

Pendal Group Limited
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PENDAL
GROUP

5 November 2021

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 2021

The following documents are attached for lodgement:

Appendix 4E
ASX Announcement
Annual Report
Analyst Presentation
Shareholder Update
Appendix 4G
Corporate Governance Statement
☒ Corporate Sustainability Report

Yours sincerely



Authorising Officer

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

The future is worth investing in



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

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



Our people

Our people are our greatest asset.



Our clients

We partner with our clients for long-term success.



Our community & environment

We operate and invest with our community and environment in mind.

Documents detailing our approach to corporate governance and management of environmental, social and governance (ESG) risks are referenced regularly throughout this report and can be found through the following links:

Corporate Governance Statement



The Pendal Group Climate Change Statement



Risk Management Report

(Pg 16 of 2021 Annual Report)



The Pendal Group Human Rights Statement



ESG data pack



The Pendal Group Modern Slavery Statement



Welcome to our 2021 Sustainability Report

As a global investment manager, we are privileged in having the opportunity to help create a sustainable future for our people, clients, the community and the environment.

Dear Stakeholders,

I am pleased to share the Pendal Group Sustainability Report for 2021. This report highlights the key activities taken during the year which have helped us take a step forward towards creating a sustainable future.

As a global investment manager our approach is built on the strong foundations of risk management and corporate governance. We embrace regulatory developments and are committed to our long-term goal of furthering environmental, social and governance (ESG) principles.

In FY21, safeguarding our employees during COVID-19 remained a key area of focus. Our people are our greatest asset and they have shown incredible resilience as they continued to rise to the challenges of the pandemic, supporting one another while servicing our clients and making a positive contribution to the community.

Our efforts in embracing diversity, equity and inclusion (DEI) advanced as our employees continued to show tremendous leadership and energy in supporting related initiatives. This included the establishment of the Pendal Global DEI Steering Committee and supporting regional committees to carry out our DEI Strategy.

Pendal Group has a long and proud heritage of responsible investment (RI). We launched our first sustainable fund, the Pendal Sustainable Balanced Fund¹ in 1984. Our heritage and thought leadership in RI have been, and continue to be, an area of focus for us.

Whilst our investment professionals exercise independence in determining their investment strategies, where relevant they consider ESG factors and stewardship in their investment decision making. This is further enhanced with support from our RI teams and Regnan, our dedicated in-house ESG research and thought leadership team. Where appropriate, we engage with investee companies on ESG-related matters. This is a natural extension of our active approach to investment management.

We strengthened our RI capabilities during the year. Our Regnan Global Equity Impact Solutions strategy was made available to clients in all regions and has received strong early support. Additionally, we appointed a Sustainable Water and Waste investment team. The team's first product, the Regnan Sustainable Water and Waste Fund was delivered to clients in the UK in September 2021 and will be available to European investors in the coming year.



“Our investment teams continue to progressively factor in ESG considerations into their decision making, where appropriate. Doing so is a natural extension of our approach to active investment management.”

We welcome the new ESG disclosure and transparency regulations and broader efforts to advance ESG matters around the world. We believe this will enhance our ability to manage risks within our investments on behalf of our clients.



















As the global sustainability agenda continues to evolve, so too will our approaches. We will continue to listen to our clients and expand our offering. Furthering ESG principles as a corporate and a global investment manager remains a core part of Pendal Group strategy.

Yours faithfully,

A handwritten signature in dark ink, appearing to read 'Nicholas Good'.

