the impact of COVID-19 and related response measures in preparing its financial statements and in the exercise of critical accounting assumptions and estimates, including impacts occurring during the reporting period and the uncertainty of future effects of the pandemic.

Financial and trading position

Pendal Group continues to operate effectively during the pandemic, and maintains a strong financial position. Key factors applied in this assessment include:

- Management's response to the COVID-19 pandemic has been to ensure employee health and welfare, business continuity and client service. The Group activated its global business continuity plans and appointed a COVID-19 response team led by the Group Chief Risk Officer. Investments were made in enhancing remote working capabilities, IT and cybersecurity infrastructure, and a seamless transition to secure remote working was achieved. Increasing client support and communication, and ensuring there was no disruption to services from core suppliers, enabled the Group to continue to provide ongoing management of client funds, actively position portfolios and deliver services to clients;

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

- The financial impact of the COVID-19 pandemic, together with other business and market circumstances, contributed to a decline in the Group's total revenue of 3.4%, and a decline in the fair value of financial assets of 5.1% (on opening values) in the 2020 Financial Year. Overall, operating cash flows remained significantly positive at \$177.1 million for the year, and no liquidity issues have arisen. Pandal Group retains a strong balance sheet to withstand further market volatility arising from COVID-19, with net tangible assets of \$363.7 million at 30 September 2020, largely represented by highly liquid cash and seed capital investments, and no debt. The Group has not participated in the significant government support programmes available to severely affected businesses in Australia, the UK and the US. Some widely available measures have been automatically applied to the Group, such as the Singapore Job Support Scheme. The benefit of these measures is not material to Pandal Group, and the Group is not exposed to the potential withdrawal of such support;
- The Group maintains significant flexibility to respond and adapt to further COVID-19 impacts through its business model and capital management strategies. The revenue streams of the business are predominantly comprised of reliable, annuity-style fees, received regularly from institutional investors and Pandal Group fund vehicles. The operating costs of the business are highly variable, mitigating the impact of any potential future reductions in revenue which may result from COVID-19. Dividends to shareholders may also be varied if necessary, however dividends for the 2020 Financial Year remained within the Group's stated dividend payout range. The Group also has the ability, if required, to take other measures to address significant market and profit impacts, such as deploying cash reserves, redeeming seed investments, utilising borrowing facilities, reactivating the dividend reinvestment plan and/ or issuing new shares;
- In response to the added uncertainty of COVID-19 and its impacts, management has stress-tested a range of business and financial scenarios and their effects on forecast future revenue and cash flows of the Group. This analysis has assisted in risk management and contingency planning, and demonstrated the resilience and flexibility of the Group's business model to maintain profitability and liquidity in volatile markets. In addition, testing outcomes provide management with confidence to continue the Group's commitment to invest in strategic initiatives for growth, and to position the business optimally for future global economic recovery.

Fair value of financial assets

The Group holds investments in unlisted securities recognised at fair value through profit or loss and listed at Note C5. The determination of the investments' fair value included consideration of the appropriateness of inputs to valuations in light of the impacts of COVID-19. In particular, the impact of price volatility and market liquidity in respect of the investments held has been incorporated into valuation estimates at balance date.

Deferred tax assets

Deferred tax assets are recognised by the Group in relation to temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements as described at Note B4. The impact of COVID-19 has been considered in determining if it is probable that future taxable amounts will be available to utilise those temporary differences. Management forecasts of the profitability and taxable income of Group entities over the periods in which deferred tax assets are expected to be realised include the estimated impacts of COVID-19 on future FUM, revenues and expenses.

Intangibles

The Group has considered the impact of COVID-19 in its estimation of the recoverable amounts of intangible assets including fund and management contracts and goodwill as disclosed at Note F1. The carrying values of intangible assets are tested for impairment at each reporting period, and have been tested in light of the COVID-19 pandemic during the 2020 Financial Year. The recoverable amounts are determined using a "fair value less cost of disposal" methodology, utilising cash flow projections based on management's best estimates over a five year period, applying a terminal value in perpetuity and discounting to present value. Cash flow assumptions included the potential impact of COVID-19 on FUM, revenue and expenses over the forecast period through multiple scenarios for FUM flows and equity market growth profiles, based on historical data of previous severe market shock events, their duration and subsequent recovery levels and timeframes.

Financial risk management

Pandal Group's risk management framework continues to be applied across the business to identify, assess and manage the impact of COVID-19 on the Group's material risk exposures. Management of the Group's financial risk is described at Note C7, and includes the key financial risk areas of market risk, credit risk and liquidity risk. The appropriateness of the levels of reasonably possible movements in FUM, seed investment prices and effective interest rates, adopted to estimate potential market risks to the Group's profits and cash, has been reviewed in light of the additional financial market uncertainty and volatility caused by COVID-19. The potential impact of COVID-19 on the financial position of the Group's major counterparties has also informed the assessment of credit risk for the Group. The Group's maintenance of sufficient cash and working capital to address liquidity risk has been confirmed after considering the present and uncertain future impacts of COVID-19 on the Group's financial position and estimated cash flows.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

A3. New and amended accounting standards

New and amended accounting standards adopted by Pandal Group

Pandal 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 2020 is set out below.

AASB 16 Leases

AASB 16 Leases provides a new lessee accounting model which requires lessees to recognise right-of-use assets and liabilities to pay rentals for all leases with a term of more than 12 months, unless the underlying asset is of low value.

Pandal Group adopted AASB 16 Leases using the modified retrospective method from 1 October 2019, with comparatives not being restated for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and adjustments arising from the new leasing standard are therefore recognised in the opening balance sheet on 1 October 2019.

On adoption of AASB 16 Leases, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using an incremental borrowing rate adjusted for the nature of the asset as of 1 October 2019. The weighted average incremental borrowing rate applied by Pandal Group to the lease liabilities on 1 October 2019 was 3.3%.

The adoption of AASB 16 Leases has also resulted in costs relating to leases, previously recognised as occupancy expense in the Statement of Comprehensive Income, being recognised as depreciation expense and finance costs. In addition, lease related payments in the Statement of Cash Flows previously disclosed as operating activities have been classified as financing activities.

Practical expedients

In applying AASB 16 Leases for the first time, Pandal Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review.

Pandal Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 117 Leases.

The following tables show the adjustments recognised for each individual line item as a result of the new classification and measurement of leases.

