

Pendal Group Limited
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Australia
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PENDAL
GROUP

4 November 2022

Company Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

**Pendal Group Limited (PDL) Full Year Profit Announcement for
the twelve months ended 30 September 2022**

The following documents are attached for lodgement:

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

Yours sincerely



Authorising Officer

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



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About Pental Group

Pental Group is an independent global investment management firm with operations in Australia, UK, Europe, Asia and the US.

As at 30 September 2022, Pental had approximately 459 employees, annual fee revenue of \$628.9 million (excluding other operating revenue) and manages \$104.5 billion in Funds Under Management (FUM) through J O Hambro, Europe, UK and Asia; JOHCM USA; Pental Australia; Regnan and Thompson, Siegel and Walmsley (TSW).

As a global investment firm, we recognise the role we have in creating a more sustainable future for our people, clients, the community and the environment. A key enabler of this is our commitment to responsible investment (RI), an area that continues to grow in focus. With support from our RI specialists, our investment teams are increasingly considering environmental, social and governance (ESG) factors within their decision making. As the ESG agenda grows, we remain committed to enhancing our capabilities to help create meaningful change.

About the report

This report is published annually and describes ESG performance for the 12 months to 30 September 2022 (the reporting period). ESG performance of Pental Group is included within this report. Where data only applies to a specific entity of Pental this will be highlighted.

This report forms part of our comprehensive corporate reporting suite. Documents detailing our approach to corporate governance and management of ESG risks are referenced regularly throughout this report and can be found through the following links:



[Pental Annual Report](#)



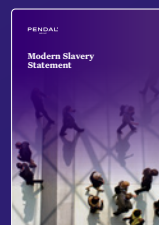
[Corporate Governance Statement](#)



[Pental Group Climate Change Statement](#)



[Pental Group Human Rights Statement](#)



[Pental Group Modern Slavery Statement](#)

Enquiries

Please direct all enquiries and correspondence regarding this report or sustainability disclosures to:

Pental Group Investor Relations

E: investor.relations@pentalgroup.com

Welcome to our 2022 Sustainability Report

Dear Stakeholders,

I am pleased to share the Pendal Group Sustainability Report for FY22. It outlines our ESG performance and tracks progress against our priorities.

This year, the global landscape has continued to evolve. We are still navigating the long-term challenges of the COVID-19 pandemic. Geopolitical tensions have caused significant global disruption and driven market volatility. We continue to respond to the increased urgency of climate action as large-scale global climate disasters play out from flooding in Pakistan and Australia, to wildfires in Spain and Portugal. This reinforces the need for countries, governments, organisations and individuals to all play a role.

Despite a challenging year for our sector, Pendal continues to advocate for responsible and sustainable growth for our clients. Pendal continues to be recognised in responsible investment, being awarded as 2021 Fund Manager of the Year by Zenith in the Sustainable and Responsible Investments category, being named a 'Responsible Investment Leader' by Responsible Investment Association Australasia and we were delighted to receive the Investing in Shared Value award by the Shared Value Project for the Regnan Global Equity Impact Solutions (RGEIS) Fund.

Following the establishment of the Group's DEI Steering Committee in 2021, we progressed our global DEI strategy. A formal process is underway to evaluate findings from extensive employee engagement that will guide our go-forward framework. During the year we also recognised the importance of diverse employee representation with DEI goals built into the KPI scorecard for Global Executive Committee members.

We advanced the actions outlined in our climate change statement, engaging a consultant to conduct a current state assessment as well as identification of potential Group-wide decarbonisation ambitions and key implementation requirements.









We have undertaken additional work on our exclusionary screenings, identifying our internal tolerance levels and revisiting these with our clients. We have also expanded our sustainable investment team to build on existing strengths of the business. Additionally, we expanded our sustainable and impact product range with the launch of our Regnan Sustainable Water and Waste Fund in Europe. A product for US clients will be made available in FY23.

In August 2022, Pendal Group entered a Scheme Implementation Deed (SID) with Perpetual Limited where Perpetual will acquire 100% of Pendal shares through a Scheme of Arrangement. The acquisition has been unanimously recommended by the Pendal Group Board and is subject to a shareholder vote targeted for late 2022. We believe that the combination of both Perpetual and Pendal has the potential to advance and accelerate our long-term strategy and leverage our combined influence to make genuine changes that help our clients meet their sustainability ambitions.