Nicholas Good
Group Chief Executive Officer

Our progress

FY20 priorities	Progress made in FY21	Positive impacts on		
		People	Client	Community
Enhance ESG integration in our investment processes where relevant and broaden our product suite to meet evolving client needs	<ul style="list-style-type: none"> Onboarded a Sustainable Water and Waste investment team and delivered the Regnan Sustainable Water and Waste Fund in the UK Made the Regnan Global Equity Impact Solutions Fund (RGEIS) available to clients in all regions Published the inaugural Pandal Australia Responsible Investment and Stewardship Report Published the first JOHCM Stewardship Report 			
Manage COVID-19 risks and enhance our workplace environment and approach to better facilitate flexible working	Continued to actively respond to COVID-19 risks by minimising impacts to our workforce, maintaining our client service and enhancing our approach to flexible working			
Continue to invest in technology to enhance our infrastructure, our client experience and leverage data from our new global HR system	Automated processes in areas such as modern slavery, voting, and employee-related compliance			
Refine our employee value proposition to maintain alignment with the Group's strategy and a changing operating environment	Appointed a Global Head of Reward to oversee remuneration practices across the Group and introduce new global reward initiatives			
Implement ESG regulatory developments and publish a report to demonstrate application of the UK Financial Reporting Council's (FRC) Stewardship Code 2020	<ul style="list-style-type: none"> Continued to prepare the JOHCM business for the implementation of the European Union Sustainable Finance Disclosure Regulation (EU SFDR) Granted signatory status to The UK Stewardship Code 2020, published by the Financial Reporting Council (UK) 			
Continue to enhance our approach to Diversity, Equity and Inclusion (DEI)	Established a Group-wide DEI Steering Committee to implement the Group's DEI Strategy and oversee regional DEI committee activity			
Enhance practices and continue to develop processes to avoid complicity in modern slavery and publish our first Australian Modern Slavery Statement under the Australian Modern Slavery Act 2018	Published our first Modern Slavery Statement under the Australian Modern Slavery Act and enhanced our supplier due diligence processes			



Our people are our greatest asset

We are a people business. Key to our success in delivering strong investment outcomes and client service is our ability to attract, engage and retain the highest calibre people.

Our inclusive and supportive culture is an integral part of our value proposition. It helps create a positive working environment where people feel valued and supported to do their best.

Ethical behaviour and fostering a culture that requires employees to act with integrity and honesty ensures that we earn

and maintain the long-term trust of our stakeholders. It is critical to building a successful sustainable business and was a core consideration in our acquisition of TSW. The board continues to place a high level of importance on ensuring our values are followed.

Our values



Integrity and Honesty

Taking ownership and accountability for your decisions and actions; behaving ethically; being a role model for others.



Respect

Having regard for yourself and others to establish trust and mutual respect; accepting the rights of others to hold different views.



Courage

Standing up for what you believe in; challenging the status quo.



Teamwork

Building cross-team relationships to achieve business goals; delivering on commitments to others; proactively sharing information and ideas; providing recognition.



High performance

Striving for excellence and taking ownership; bringing an entrepreneurial mindset and results-driven orientation; taking initiative on continuous improvements; maintaining attention to detail and delivering high-quality outcomes.

Employee health, safety and wellbeing

The health, safety and wellbeing of our people is crucial for our success and continued retention of high-performing teams.

Throughout COVID-19, we surveyed our employees to check on their health and wellbeing, resilience and flexible working arrangements.

Our existing comprehensive wellbeing programs across the globe provide a range of initiatives and benefits designed to equip our people with the tools and resources to own their wellbeing. With a strong focus on mental health and encouraging balance, these programs placed us in a strong position to handle the impacts of the pandemic on our people.

These programs give our employees access to:

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

Team resilience was a primary focus in a year characterised by ongoing lockdowns and remote working. We maintained our partnerships with employee mental health education providers to deliver wellbeing seminars and local mental health activities. Our Employee Assistance Program was also available to employees, ensuring support was available as they continued to navigate the challenges of an unfamiliar environment.

In addition, we partnered with the Centre for Corporate Health (Australia) to introduce a new digital wellbeing service, The Resilience Box®. This online platform offers various tools to strengthen personal and family resilience and includes coaching and counselling from psychologists.

Employee engagement

Strong employee engagement is critical to Pental's success. We regularly monitor our progress in this area through regular employee engagement surveys.

An Engagement Survey of all our Australian employees was conducted during the year. In the results, we rated well on management leadership, work and life blend, and community alignment. In other areas such as employee learning and development (post COVID-19) we continue to make improvements.

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

Diversity, equity and inclusion in our workforce

In 2018, Pental released its DEI Policy stating its intent to provide a diverse and inclusive workplace across all levels of the organisation, up to and including the board.

We recognise the competitive advantage of a diverse workforce and an inclusive work environment where divergent views, promoting creative thinking and innovation, are encouraged. This in turn enhances decision-making, risk management, business performance and overall returns to our clients and shareholders.

Building DEI is a business imperative and we have followed through with the development of a DEI strategy, supported across the business.

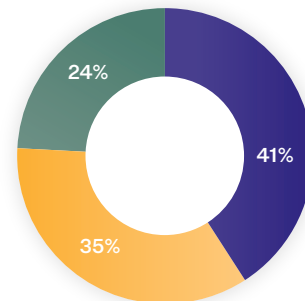
Implementing the strategy

To implement the DEI strategy, during the year we established the Global DEI Steering Committee. This group of employee representatives from across the globe are responsible for overseeing the development and implementation of the strategy and, together with the board, guide the collective efforts of the Group.