Statement of Financial Position (extract)	30 September 2019 \$'000	AASB 16 \$'000		1 October 2019 \$'000
		Reversal of onerous lease provision and lease incentives	Recognition of right-of-use assets and lease liabilities	
Right-of-use assets	–	(3,686)	47,003	43,317
Lease liabilities	(3,686)	3,686	(47,219)	(47,219)
Retained Earnings	232,954	–	(151)	232,803

Measurement of lease liabilities	\$'000
Operating lease commitment disclosed as at 30 September 2019	51,876
Discounted using the lessee's incremental borrowing rate at the date of initial application	47,219
Lease liability recognised as at 1 October 2019	47,219
Represented by:	
Current lease liabilities	5,238
Non-current lease liabilities	41,981
Total lease liabilities recognised as at 1 October 2019	47,219

New and amended accounting standards not yet adopted by Pandal Group

Certain new accounting standards and interpretations have been published that are not mandatory for 30 September 2020 reporting periods and have not been early adopted by the Pandal Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

B. Results for the year

This section provides information that is most relevant to understanding the financial performance of Pendal 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. The CODM consists of the Group Chief Executive Officer and other members of the Global Executive Committee.

Pendal Group's business revenues are predominantly derived from a single activity, being the provision of investment management services globally. The CODM assesses the performance of the business across geographic locations. Pendal Group has determined that it has three operating segments:

- Pendal Australia, the Group's investment management business operating in Australia;
- Pendal EUKA the Group's investment management business operating in Europe, UK and Asia; and
- Pendal US, the Group's investment management business operating in the United States of America.

Previously, Pendal EUKA and Pendal US were considered to be a single segment, reported to the CODM as Pendal International. Prior year comparatives have been restated to reflect the business performance of the three operating segments.

(a) Segment information provided to the CODM:

The CODM assesses the performance of each operating segment based on operating profit before tax, which excludes the amortisation and impairment of intangibles and non-operating items such as gains and losses on seed investments, interest income and expense, foreign exchange gains and losses and tax.

	Pendal Australia		Pendal EUKA		Pendal US		Total Group	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Revenue	151,715	151,180	152,632	184,261	170,402	155,730	474,749	491,171
Inter-segment revenue	(4,380)	(4,429)	107,637	105,979	(103,257)	(101,550)	–	–
Total segment revenue	147,335	146,751	260,269	290,240	67,145	54,180	474,749	491,171
Operating expenses	(127,327)	(122,467)	(141,151)	(138,973)	(29,979)	(28,648)	(298,457)	(290,088)
Inter-segment expense	6,615	7,134	(1,906)	(2,954)	(4,709)	(4,180)	–	–
Total segment expenses	(120,712)	(115,333)	(143,057)	(141,927)	(34,688)	(32,828)	(298,457)	(290,088)
Operating profit before income tax	26,623	31,418	117,212	148,313	32,457	21,352	176,292	201,083

The CODM assesses the performance of the total consolidated Pendal Group using a measure of cash net profit after tax (Cash NPAT), which is the Group's operating profit before tax adjusted to include non-operating items such as gains and losses on seed investments, interest income and expense, foreign exchange gains and losses and tax. From the 2021 Financial Year, the alternative profit measure for the Group will be amended from Cash NPAT to Underlying profit after tax (UPAT). Group UPAT and segment operating profit before income tax reported to the CODM will both include the amortisation of employee equity grants and deferred compensation, in line with Statutory profit before income tax.

Total assets and liabilities are reviewed at a consolidated Pendal Group level, and segment assets and liabilities are not regularly reviewed by the CODM.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

(b) Reconciliation of total operating profit before income tax to Statutory profit before tax:

	2020 \$'000	2019 \$'000
Operating profit before income tax¹	176,292	201,083
Deduct:		
Amortisation of employee equity grants	(35,192)	(44,852)
Amortisation of employee deferred share of performance fees and related incentives	(3,270)	(6,744)
Amortisation and impairment of intangibles ²	(6,140)	(6,758)
Add back:		
Net gains/(losses) on financial assets held at FVTPL ³	(14,316)	16,148
Non-operating items	3,946	6,501
Cash cost of ongoing equity grants	30,079	32,710
Cash cost of employee deferred share of performance fees and related incentives	–	4,120
Statutory profit before income tax	151,399	202,208

1. Operating profit before income tax reported to the CODM includes the cash cost of ongoing equity grants and employee deferred share of performance fees and related incentives, and excludes amortisation of these items. From the 2021 Financial Year, operating profit before income tax reported to the CODM will include the amortisation of employee equity grants and deferred compensation, in line with Statutory profit before income tax.

2. Amortisation and impairment of intangibles relates to fund and investment management contracts.

3. Net gains or losses on financial assets held at FVTPL primarily relate to seed investments in pooled funds managed by Pendal Group.

B2. Revenue and other income

	2020 \$'000	2019 \$'000
Management, fund and trustee fees	457,690	482,136
Performance fees	13,417	5,840
Other revenue	3,649	3,353
Total revenue	474,756	491,329
Net gains/(losses) on financial assets held at FVTPL	(14,316)	16,148
Distributions from unit trusts	6,466	6,359
Net foreign exchange loss	(913)	(186)
Interest income	163	459
Total other income	(8,600)	22,780
Total revenue and other income	466,156	514,109

During the year, the Group redeemed seed investments of \$132.5m (financial assets held at FVTPL) and realised gains of \$38.9m over the period of the investments, including \$2.6m of realised losses recognised for the year ended 30 September 2020, and \$41.5m of gains which had been recognised in prior years.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

Accounting policy

Revenue

Revenue is measured at an amount the Group expects to be entitled to receive in exchange for services provided to clients. Revenue is recognised as performance obligations to the client are satisfied.