The Global DEI Steering Committee is supported by two regional DEI committees, one in the UK, representing employees in Europe, UK and Asia (EUKA) and the US, and the other in Australia. The remit of the regional DEI committees is to champion local initiatives.

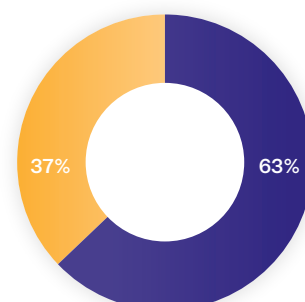
In all regions, we initiated a targeted campaign to collect more robust DEI data. The collection and analysis of this data will give us a better understanding of our workforce and help us develop and implement targeted programs.

Employees by location



■ Australia ■ EUKA
■ USA

Gender diversity



■ Male ■ Female

Initiatives of the past year

In EUKA and the US

- Our business units in the UK continued their support of MissionINCLUDE, an externally-provided mentoring program offering cross-company mentoring activities. A further 20 Pendal mentees and mentors joined the MissionINCLUDE scheme in November 2020.
- We continued our partnership with Investment 2020, a UK-organisation focused on bringing more diverse talent into investment management. Designed to build a talent pipeline for the future, the program offers 12-month placements to individuals across different areas of the business. Through Investment 2020 we also supported Kickstart, a jobs growth stimulus scheme introduced by the UK Government to place young people in employment during the pandemic period. Through this scheme, we welcomed our first six-month placement within our sales function in August 2021.
- We joined #1000blackinterns, a finance sector-wide program offering paid internships to black students or recent graduates across the UK and Ireland to help start their career in investment management. Our first intern was welcomed to our London office in July 2021.

In Australia

- We continued our support of the 40:40 Vision, an ambitious investor-led initiative that aims to see women fill at least 40 per cent of executive roles in the ASX200 by 2030.
- Our active involvement in university initiatives that encourage participation in investment management continued through:
 - Our Investment Intern Program offering high performing students an eight-week internship. We hosted two interns during the year.
 - The volunteer work of one of our female analysts, also an Honorary Associate of the University of Sydney Business School, encourages female finance undergraduates to consider a career in investment management through her guest lecture presentations and individual mentoring.

Tracking against targets

The gender targets set by the Group in its DEI Strategy (2018 to 2023) support 40:40:20 gender representation.

At least

40 per cent

female representation on the Pendal Board by 2023. This was achieved in 2017 and has continued. The female representation is currently 43 per cent and has been at this level for the last three years.

At least

40 per cent

female representation across Pendal executive teams by 2023. This year female representation was 27 per cent.

A minimum of

40 per cent

female representation across the Pendal workforce. This year female representation was 37 per cent.

With the Global DEI Steering Committee and supporting regional committees established, and with the DEI data project underway, we expect further progress on gender representation and broader diversity targets by 2023.

Diversity, equity and inclusion focus groups

As part of our objective to understand how DEI is perceived by employees, the Australian DEI Committee - known as the Inclusion, Diversity, Equity and Awareness (IDEA) Group - ran a series of focus groups on the topic in late 2020.

Led by committee members, there were a wide range of participants at all levels across the business. The four areas covered in the discussions were: respect; women's experience; speaking up; and inclusion. Combining Q&A and small group activities to draw out insights from participants, the committee elicited ideas for practical changes that Pandal could implement to improve the employee experience.

The focus groups also affirmed areas of interest of Pandal employees that had been identified in prior surveys. The areas which matter most to our employees informed the IDEA Group's program of work which is focused on pride, accessibility, culture and gender. The program will be rolled out in FY22 in Australia.

Industry involvement

We are actively involved in industry associations focused on DEI.

In EUKA and the US

- The Investment Association's Diversity Project

In Australia

- The Diversity Council of Australia
- Women in Banking & Finance Group
- The NSW Equal Employment Opportunity Practitioners' Association

Details of our approach to DEI and supporting metrics can be found in our [Corporate Governance Statement](#) and [ESG Data Pack](#).

Managing talent

As a global investment management business, we are focused on delivering exceptional investment returns to clients by attracting and retaining people with superior talent.

To attract, retain and grow these talented individuals, we continue to invest in personal and professional development programs for them. We do this through offering internal mentoring programs, financial support to pursue education, and industry association memberships.

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

Following the introduction of a global online Human Resources Information System (HRIS) in 2020, this year we added a global recruitment module to the system. The module is a single repository of global vacancies across the Pandal Group, encouraging career development and global mobility for all employees. During the year we have had several examples of colleagues from our Australian business moving to work in the UK and Europe.

Across the Group, we increased our ability to directly recruit people through adopting LinkedIn Recruiter and integrating it with our global HRIS. We expect this technologically-enabled recruiting tool will significantly reduce the cost of recruitment and the time involved.

Recognising and rewarding our people

During the year, the Group appointed a Global Head of Reward to oversee remuneration practices across the Group and introduce new global reward initiatives aimed at attracting and retaining talented individuals.

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

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

We monitor market benchmarks to ensure we are paying our employees fairly for their skills and ability, and that our reward initiatives are competitive.

Additional information on our remuneration and reward framework is available in our [Remuneration Report](#).

Employee turnover

As at 30 September 2021, the Group's 12-month voluntary attrition rate was 9.5 per cent (FY20: 5.2 per cent).





We partner with our clients for long-term success

Our commitment to responsible investment

The expansion of our ESG and RI capabilities is a central tenet of the Group's overall growth strategy.

Building upon our long heritage of providing dedicated RI products to clients in Australia, the Group is committed to progressively improving our approach to RI and expanding our ESG offering to meet growing client interest across the globe.

ESG and RI considerations continue to grow in importance in our traditional investment strategies. Clients, regulators, and other stakeholders increasingly expect us to integrate material ESG factors in our investment decision making and take active stewardship of the investments we make on behalf of clients.

While our investment professionals exercise independence in determining their investment strategies, where appropriate they consider ESG factors and stewardship in their investment processes. Our responsible investment team and specialist ESG business unit, Regnan plays a key role providing advisory support and education to our investment professionals.

We continue to evolve our approach by listening to clients who wish to invest responsibly. In FY21, our suite of specialist sustainable and impact investment products grew, with new products launched under the Regnan brand. While some existing JOHCM and Pendal-branded products were increasingly managed through an ESG lens.

At 30 September 2021, the Group's funds under management in dedicated RI strategies – defined by the application of any RI investment approach beyond ESG integration and active engagement – was \$5.2 billion.

Sustainability at JOHCM

During the year we made steady progress on embedding responsible investing across JOHCM. This was done through enhancing RI-related processes and evolving several investment strategies. While making improvements in this area is in line with Group-wide strategy, the introduction of the European Union Sustainable Finance Disclosure Regulation (EU SFDR)², in a key operating jurisdiction for JOHCM, has fast-tracked some of the changes.

In FY21 an ESG Project Team completed the first phase of a multi-year program of work which saw the team collaborate with JOHCM fund managers to review and, where relevant, enhance ESG integration within their respective investment processes. In order to support the investment teams, JOHCM invested in developing technology, processes and people across the organisation.

Through this work, some investment teams with products that are distributed into Europe elected to classify under certain EU SFDR fund classifications. This involved indicating that environmental or social factors are promoted within the investment process or they have sustainable investment as an objective. Additional work was undertaken to prepare the disclosures for the products in accordance with the requirements of the regulation. The EU SFDR requirements came into effect in March 2021. Additional requirements will be phased in over the coming two years.

² The EU SFDR is one regulatory component of the European Commission's Action Plan on Sustainable Finance, which broadly seeks to reorient capital towards sustainable investment activity, support ESG risk management and improve transparency in finance. The SFDR imposes new transparency and disclosure requirements - both at a firm and product level - and is often referred to as "anti-greenwashing" legislation. It provides a classification system for financial products (Article 6, Article 8 or Article 9) depending on the extent to which they are "sustainable" or impact focused. Article 6 funds are those that may still integrate financially material ESG risks but do not promote environmental and/or social factors in the investment process. An Article 8 is a fund that promotes consideration of environmental and/or social considerations and an Article 9 fund is defined as having sustainable investment as its core objective.



JOHCM - integration at work

The JOHCM UK Dynamic investment team in FY21 was one of several teams that made changes to embed ESG more deeply in their investment process. The team adopted a clearer purpose and mission for their fund, centred on supporting businesses changing for the better. The team also developed an evaluation tool to assess the 'organisational mindsets' of investees and the extent to which sustainability is embedded in their decision-making processes.

Additionally, the JOHCM Global Opportunities team worked throughout the year to further integrate ESG considerations into their investment process. The team has developed a sustainability framework to score portfolio holdings, focused on the extent to which companies and their products or services contribute to social or environmental harms, and how committed they are to reducing these negative impacts.