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 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.
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Other income

Distributions from unit trusts	Distributions are recognised as revenue when the right to receive payment is established.
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Gain / (loss) on sale of financial assets held at FVTPL	<p>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.</p> <p>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.</p>
---	---

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.
------------------------------------	--

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

	2020	2019
Profit attributable to shareholders of the Company (\$'000)	116,386	154,477
Weighted average number of ordinary shares on issue ('000)	322,802	318,900
Weighted average number of treasury shares ('000)	(30,063)	(34,880)
Weighted average number of ordinary shares ('000)	292,739	284,020
Basic earnings per share (cents per share)	39.8	54.4

Diluted earnings per share

	2020	2019
Profit attributable to shareholders of the Company (\$'000)	116,386	154,477
Weighted average number of ordinary shares on issue ('000)	322,802	318,900
Weighted average number of treasury shares ('000)	(30,063)	(34,880)
Weighted average number of deferred shares ('000)	4,871	5,139
Weighted average number of options ('000)	3,653	12,306
Weighted average number of rights ('000)	–	–
Weighted average number of ordinary shares and potential ordinary shares ('000)	301,263	301,465
Diluted earnings per share (cents per share)	38.6	51.2

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

B4. Taxation

(a) Reconciliation of income tax expense

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

	2020 \$'000	2019 \$'000
Profit before tax	151,399	202,208
Income tax calculated at the Australian tax rate of 30% (2019: 30%)	45,420	60,662
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Differences in overseas tax rates	(16,204)	(17,986)
Previously unrecognised deferred tax assets	2,285	2,745
State, local and withholding taxes	3,998	2,639
Effect on deferred taxes of changes in tax rates	101	363
Sundry non-assessable/ non-deductible items	(499)	(593)
Employee equity grant amortisation	310	486
Adjustments for current tax of prior financial year	(393)	(568)
Tax credits and rebates	(5)	(17)
Total income tax expense	35,013	47,731
<i>Represented by:</i>		
<i>Current tax</i>	<i>33,698</i>	<i>45,634</i>
<i>Deferred tax</i>	<i>1,708</i>	<i>2,665</i>
<i>Adjustments for current tax of prior periods</i>	<i>(393)</i>	<i>(568)</i>

(b) Deferred tax balances

	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
	2020 \$'000	2020 \$'000	2019 \$'000	2019 \$'000
Employee equity grants	16,484	–	31,783	–
Employee benefits	12,840	–	10,784	–
Accrued expenses	779	–	241	–
Property, plant and equipment	(218)	–	317	161
Lease expenses	395	–	177	–
Business-related costs	–	–	9	–
Intangible assets	–	10,148	–	10,175
Financial assets held at FVTPL	(1,258)	–	–	13,055
Foreign exchange gain/loss	(91)	–	177	–
Total	28,931	10,148	43,488	23,391

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

(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
2020					
Deferred tax assets	43,488	(14,787)	138	92	28,931
Deferred tax liabilities	(23,391)	13,079	164	–	(10,148)
2019					
Deferred tax assets	42,465	(6)	376	653	43,488
Deferred tax liabilities	(20,654)	(2,659)	(78)	–	(23,391)

(d) Unrecognised temporary differences

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

	2020 \$'000	2019 \$'000
Foreign currency translation	48,214	47,006
Unrecognised deferred tax liabilities relating to the above temporary differences	14,464	14,102

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 main corporate tax rates applicable for the current period are 30% (2019: 30%) on Australian taxable income, 19% (2019: 19%) on UK taxable income, 21% (2019: 21%) on US federal taxable income and 17% (2019: 17%) on Singapore taxable income.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

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.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

B5. Reconciliation of cash flow from operating activities

(a) Reconciliation of cash flow from operating activities

	2020 \$'000	2019 \$'000
Profit after tax for the financial year	116,386	154,477
Adjustments for non-cash expense items:		
Depreciation and write-off of fixed assets	9,288	2,444
Amortisation and impairment of intangibles	6,810	6,758
Amortisation of employee equity grants	35,192	44,852
Reinvested distribution income	(5,612)	(4,995)
Net loss/(gain) on sale of financial assets held at FVTPL	14,316	(16,148)
Interest and finance costs	1,515	131
Net exchange differences	913	187
Change in operating assets and liabilities:		
Decrease in trade and other receivables	1,594	1,338
Increase in prepayments	(127)	(1,694)
Decrease in deferred tax assets	14,584	6
Decrease in trade and other payables	(945)	(3,310)
Decrease in employee benefits	(2,177)	(7,536)
Decrease in lease liabilities	–	(2,026)
Decrease in current tax liabilities	(1,412)	(4,945)
Increase/(decrease) in deferred tax liabilities	(13,243)	2,658
Net cash inflow from operating activities	177,082	172,197

(b) Cash and cash equivalents

	2020 \$'000	2019 \$'000
Cash at bank and on hand	109,041	84,295
Deposits at call	98,444	65,776
Total cash and cash equivalents	207,485	150,071

Accounting policy

Cash at bank and on hand

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

Deposits at call

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

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

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.

Group Capital

The Group's capital is generated through free cash flow from ongoing operations and predominantly consists of cash to fund working capital and regulatory capital requirements, as well as provide capital for strategic initiatives to facilitate future growth. This includes the provision of seed capital for new funds and investment strategies. The Group's corporate seed portfolio totalled \$200.4 million as at 30 September 2020, which sits within the Board's risk appetite.

Capital distribution

Surplus capital is returned to shareholders in the form of annual dividends, with the Company's current dividend policy set to pay out 80% - 90% of Cash NPAT. While Cash NPAT has served as the Group's alternative profit measure since its initial public offering in 2007, the Board has determined that employee related expense adjustments included in Cash NPAT are no longer required.

From the 2021 Financial Year, the Group's alternative profit measure will include statutory employee related expenses and the Cash NPAT measure will be replaced with Underlying profit after tax (UPAT). The dividend policy from 2021 will also be revised to pay out 80-95% of annual UPAT. UPAT comprises statutory net profit adjusted to exclude amortisation and impairment of intangible assets, and both realised and unrealised gains and losses in financial assets held at FVTPL which are substantially comprised of seed investments.

Capital risk management

Cash profits generated from offshore business units, beyond working capital and regulatory requirements, are repatriated back to the Company through inter-company dividends, for which 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 an uncommitted multi-currency debt facility is available for this purpose and is not utilised 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.

Notes to the Consolidated Financial Statements

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Regulatory capital requirements

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 and Pandal Institutional Limited (PIL) provides investment management services to institutional clients and all Pandal Australia's registered and unregistered trusts. These 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 2020 was \$6.1 million.
- J O Hambro Capital Management Limited (JOHCM) provides investment management services to a UK Open Ended Investment Companies (OEIC), Irish UCITS fund, US mutual funds, institutional clients and other Group entities. JOHCM is regulated by the Financial Conduct Authority (FCA) as a MiFID investment firm (under the Markets in Financial Instruments Directive), and by the US Securities and Exchange Commission (SEC) under the *Investment Advisers Act of 1940* as an investment adviser. It 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 2020 in accordance with the ICAAP was \$64.3 million (£35.6 million).
- JOHCM Funds (UK) Limited is authorised by the FCA as a collective portfolio management investment firm and is the 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 \$1.3 million (£0.7 million) at 30 September 2020.
- JOHCM Funds (Ireland) Limited is authorised by the Central Bank of Ireland as a UCITS management company, and is 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 2020 was \$4.5 million (€2.7 million).
- JOHCM (Singapore) Pte Limited provides investment management services to institutional clients, other Group entities and a Cayman investment fund. It is required to maintain minimum capital requirements as part of its licensing requirements with the Monetary Authority of Singapore. The level of regulatory capital required as at 30 September 2020 was \$2.2 million (S\$2.1 million).
- JOHCM (USA) Inc. provides investment management services to Delaware Statutory Trusts, Collective Investment Trusts, institutional clients and other Group entities. It is registered as an investment adviser with the SEC and is not required to hold minimum regulatory capital.