Further evolution of Pental's Sustainable Series funds

FY21 saw the evolution of Pental's Sustainable Series funds continue, with sustainability-related enhancements made to two Australian Equities' strategies, the Pental Horizon Fund (formerly the Pental Ethical Share Fund) and the Pental Sustainable Australian Share Fund. Both funds broadened the exclusionary screens employed, in line with client feedback, and worked on their screens for positive inclusion.

For its breaches and misconduct screen, the funds introduced an additional incident assessment process to: identify any company which should be excluded; discuss with that company the reasons for the exclusion; present the Pental-determined milestones that need to be reached for re-inclusion; and support the company to achieve the milestones set.

Regnan continues to provide insights and grow its product suite

Regnan provides a competitive advantage through the provision of high quality ESG research and thought leadership, which is shared with our fund managers via research papers, education and knowledge workshops. In FY21, workshops were held with some of the investment teams which covered corporate governance, modern slavery and DEI.

This year we expanded our Regnan investment capabilities with the launch of the Regnan Global Equity Impact Solutions (RGEIS) strategy. Using the UN's Sustainable Development Goals (SDGs) as its lens, RGEIS invests in companies that have a positive impact on people and the planet. The fund is available to clients in the UK, Europe, Australia, and the US and has successfully raised more than \$400 million in its first year.

We also onboarded an investment team, based in the UK, specialising in thematic investing. More specifically, in companies operating in the water and waste management value chain. The Regnan Sustainable Water and Waste Fund was made available to clients in the UK during September 2021 and will be available to European investors in FY22.

Capacity building across the Group and externally

FY21 saw Regnan and Pental Australia's RI team further build best practice RI across Pental and the finance industry at large.

For some of our investment teams and clients, Regnan developed a series of ESG guidance notes on how to prioritise efforts on meaningful and constructive change when engaging with companies. Relevant investment teams also benefited from additional sessions which explored in more detail topics including modern slavery, climate change and DEI.

For the finance industry, several activities were undertaken to amplify the messages of Principles for Responsible Investing (PRI) reports co-authored by Regnan. The first, "Active Ownership 2.0", released in 2019, and the follow up paper, "Making Voting Count", released this year, guides investors on clear, effective and accountable stewardship. The activities, held across key markets of UK, Europe and Australia, included: online speaking engagements; facilitating training sessions and workshops; and a masterclass series developed for members of the Investor Group on Climate Change (IGCC), a collaboration of Australian and New Zealand institutional investors.

Notable industry participation in FY21 included:

- JOHCM joining the UK Investor Forum, an institutional investor group facilitating collective engagement on ESG issues.
- Pental Australia support of the 40:40 Vision, a gender diversity initiative led by a Steering Committee and Investor Working Group, of which several employees are members.
- Ongoing support of the IGCC with Pental joining the 'Climate Change League 2030', a 10-year initiative of the IGCC to reduce Australia's greenhouse gas emissions by a further 230 million tonnes.
- Active support for Climate Action 100+, an investor-led global initiative to ensure the world's largest greenhouse gas emitters take necessary action on climate change. Recent support included our work on the 'Say on Climate' campaign in Australia.

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

Stewardship and engagement

As responsible stewards of our clients' assets, we actively engage with investee companies and exercise our voting rights.

Through proxy voting and ongoing dialogue with the management teams of companies in which we invest, we aim to better manage risk, effect change and protect value for our clients over the long term. We prioritise those companies and issuers where we have identified areas of concern, or where our shareholding affords us greater influence, so we may drive improved practices.

During the year, our JOHCM business rolled out a business-wide new technology solution to help track engagement activity and enable reporting to stakeholders.

Additionally in 2021, Pendal Australia published its inaugural "Responsible Investment and Stewardship Annual Report". The report summarises the responsible investment practices - including ESG integration and stewardship activities - we undertake on behalf of our clients. The report is available [here](#).

In the UK, JOHCM also published its first Stewardship Report to demonstrate how it has applied The UK Stewardship Code 2020, published by the UK's Financial Reporting Council. JOHCM was subsequently granted signatory status to the Code and, as a signatory, will now be publishing a Stewardship Report annually. The report is available [here](#).