All entities complied with regulatory capital requirements at all times throughout the 2020 Financial Year.

C2. Contributed equity

	2020 \$'000	2019 \$'000
Ordinary shares 322,802,391 (2019: 322,802,391) each fully paid	617,668	617,668
Treasury shares 26,768,913 (2019: 37,969,700)	(146,419)	(198,237)
Total contributed equity 296,033,478 (2019: 284,832,691)	471,249	419,431

(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:

	2020 Shares '000	2020 \$'000	2019 Shares '000	2019 \$'000
Balance at the beginning of the financial year	322,802	617,668	318,007	617,668
Fund linked equity share issuance ¹	–	–	4,795	–
Balance at the end of the year	322,802	617,668	322,802	617,668

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

Notes to the Consolidated Financial Statements

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(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 sale restrictions. Movements in treasury shares during the financial year were as follows:

	2020 Shares '000	2020 \$'000	2019 Shares '000	2019 \$'000
Balance at the beginning of the year	(37,970)	(198,237)	(36,406)	(190,531)
Treasury shares acquired	(4,706)	(37,532)	(4,216)	(34,790)
Fund linked equity share issuance ²	–	–	(4,795)	–
Treasury shares released	15,908	89,350	7,447	27,084
Balance at the end of the year	(26,768)	(146,419)	(37,970)	(198,237)

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:

	2020 Shares '000	2020 \$'000	2019 Shares '000	2019 \$'000
Unallocated shares held by trustees	10,930	78,218	18,394	130,524
Shares allocated to employees	15,838	68,201	19,576	67,713
Balance at the end of the year	26,768	146,419	37,970	198,237

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.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

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 Australian 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 2019	236,757	47,006	28	(25,472)	258,319
Share-based payment expense	35,192	–	–	–	35,192
Deferred tax	27	–	–	–	27
Treasury shares released	(89,350)	–	–	–	(89,350)
Currency translation difference	–	(1,995)	–	–	(1,995)
Gain/(loss) on hedging activities	–	3,203	(56)	–	3,147
Balance at 30 September 2020	182,626	48,214	(28)	(25,472)	205,340
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

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

C4. Dividends

Equity dividends on ordinary shares

	2020 \$'000	2019 \$'000
(i) Dividends declared and paid during the Financial Year		
Final 10% franked ¹ dividend for the 2019 Financial Year: 25.0 cents per share (2018 Financial Year: 30.0 cents per share 15% franked ¹)	82,571	90,666
Interim 10% franked ¹ dividend for the 2020 Financial Year: 15.0 cents per share (2019 Financial Year: 20.0 cents per share 10% franked ¹)	46,782	59,897
	129,353	150,563
(ii) Dividends proposed to be paid subsequent to the end of the Financial Year and not recognised as a liability		
Final dividend for the 2020 Financial Year 22.0 cents (10% franked ¹) per share (2019 Financial Year: 25.0 cents per share 10% franked ¹)	68,612	76,078

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 10% franked, at the Australian corporate tax rate of 30%.

The franked portions of the final dividend declared or paid after 30 September 2020 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 2021.

	2020 \$'000	2019 \$'000
Franking credits available for subsequent financial years	5,547	33

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 \$3,043,565 (2019: \$3,260,420).

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.

Notes to the Consolidated Financial Statements

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C5. Financial assets held at FVTPL

	2020 \$'000	2019 \$'000
Unlisted securities		
Units held in pooled funds	200,438	259,036
Escrow units held in pooled funds ¹	8,196	16,148
Interest in James Hambro & Partners LLP	2,537	2,891
Total	211,171	278,075

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.

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.

The determination of the investments' carrying value included consideration of the appropriateness of inputs to valuations in light of the impacts of COVID-19. In particular, the impact of price volatility and market liquidity in respect of the investments held has been incorporated into valuation estimates at balance date.

C6. Borrowings

Multi-currency debt facility

During the year, Pendal Group Limited entered into a \$25 million uncommitted multi-currency debt facility agreement with ANZ Banking Group Limited for a three year term, following the expiry of a previous debt facility. 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.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

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:

	2020 \$'000	2019 \$'000
Financial assets		
Cash and cash equivalents	207,485	150,071
Trade and other receivables	66,969	68,563
Financial assets held at FVTPL	211,171	278,075
Derivatives	78	–
Total financial assets	485,703	496,709
Financial liabilities		
Trade and other payables	41,660	42,605
Lease liabilities	40,560	3,686
Derivatives	–	1,288
Total financial liabilities	82,220	47,579

(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:

	2020		2019	
	10% increase	10% decrease	10% increase	10% decrease
FUM (\$ billion)	9.2	(9.2)	10.0	(10.0)
Statutory NPAT (\$'000)	42,313	(42,273)	51,549	(51,588)

The sensitivity calculation is made on the basis of FUM as at 30 September 2020 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. The appropriateness of the level of reasonably possible movements in FUM, has been reviewed in light of the additional financial market uncertainty and volatility caused by COVID-19. 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.

Notes to the Consolidated Financial Statements

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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. The appropriateness of the levels of reasonably possible movements in seed investment prices has been reviewed in light of the additional financial market uncertainty and volatility caused by COVID-19. 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:

	2020		2019	
	10% increase \$'000	10% decrease \$'000	10% increase \$'000	10% decrease \$'000
Statutory NPAT (\$'000)	14,623	(14,623)	19,436	(19,436)

(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 25 bps in the average of the effective interest rates over the year ended 30 September 2020 would have increased/(decreased) Statutory NPAT and equity by the amounts shown below. The appropriateness of the levels of reasonably possible movements in effective interest rates has been reviewed in light of the additional financial market uncertainty and volatility caused by COVID-19. This analysis assumes that all other variables remain constant.