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

	Total items voted	For	Against	Abstained	Other ³
Percentage of total resolutions (proposals)	98.80%	82.75%	7.41%	0.60%	9.24%

JOHCM Proxy Voting - Global equities voting activity for JOHCM funds

	Total items voted	For	Against	Abstained	Other
Percentage of total resolutions (proposals)	97.12%	93.98%	5.08%	0.80%	0.13%

3 'Other' includes Management Say on Pay (MSOP) proposals and where Pendal did not vote on a proposal due to administrative and other reasons, including where a shareholding was divested prior to the voting cut-off date. Please note individual funds may place differing votes on the same resolution and therefore the percentage of total resolutions may include more than one voting position per resolution.

Pendal Australian Equities team engages with a farming and distribution company

During the year, the Pendal Australian Equities team engaged with an Australian listed farming and distribution company as part of an ongoing engagement relating to concerns regarding oversight of subcontractors and modern slavery risk.

Due to the seasonal nature of farming, the company relies on a workforce that includes temporary or casual employees and sub-contracted workers and in 2020 reports revealed that some subcontracted workers were living in unsafe and crowded accommodation. In the team's engagements with the company, concerns were highlighted and the company was encouraged to take action. The company retained employment for all affected workers and moved them into better accommodation. It also committed to full audits of all worker sites and transferred the next contract to a different labour supplier.

The team then sought to understand: how COVID-19 impacted the company's ability to undertake work site audits; what alternative measures were being taken where travel or access was restricted; and what other pandemic support and health and safety initiatives were being provided.

The company has since announced additional actions in its Modern Slavery Statement published during the year, including a commitment to continue to develop systems to measure the effectiveness of their actions and to building out its remediation activities in its supply chain.

Regnan focuses on cultural heritage

The destruction of cultural heritage sites at Juukan Gorge in 2020 highlighted broader concerns around the management of cultural heritage as well as the relationships between companies and Indigenous communities. The focus of an engagement program undertaken jointly by Regnan and an Australian superannuation fund, in response to the Juukan Gorge incident, has extended to other companies where these issues are likely to be relevant.

During FY21 Regnan met with 12 ASX-listed companies with initial engagement revealing scope for enhanced practice, including: greater involvement of Traditional Owner groups in reviewing company performance; the involvement of non-executive directors in engagement with host communities; and opportunities to lead the industry discussion and response to the issue. With the latter involving participation in public policy supportive of a more consistent response to the issue.

Although in its early stages, engagement has already secured commitments to implement key aspects of the feedback provided via engagement, with continued monitoring of progress to be undertaken in FY22.

In addition, Regnan jointly hosted a session with The Investor Forum to provide an update on this issue to international investors to encourage its consideration not just in the Australian context, but more broadly.



We operate and invest with our community and environment in mind

Across the globe, many of our employees are active participants in their respective communities and generously support charitable endeavours. This is something we proudly support our employees doing by offering leave for volunteering and matched giving.

There is a structure around office-wide involvements, with our regional Community Committees organising fundraising initiatives and volunteering for charities or causes to which employees feel connected.

For example, Pental Australia's long-held support for the Running for Premature Babies Foundation saw the business make a corporate donation and host a trivia night fundraiser at our Sydney office. Donations went towards specialised hospital equipment for prematurely born infants.

In a year where our employees were in COVID-19 lockdowns, many fundraising events went virtual. In the US and UK, three teams of eight employees participated in the virtual indoor rowing challenge, 'Race the Thames 2021', raising funds for charities. Other teams of employees competed in similar lockdown challenges to either run, walk or cycle a collective distance.

Charities and community initiatives supported during the year:

Health & wellbeing	Society	Diversity, Equity & Inclusion
<ul style="list-style-type: none"> Running for Premature Babies Foundation (Australia) R U Ok? Day (Australia) Maren's Fierce Fighters (US) Parkinson's UK 	<ul style="list-style-type: none"> The Captain Tom Foundation (UK) WHO COVID-19 Solidarity Response Fund (UK) The Wayside Chapel (Australia) Two Good Co (Australia) Unicef (US) 	<ul style="list-style-type: none"> Show Racism the Red Card (UK) Daughters of Tomorrow (UK) Respect Men's Advice Line (UK) United Way (US) School-Home Support (UK) #1000blackinterns (UK) National Down Syndrome Society (US) Summer Search Philadelphia (US)

Actions to stop modern slavery

While there is no globally agreed definition of modern slavery, it is a form of human rights abuse considered to include human trafficking and slavery-like practices such as servitude, forced labour, deceptive recruiting, forced marriage and debt bondage.

Regulations to address modern slavery are in place in the UK and Australia, among other jurisdictions. We welcome these regulations and broader efforts to eliminate modern slavery around the world. At Pental, we believe we have a duty to play our part in minimising these types of harmful practices – we do so as a responsible corporate citizen, not simply because regulations are in place.

During the year, we published the inaugural Pental Group Human Rights Statement. The statement sets out our position on human rights and provides internal guidance to our businesses to support decision making. It is available on our website [here](#).

This broader statement is to be read with our annual [Modern Slavery Statement](#), published in compliance with regulations.

Pental Group published its first Modern Slavery Statement under the UK's Modern Slavery Act 2015 and Australia's Modern Slavery Act 2018 in March 2021. It is available on our website [here](#). Previous statements made by JOHCM under the UK's Modern Slavery Act 2015 are available on the JOHCM website [here](#).

A cross-function working group, established in FY20, continued its work on assessment tools and employee training to avoid any complicity in modern slavery practices and strengthen safeguards for vulnerable people.

The working group's progress over the year included:

- Completion of modern slavery risk assessments across our Australian equities' holdings using a proprietary assessment framework, with the outcomes shared with clients who are also subject to the new Australian laws.
- Development of a high-level assessment tool leveraging third-party data to enable consistent assessments across our global equities' holdings, with assessments completed across Pental and JOHCM global equities' holdings.
- Continuation of training for relevant staff to raise awareness of modern slavery and communicate the role they play in assisting Pental in managing modern slavery risks.
- Enhancement of supplier risk assessments and deeper analysis and engagement with key suppliers.

Further work on these initiatives will continue in FY22.

Actions on climate change

Climate change presents significant threats to our environment, society and economy. We accept the scientific consensus that the planet is warming and that this has been driven by human activity. As it progresses, we expect that climate change will increasingly result in significant changes across public policy, business practices and the wider community.

As a Group, we acknowledge the findings of United Nations Intergovernmental Panel on Climate Change and support the Paris Agreement and believe that this global challenge needs to be addressed by coordinated actions by all parties. We recognise the risks and opportunities of climate change and, as stewards of capital, where appropriate, we encourage companies to evolve towards business models that are sustainable in a low carbon world and resilient to the effects of a changing climate.

As an active manager that is 'investment led', we operate a multi-boutique model where investment teams independently determine their investment strategies, including the way they integrate climate change considerations. This autonomy and diversity in approach is a key strength of our business and plays an important role in our ability to deliver the investment outcomes and solutions that meet the needs of our clients.

Our overarching approach in responding to climate change is laid out the Pendal Group Climate Change Statement which

was published in December 2020. The statement provides transparency to our stakeholders about the Group's position on climate change and provides internal guidance to our business and investment teams to decision making.

The statement can be viewed on our website [here](#).

We are committed to sharing our perspectives with our clients, and other stakeholders and in FY21 Pendal Australia's RI team and Regnan jointly published a two-part guide explaining the impact of climate change on business and investing.

Further, in FY21 Pendal was a foundational supporter of the IGCC's Climate League 2030 initiative, a 10-year, collaborative investor initiative to support and act towards a goal of reducing Australia's annual greenhouse gas emissions (GHG) in line with the overarching aims of the Paris Agreement.

Our business activities

Given the nature of our business, emissions from our business operations are not material. Notwithstanding this, during the year we partnered with an independent third-party consultancy, specialising in carbon reduction projects, to review our process of calculating and managing Pendal's GHG from our operating activities and assist us in selecting and purchasing quality carbon credits to offset our emissions.

Pendal Group became carbon neutral from FY20 and will continue to maintain carbon neutral status.

Framework for carbon

Carbon emissions

Emissions	Pendal Australia	JOHCM	Total - Group	Notes
Scope 1* - Tonnes CO ₂ e	0	0	0	
(*direct emissions from known or controlled source)				
Scope 2* - Tonnes CO ₂ e	324.48	N/A	324.48	Pendal Australia emissions only
(*indirect emissions from purchased energy utilities)				
Scope 3* - Tonnes CO ₂ e	-	-	32.7	Group corporate travel (flights, accommodation, taxis) only
(*direct emissions from known or controlled source)				

As we enhance our centralised reporting functions across the Group, we will be in a better position to measure our Scope 3 emissions, i.e. those emissions from activities associated with our investments.

Engagement on green hydrogen

The Pendal Australia Fixed Income team and Regnan have been researching the impact of the new "Net Zero by 2050" pathway report from the International Energy Agency on our investable universe. This report has helped us understand the risks that several gas distribution networks face for stranded assets as well as the likelihood of potential transitions to a net zero world.