	Profit or loss after tax		Equity	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Interest rates – increase by 25 bps (2019: 50 bps)	387	562	–	–
Interest rates – decrease by 25 bps (2019: 50 bps)	(387)	(562)	–	–

(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 2020, the notional exposure of the Company's hedging instruments totalled \$68.6 million (2019: \$79.3 million). During the year, a gain of \$3.1m was recognised on hedging activities (2019: \$2.5m hedging loss).

Notes to the Consolidated Financial Statements

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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	Lease liabilities \$'000	Net exposure \$'000
2020								
GBP	81,530	20,482	102,030	78	(16,879)	–	(31,173)	156,068
EUR	5,823	418	990	–	(4,918)	–	–	2,313
USD	1,994	24,682	106,218	–	(3,639)	–	(3,223)	126,032
SGD	1,293	231	1,933	–	(474)	–	(482)	2,501
2019								
GBP	64,327	21,405	60,479	–	(12,957)	(1,288)	(3,686)	128,280
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

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
2020				
GBP	9,305	(9,305)	6,302	(6,302)
EUR	231	(231)	–	–
USD	12,718	(12,718)	(115)	115
SGD	298	(298)	(48)	48
2019				
GBP	4,298	(4,298)	8,659	(8,659)
EUR	145	(145)	–	–
USD	22,418	(22,418)	488	(488)
SGD	161	(161)	–	–

(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 (2019: 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 (2019: AA-) and A- for HSBC (2019: A). The credit quality of each wholesale or institutional client is assessed by taking into account its financial position, past experience and other factors. The potential impact of COVID-19 on the financial position of the Group's major counterparties has also informed the assessment of credit risk for the Group.

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.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

(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. This assessment has been confirmed after considering the present and uncertain future impacts of COVID-19 on the Group's financial position and estimated cash flows.

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
2020					
Trade and other payables	41,660	–	–	41,660	41,660
Lease liabilities	8,790	8,142	28,106	45,038	40,560
Derivatives	–	–	–	–	–
2019					
Trade and other payables	42,605	–	–	42,605	42,605
Lease liabilities	957	2,511	218	3,686	3,686
Derivatives	1,288	–	–	1,288	1,288

(d) Fair value estimation

Pendal Group measures and recognises its financial assets held at FVTPL (refer Note C5) and derivatives at fair value on a recurring basis, and its borrowings initially at fair value and subsequently at amortised cost (refer 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
2020				
Financial assets				
Financial assets held at FVTPL:				
Units held in pooled funds ¹	–	200,438	–	200,438
Escrow units held in pooled funds ²	–	8,196	–	8,196
Interest in James Hambro & Partners LLP ³	–	–	2,537	2,537
Derivatives	–	78	–	78
Total financial assets	–	208,712	2,537	211,249

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	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
Interest 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:

1. 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.
2. 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.
3. JH&P is an independent private asset management partnership business.

(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. The determination of the investments' fair value included consideration of the appropriateness of inputs to valuations in light of the impacts of COVID-19. In particular, the impact of price volatility and market liquidity in respect of the investments held has been incorporated into valuation estimates at balance date.

Specific valuation techniques used to value financial instruments include:

Pooled funds

During the year JOHCM managed two OEICs domiciled in the United Kingdom, two UCITS funds domiciled in Ireland, and an open-ended 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.

Partnership interests

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 2020, 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.

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 2020

(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
2020				
Balance at the beginning of the financial year	–	2,891	2,891	2,891
Loss recognised in profit and loss	–	(325)	(325)	(325)
Effects of foreign exchange movements	–	(29)	(29)	(29)
Balance at the end of the financial year	–	2,537	2,537	2,537
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

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

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 the 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

	2020 \$'000	2019 \$'000
Annual leave	2,764	1,888
Long service leave	2,380	1,878
Provision for incentives	90,875	89,686
Total current employee liabilities	96,019	93,452
Long service leave	883	1,319
Provision for incentives	1,091	5,399
Total non-current employee liabilities	1,974	6,718

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 \$6.1 million (2019: \$5.2 million).

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.

Notes to the Consolidated Financial Statements

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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 4 years

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.	\$
2020								
Outstanding at 1 October	986,796		681,125		4,029,901		9,875,194	
Granted	512,423	7.10	646,372	7.10	–	–	1,119,954	8.06
Vested / Exercised	(13,219)	8.03	–	–	(681,343)	8.08	(8,673,612)	8.20
Forfeited	(36,872)		(20,026)		–		–	
Lapsed	(278,745)		(191,822)		–		–	
Outstanding at 30 September	1,170,383		1,115,649		3,348,558		2,321,536	
Exercisable at 30 September	19,966		–		681,336		–	
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	33,185		–		681,337		8,254,286	

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

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 \$8.06 (2019: \$8.18). The weighted average remaining contractual life of outstanding nil cost options as at 30 September 2020 was 2.0 years (2019: 0.8 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 0.69%
- Volatility 28%
- Dividend yield 0%

The fair value at grant date of the performance share rights issued during the year was \$5.86 (2019: \$5.33) for the TSR performance share rights and \$8.33 (2019: \$8.70) for the Cash EPS performance share rights. The weighted average remaining contractual life of outstanding performance share rights at 30 September 2020 was 1.3 years (2019: 1.2 years).

(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	Pendal Australia and JOHCM sales teams receive variable remuneration based on performance measured against sales targets.	Continued employment	Up to 5 years
JOHCM Fund manager variable reward scheme	Eligible fund managers receive variable remuneration based on a revenue 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 2020 Number	Fair value 2020 \$	Equity grants 2019 Number	Fair value 2019 \$
Total	2,862,424	8.06	3,104,459	8.18

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.

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(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 after-tax profits generated by the investment strategies at the time of conversion, the value of the FLE awards issued may 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 and no ordinary shares were issued to investment teams converting previously issued awards under the FLE Scheme (2019: 4,795,815 shares issued).

Further details on the FLE Scheme are outlined on pages 42 to 44 of the Remuneration Report.

(d) Expenses arising from share-based payment transactions

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

	2020 \$'000	2019 \$'000
Total amortisation of employee equity grants	35,192	44,852

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.

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D3. Key management personnel disclosures

(a) KMP compensation

	2020 \$	2019 \$
Short-term employee benefits	8,480,212	6,115,154
Post-employment benefits	221,146	161,617
Long-term benefits	11,645	46,618
Share-based payments	4,138,090	2,161,959
Total	12,851,093	8,485,348

(b) Shareholdings

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

	2020	2019
Held at the beginning of the year	2,169,145	1,900,847
Granted as remuneration	274,942	176,869
Purchases	10,000	112,683
Sales	(135,763)	(50,000)
Other changes ¹	–	28,746
Held at the end of the year	2,318,324	2,169,145

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

(c) Other equity instruments

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

	2020	2019
Held at the beginning of the year	530,360	403,047
Granted as remuneration	480,231	249,509
Vested during the year	–	(61,097)
Lapsed during the year	(131,450)	(61,099)
Held at the end of the year	879,141	530,360

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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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E1. Parent entity information

(a) Summary financial information

	Company	
	2020 \$'000	2019 \$'000
Profit for the financial year	173,233	144,305
Total comprehensive income for the financial year	176,380	141,822
Current assets	121,034	83,989
Total assets	881,261	829,074
Current liabilities	52,018	39,061
Total liabilities	56,696	48,492
Shareholders' equity:		
Contributed equity	484,221	434,886
Reserves		
Common control reserve	(25,471)	(25,471)
Share-based payment reserve	160,448	214,606
Net investment hedge reserve	(4,680)	(7,883)
Cash flow hedge reserve	(28)	28
Retained earnings	210,075	164,416
Total equity	824,565	780,582

(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 F4.

(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 (2019: \$nil).

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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	
			2020 %	2019 %
Pandal Institutional Limited	Australia	Ordinary	100	100
Pandal Fund Services Limited	Australia	Ordinary	100	100
Regnan – Governance Research and Engagement Pty Ltd	Australia	Ordinary	100	100
Pandal 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
Pandal Group Limited Employee Equity Plan Trust	Australia	–	–	–
Pandal Group Employee Benefit Trust	Jersey	–	–	–

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FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

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.

Critical accounting assumptions and estimates: Subsidiaries and controlled entities

The Group holds interests in certain investment funds for which subsidiaries of the Group provide fiduciary and investment management services. Such interests are not considered to be interests in controlled entities, and are recognised in the consolidated financial statements as financial assets held at fair value through profit and loss. This classification involves the use of judgement in assessing whether the Group controls each relevant fund, including consideration of the nature and significance of various factors such as the exposure of Group entities to variability of returns from the funds, remuneration to which Group entities are entitled from the funds, the scope of the Group entities' decision-making authority over the fund and the rights held by third parties to remove Group entities as the fund manager.

Notes to the Consolidated Financial Statements

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E3. 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. Pandal 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.

Pandal 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
2020						
Cash and cash equivalents	–	–	98,444	–	–	98,444
Trade and other receivables	1,912	–	1,951	25,621	205	29,689
Financial assets held at FVTPL	–	–	–	208,634	–	208,634
Total Assets	1,912	–	100,395	234,255	205	336,767
Maximum exposure to loss	1,912	–	100,395	234,255	205	336,767
Net asset value of funds	3,370,746	1,485,724	5,883,082	32,849,861	310,820	43,900,233
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

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 of \$289,216,189 (2019: \$298,585,573).

E4. Related party transactions

Compensation and other transactions with key management personnel are set out in Note D3 and the Remuneration Report on pages 34 to 65.

The Group earns management and performance fees from investment fund vehicles managed by subsidiaries of the Group (refer Note E3). JOHCM Funds (UK) Limited, as ACD of J O Hambro Capital Management UK Umbrella Fund, operates a bank account for investor subscriptions and redemptions and processed transactions in the 2020 Financial Year with a total value of approximately \$3.1 billion (2019: \$0.9 billion) for subscriptions and \$4.3 billion (2019: \$1.3 billion) for redemptions.

During the 2019 Financial Year, J D Hambro ceased to be a related party of the Group, having resigned as Deputy Chairman of J O Hambro Capital Management Holdings Limited, a wholly owned subsidiary of the Company, effective 30 September 2019.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

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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F6.	Subsequent events	106

F1. Intangible assets

	Goodwill \$'000	Fund and investment management contracts \$'000	Other intangibles \$'000	Total \$'000
2020				
Net book value as at 1 October 2019	478,305	59,906	2,135	540,346
Additions	–	–	1,102	1,102
Foreign exchange loss	(2,212)	(323)	–	(2,535)
Amortisation expense	–	(5,745)	(670)	(6,415)
Impairment loss	–	(395)	–	(395)
Net book value as at 30 September 2020	476,093	53,443	2,567	532,103
<i>Represented by:</i>				
Cost	476,093	134,525	6,794	617,412
Accumulated amortisation and impairment	–	(81,082)	(4,227)	(85,309)
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)

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

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:

	2020 \$'000	2019 \$'000
Fund management contracts – OEICs	49,959	55,009
Investment management contracts – Segregated mandates	3,484	4,897
Total	53,443	59,906

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 11.8% (2019:12%), based on the cost of capital.

An impairment loss of \$0.4 million (2019: \$1.1 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.

Goodwill:

Goodwill has been derived from the following business combinations:

	2020 \$'000	2019 \$'000
Purchase of the Pandal (formerly BTIM) investment management business effective 19 October 2007	233,300	233,300
Purchase of JOHCM effective 1 October 2011	242,793	245,005
Total	476,093	478,305

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 Note B1). During the year, the Group's reporting structure was amended to recognise three operating segments: Pandal Australia, Pandal EUKA and Pandal US. Consequently, the carrying value of goodwill recognised on acquisition of JOHCM of \$242.8 million (£135.2 million), which was previously allocated to the former Pandal International CGU, has been reallocated to the Pandal EUKA and Pandal US CGUs. This reallocation was based on the relative values of the two business units using discounted cash flow calculations for each business. Goodwill attributable to Pandal Australia, Pandal EUKA and Pandal US is \$233.3 million, \$156.6 million and \$86.2 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 2.5%. The discount rate used to discount the cash flow projections is 11.8% for each CGU (2019: 11.0% for Pandal Australia and 12.0% for Pandal International) based on the cost of capital (post-tax) for each of the CGUs.

In forecasting cashflows over the period, management has considered the uncertain impact of COVID-19 in the short to medium term. Cash flow forecasts are sensitive to movements in equity markets, which have been significantly affected by COVID-19 in the 2020 Financial Year. Market assumptions have considered the potential for growth in equity markets over the near-term to be slower than the long-term market growth rate.