Hydrogen blending in gas networks plays a key early offtake role that will assist hydrogen, as an energy source, get to scale. This is beyond gas networks maintaining relevance under decarbonisation - it is about enabling development of a key low-carbon solution. It is anticipated that the global average blend of hydrogen in the gas distribution mix will be 15 per cent by 2030. This will reduce CO₂ emissions from gas.

Beyond full hydrogen, which many networks are aspiring to, other interim measures for transition include biomethane blending and gas-fired power generation with carbon capture. We have used this research to engage with Australian gas distribution businesses and utilities that issue bonds in Australia in order to understand their commitment to transitioning to green hydrogen to ensure their capital is not at risk during the energy transition. The outcome of these meetings was to discover more about their hydrogen plans as well as commitments from issuers to regularly report on their progress in decarbonising their businesses.

Waste management

Waste management - Pandal Australia only

Waste type	KG	Percentage of total waste
Landfill	4054.9	59.4%
Paper	1940.7	28.4%
Mixed recycling	582.4	8.5%
Organic waste	248.3	3.7%

Our investing activities

Products within Pandal Australia's Sustainable Series funds tightened their fossil fuel sector exclusions during the year, while several JOHCM funds introduced fossil fuel exclusions for the first time.

For example, the Pandal Sustainable Australian Share Fund excludes investment in companies that directly extract or explore fossil fuels or derive 10 per cent or more of their total annual revenue from fossil fuel-related activities. Investment in these excluded companies may be considered if they have a climate change transition plan aligned with the Paris Agreement and make climate-related financial disclosures annually.

This year more discussion took place with our institutional clients to understand whether they have set or are considering setting portfolio decarbonisation targets.

We measure carbon intensity across our equity portfolios and make this information available to our stakeholders. For the latest data please refer to our 2021 [ESG data pack](#).

As an active investment manager, our analysts discuss climate-related risks and opportunities, where relevant, during meetings with company management and use this information to assess when, where and how real and financial assets may be affected. This includes issues of business resilience to climate-related risks and calls for greater investor-useful disclosure. In FY21,

Pandal Australia and Regnan had 241 engagements with companies on the subject of climate change. Pandal Group also joins collaborative engagement initiatives on climate change where appropriate. For example, we are a signatory and investor participant in the Climate Action 100+ initiative.

Looking ahead, we will continue to enhance our understanding of how transition and physical risks and opportunities may impact the investments made on behalf of our clients. Further, where relevant, especially for sectors identified as high risk, we will seek more information and action from companies and issuers with respect to their own climate risk management.

We will also continue to expand the investment solutions and services provided to clients seeking strategies that align with their needs and ambitions around the management of climate-related issues within their investments. In some cases, this will entail delivering clients' own targets (such as 'net zero by' targets) and will involve working collaboratively to establish and achieve these objectives. In addition, a number of our investment teams are building out existing strategies to allocate capital to those sectors that will support the transition and adaptation needed.

We acknowledge that climate change is an ongoing and complex issue. We will also continue to expand our climate-related disclosures to reflect outcomes from the program of work underway within the Group as we further develop our analysis and response.





















At Pendal we recognise the positive impact we can have on ESG factors both as a corporate and as a global investment manager.

We believe investing responsibly enables us to better deliver competitive returns and in a manner consistent with the values and objectives of our clients. We understand that views on responsible investing are varied and that approaches will continue to evolve with changes in society and the corporate regulatory environment.

Amidst this change, we will continue to develop our RI processes and products and remain committed to continuing our proud heritage of partnering with our clients and supporting their long-term wealth creation.

As a corporate citizen, we view effective management of our impact upon the environment, the community, our people and other stakeholders as critical to our ability to deliver sustainable shareholder value.

FY22 Sustainability priorities

	Positive impacts on		
	People	Client	Community
Advance the Pendal Group ESG Strategy			
Roll-out IDEA Group's program on diversity, equity and inclusion			
Expand our responsible investment team			
Expand our offering of the RGEIS and Regnan Sustainable Water & Waste strategies. Identify further product expansion opportunities			
Advance the actions outlined in the Pendal Group Climate Change Statement			
Continue preparing JOHCM for the EU SFDR Taxonomy roll out, and invest in additional ESG-related data and technology solutions to support EU SFDR reporting			
Expand the breadth and depth of modern slavery risk assessments across our vendors and within our investment portfolios			
Further automate processes in areas such as modern slavery, voting, and employee-related compliance processes	