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 2020. The current head room for Pandal Australia is \$67.6 million (2019: \$91.2 million). For the estimated recoverable amount of the goodwill attributable to Pandal Australia to be equal to its carrying amount, the post-tax discount rate would have to increase to 14.1%, or the projected cash flows would need to reduce by 21.9%.

There has been no impairment of goodwill during the year ended 30 September 2020. 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 2020.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

Accounting policy

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Pendal 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 intangible 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.

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. Capital commitments

Commitments for non-cancellable capital amounts are payable as follows:

	2020 \$'000	2019 \$'000
Within one year	–	7,023
Later than one year but not later than five years	–	28,223
Later than five years	–	16,630
Total commitments	–	51,876

As at 30 September 2019, lease and capital commitments comprised non-cancellable amounts under operating leases. From 1 October 2019, operating leases have been recognised as right-of-use assets and lease liabilities on the Statement of Financial Position (refer Note A3).

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

F3. Lease assets and liabilities

Right-of-use assets

	2020 \$'000	2019 \$'000
Office space	36,819	–
Equipment	108	–
Right-of-use lease assets	36,927	–

Additions to right-of-use assets during the 2020 Financial Year were \$48.0 million.

Lease liabilities

	2020 \$'000	2019 \$'000
Current	7,356	957
Non current	33,204	2,729
Balance at the end of the financial year	40,560	3,686

The following amounts relating to leases are disclosed in the Statement of Comprehensive Income:

	2020 \$'000	2019 \$'000
Finance Costs	1,456	–
Depreciation charge of right-of-use assets:		
Office space	6,946	–
Equipment	25	–
Total lease related amounts in the Statement of Comprehensive Income	8,427	–

The total cash outflow for leases in 2020 was \$9.8 million.

Accounting policy

Leases

Pendal Group's leases consist predominantly of property leases which are used as corporate offices by the Group. Assets and liabilities arising from each lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments, where applicable:

- fixed payments, less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option or payments under extension options if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, unless that rate cannot be readily determined. The lessee's incremental borrowing rate is used for the Group's leases, being the rate that would have to be paid to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group, where possible, uses recent third-party financing received or, for leases held by entities within the Group which have not obtained recent third party financing, a risk-free interest rate adjusted for credit risk. Adjustments specific to the lease are applied, which may include the lease term, geographical location, currency and security.

Right-of-use assets are measured at cost, comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received and any initial direct costs or restoration costs.

Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

F4. Contingent liabilities

Regulatory authority

JOHCM has been the subject of an investigation by its UK regulator relating to the eligibility of certain services paid for out of dealing commissions between 2006 and 2016. During the year, the regulator closed the investigation with no further action taken.

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.

F5. Remuneration of auditors

(a) Audit and other services – Australia

	2020 \$	2019 \$
PricewaterhouseCoopers		
Audit services		
Audit and review of Financial Reports	465,374	437,073
Audit of Australian Financial Service Licences	27,178	25,884
Non-audit services		
Internal controls report (GS007)	82,238	62,000
Other review services	–	14,000
Total remuneration for services – Australia	574,790	538,957

(b) Audit and other services – outside of Australia

	2020 \$	2019 \$
PricewaterhouseCoopers		
Audit services		
Audit and review of Financial Reports	417,161	318,380
Financial Conduct Authority client assets report	142,892	176,449
Non-audit services		
Internal controls report (SOC1)	181,574	144,144
Total remuneration for services – outside of Australia	741,627	638,973

(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 \$1,339,528 for the financial year (2019: \$1,330,176), including fees for non-audit services (compliance plan audits) of \$129,780 (2019: \$123,600).

F6. Subsequent events

At the date of issue of this Financial Report, the future impact of COVID-19 on global and domestic economies and equity market indices, and their resulting impact on Pandal Group, remains uncertain.

Following the formal withdrawal of the UK from the European Union ("Brexit") on 31 January 2020, the transition period in which the UK effectively remains in the EU's customs union and single market ends on 31 December 2020. As part of the Group's Brexit planning, an Irish domiciled UCITS management company was established in 2019 to allow the continued management and distribution of relevant products within Europe. While Brexit negotiations between the UK and EU are ongoing, future European regulatory and licensing requirements for Group entities may be subject to change.

There is no other 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' Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

In the Directors' opinion:

- a) the financial statements and notes set out on pages 68 to 106 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 Pandal Group's financial position as at 30 September 2020 and of its performance for the year ended on that date; and
- b) there are reasonable grounds to believe that Pandal 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, 4 November 2020



Independent auditor's report

To the members of Pental Group Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Pental Group Limited 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 2020 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 2020
- 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 directors' declaration.

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 & 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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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 three operating segments comprised of the investment management business in Australia (Pendal Australia), Europe, UK and Asia regions (Pendal EUKA) and the United States (Pendal US).



Materiality	Audit scope	Key audit matters
<ul style="list-style-type: none"> For the purpose of our audit we used overall Group materiality of \$7.6 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 	<ul style="list-style-type: none"> Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. The Group engagement team directed the involvement of the component audit team, who performed an audit of the financial information of Pendal EUKA & Pendal US. All other procedures were performed by the Group engagement team. For the work performed by component audit 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 been obtained as a basis for 	<ul style="list-style-type: none"> Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: <ul style="list-style-type: none"> Carrying value of intangible assets - goodwill and fund and investment management contracts Accounting for employee remuneration schemes 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.

our opinion on the Group's financial report as a whole. This included active dialogue during the audit with component audit 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
<p>Carrying value of intangible assets - goodwill and fund and investment management contracts</p> <p><i>Refer to Note F1 of the financial report</i></p> <p>This was a key audit matter as the intangible assets were the largest asset balance (\$532 million as at 30 September 2020) and due to the complexity and judgements in the discounted cash flow models used by the Group to perform an impairment assessment of the assets.</p> <p>The Group's significant judgements 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.</p>	<p>Our audit procedures on the goodwill asset included, amongst others:</p> <ul style="list-style-type: none">• 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 the last three years actual results with prior forecast to consider whether any forecasts included assumptions that, with hindsight,



Key audit matter

How our audit addressed the key audit matter

had been optimistic.

- Obtaining evidence for the key assumptions for revenue growth rates and assessing discount rates against external benchmarks.
- 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 assessing the historical ability of the Group to forecast cash flows in the discounted cash flow model used to assess impairment, by comparing the last three years actual results with prior forecast.
- 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.
- 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

Refer to Section D of the financial report and the remuneration 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, and the level of judgement that is applied in their determination, including assessing the likelihood of specific performance hurdles being achieved.

How our audit addressed the key audit matter

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

- Recalculating the value of the equity disclosed within the remuneration report that would have to be granted upon full conversion of FLE rights and agreeing the key inputs in the calculation (such as the listed share price of the Group, Funds Under Management, margin) to appropriate supporting data.
- 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, comparing 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, obtaining the relevant employee contract and checking the performance and service conditions were met by obtaining relevant evidence.
- Recalculating the current and deferred tax impact of the accounting entries posted.



Key audit matter

Recognition of fee revenue

Refer to Note B2 of the financial report

This was a key audit matter because revenue was the most significant account balance in the consolidated statement of comprehensive income.

Revenue of \$475 million comprises:

- Investment management fees (\$458 million)
- Performance fees (\$13 million)
- Other revenue (\$4 million)

How our audit addressed the key audit matter

In relation to the fee revenue recognised by Pendal Australia:

- Obtaining the most recent report issued by the external 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.
- From the report developing an understanding of: the control objectives and associated control activities; the tests undertaken by the auditor; 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 Australia, Pendal EUKA & Pendal US 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 advisory fees back to invoices and relevant supporting external evidence, such as underlying fund financial statements and third party calculations.
- 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 2020, 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 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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 34 to 65 of the directors' report for the year ended 30 September 2020.



In our opinion, the remuneration report of Pendal Group Limited for the year ended 30 September 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors 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, handwritten signature of PricewaterhouseCoopers in black ink.

PricewaterhouseCoopers

A stylized, handwritten signature of Andrew Wilson in black ink.

Andrew Wilson
Partner

Sydney
4 November 2020

Shareholder Information

The shareholder information set out below is current as at 15 October 2020.

Securities Exchange Listing

The ordinary shares of Pental 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 28,590 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	80,466,565	24.93
2 J P Morgan Nominees Australia Pty Limited	41,706,146	12.92
3 Citicorp Nominees Pty Limited	29,554,725	9.16
4 Pacific Custodians Pty Limited <PDL Plans Ctrl A/C>	24,556,455	7.61
5 National Nominees Limited	12,265,880	3.80
6 BNP Paribas Nominees Pty Ltd <Agency Lending Drp A/C>	8,932,624	2.77
7 BNP Paribas Noms Pty Ltd <Drp>	7,699,731	2.39
8 Equiniti Tst (Jersey) Ltd <PDL Emp Benefit Tst 1 A/C>	3,348,564	1.04
9 Equiniti Tst (Jersey) Ltd <PDL Emp Benefit Tst A/C>	2,895,501	0.90
10 HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	2,695,303	0.83
11 Equiniti Tst (Jersey) Ltd <PDL Emp Benefit Tst 3 A/C>	2,321,538	0.72
12 Milton Corporation Limited	2,116,643	0.66
13 BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd <DRP A/C>	1,968,699	0.61
14 National Nominees Limited <N A/C>	1,905,000	0.59
15 National Investment Holdings Pty Limited	1,400,000	0.43
16 Vesta Investments Pty Ltd	1,368,837	0.42
17 Equiniti Tst (Jersey) Ltd <PDL Emp Benefit Tst 2 A/C>	1,132,834	0.35
18 BKI Investment Company Limited	1,093,185	0.34
19 Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	1,039,146	0.32
20 Equiniti Tst (Jersey) Ltd <PDL Emp Benefit Tst 4 A/C>	914,700	0.28
Total for Top 20	229,382,076	71.07
Total Number of Shares	322,802,391	100.00

Shareholder Information

Distribution schedule

Holding	Number of shareholders	Number of shares	%
1 - 1,000	7,552	4,064,007	1.26
1,001 - 5,000	17,537	35,933,971	11.13
5,001 - 10,000	2,284	16,469,171	5.10
10,001 - 100,000	1,163	25,217,894	7.81
100,001 and over	54	241,117,348	74.69
Total	28,590	322,802,391	100.00

Unmarketable parcels of shares

There are 508 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	%
Pendal Group Limited (Employee Equity Plans including vested and unvested shares)	26,768,910	8.30

Restricted securities

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

Unquoted securities

As at 15 October 2020, the Company had the following unquoted options and rights on issue under its Employee Equity Plans:

- 2,286,032 performance share rights
- 5,670,094 nil cost options

Please also refer to Note D2 in the Financial Report for further information.

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	4 December 2020
2020 Annual General Meeting	11 December 2020
Payment date for final dividend	17 December 2020

Please note that the above dates are subject to change.

Glossary

\$	Australian dollars, unless indicated otherwise
£ or GBP	Pounds sterling
€ or EUR	Euro
2020 Financial Year or FY20	The financial year ended 30 September 2020
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
Cash EPS	Cash earnings per share on a cash earnings basis
Cash NPAT	Cash net profit after tax
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
EBITDA	Earnings before interest and tax after depreciation and amortisation
ESG	Environmental, social and governance
FUM	Funds under management
GEC	Global Executive Committee
Group	Pendal Group Limited and its consolidated subsidiaries
Impact Investing	Impact investing refers to investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return ¹
JOHCM	J O Hambro Capital Management Limited
JOHCM Holdings	J O Hambro Capital Management Holdings Limited
Key management personnel or KMP	Those persons having authority and responsibility for planning, directing and controlling the activities of Pendal Group
KPIs	Key performance indicators
NED	Non-executive Directors

¹ As defined by the Global Impact Investing Network

Glossary

NPAT	Net profit after tax
OEIC	Open-ended investment company
Pendal Australia	The Australian operations of the Group
Pendal Funds	The managed investment schemes or unit trusts of which PFSL is the RE
Pendal Group	Pendal 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 Pendal Funds
PIL	Pendal Institutional Limited (ABN 17 126 390 627), a wholly-owned subsidiary of the Company
PwC	PricewaterhouseCoopers, the external auditor of the Pendal 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 2020
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.
UPAT	Underlying profit after tax
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

Postal address

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Sydney NSW 2001

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

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000
Telephone: +61 2 8280 7100
Facsimile: +61 2 9287 0303

Key dates

Record date for final dividend	4 December 2020
2020 Annual General Meeting	11 December 2020
Payment date for final dividend	17 December 2020
2021 Interim results announcement	7 May 2021

Please note the above dates are subject to change

2020 Annual General Meeting

Date:	Friday, 11 December 2020
Time:	10.00am (AEDT)

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

About this report

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