Yours faithfully,

Nicholas Good
Group Chief Executive Officer

Our Progress

FY22 Priorities	Progress made in FY22	Positive impacts on		
		People	Client	Community
Advance the Pental Group ESG Strategy	<ul style="list-style-type: none"> Pental continues to integrate ESG considerations into Group strategy and progress its ESG ambitions as outlined in this report 			
Roll-out IDEA Group's program on diversity, equity and inclusion	<ul style="list-style-type: none"> A range of DEI initiatives conducted across the Group – refer to <i>Focus on diversity, equity and inclusion</i> 			
Expand our responsible investment team	<ul style="list-style-type: none"> Appointed JOHCM Head of Investments to lead the growth of the JOHCM Sustainable Investments team as well as the Regnan team 			
Expand our offering of the RGEIS and Regnan Sustainable Water & Waste strategies and identify further product expansion opportunities	<ul style="list-style-type: none"> Regnan Sustainable Water and Waste Fund made available to clients in Europe and prepared for launch in US Research conducted to expand the range of sustainable strategies 			
Advance the actions outlined in the Pental Group Climate Change Statement	<ul style="list-style-type: none"> Identified the need for a global approach with regional autonomy Current state assessment conducted by external consultant 			
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	<ul style="list-style-type: none"> As at 31 December 2021, 70% of eligible JOHCM FUM is now classified as Article 8 or 9, with 10% awaiting regulatory approval – refer to SFDR program of work 			
Expand the breadth and depth of modern slavery risk assessments across our vendors and within our investment portfolios	<ul style="list-style-type: none"> Training provided to TSW team and supplier risk assessment expanded to include all TSW suppliers 			
Further automate processes in areas such as modern slavery, voting and employee-related compliance processes	<ul style="list-style-type: none"> JOHCM developed a voting disclosure website in partnership with ISS, which enables clients to access detailed up to date voting metrics Risk and Compliance systems implemented/enhanced to support employee and incident related processes 			



Our People

Our people are integral to our success. We are proud to deliver strong investment outcomes and client service and our challenge is to attract, retain and engage the highest calibre people who align with our vision and values. Creating and maintaining a work environment where our people feel engaged, inspired and connected to our vision and values is imperative.

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 rewards and recognition

Our Global Reward Framework aligns with our corporate vision to deliver exceptional investment returns to clients by attracting and retaining superior investment talent. The framework reflects global best practice and aims to deliver a balance between short-term achievement and long-term performance through cash incentives and fixed remuneration.

Our aim is to inspire employees by giving them ownership and incentives to achieve successful outcomes for our clients. By aligning the framework with our corporate vision and strategic priorities we can ensure our investment professionals and shareholders are aligned on client outcomes.

Given the competitive talent market, we want to ensure we are paying our employees fairly and that our reward initiatives are competitive. We do this by monitoring market benchmarks and competitor offerings to ensure our reward and remuneration package reflect employee skills and ability.

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

Fostering talent

With the high competition for talent, there are more opportunities for individuals to accelerate their careers. This is an exciting prospect for our employees and we recognise the need to maintain our existing talent by creating and promoting opportunities for career development. We do this by working with people leaders across the Group to create a healthy work environment where employees understand the expectations of their role and the steps to progression. We have succession planning in place for our key personnel and investment teams and continue to provide employees with opportunities across all regions.

Opportunities for learning and development is integral to supporting the growth and progression of our people. We prioritise learning and development by allocating training and resources when a need is identified across the Group. In line with our commitment to creating a more inclusive culture, our learning and development focus during the reporting period to provide inclusive leadership training.

Mentally healthy workplaces

Pendal Australia is participating in an initiative with the New South Wales (NSW) government to lead mentally healthy workplaces.

Drawing on expert knowledge from academia, government, business and people with lived experience of mental illness, the NSW government created a dedicated mental health strategy for workplaces. The strategy guides employers through an evidenced based 6-step guide and includes resources and tools to establish a baseline, form a plan and evaluate progress.

By participating, workplaces aim to increase awareness and understanding of mentally healthy workplaces and enhance their capabilities to create mentally healthy workplaces as well as how to facilitate social connections within the workplace and community.

Mentally healthy workplaces benefit both the employer and employee as a safe and healthy workplace leads to improved productivity, increased engagement, reduced absenteeism and employer costs savings.

Employee Engagement

Maintaining a high level of employee engagement is a focus area for the Group. Our planned, inaugural Group-wide employee engagement survey was paused due to the proposed Scheme with Perpetual. As a result, we do not have an employee engagement score for the reporting period. However, we continue to connect with employees through informal channels and pulse surveys on diversity, equity and inclusion (DEI), one of our FY22 areas of focus.

Employee turnover

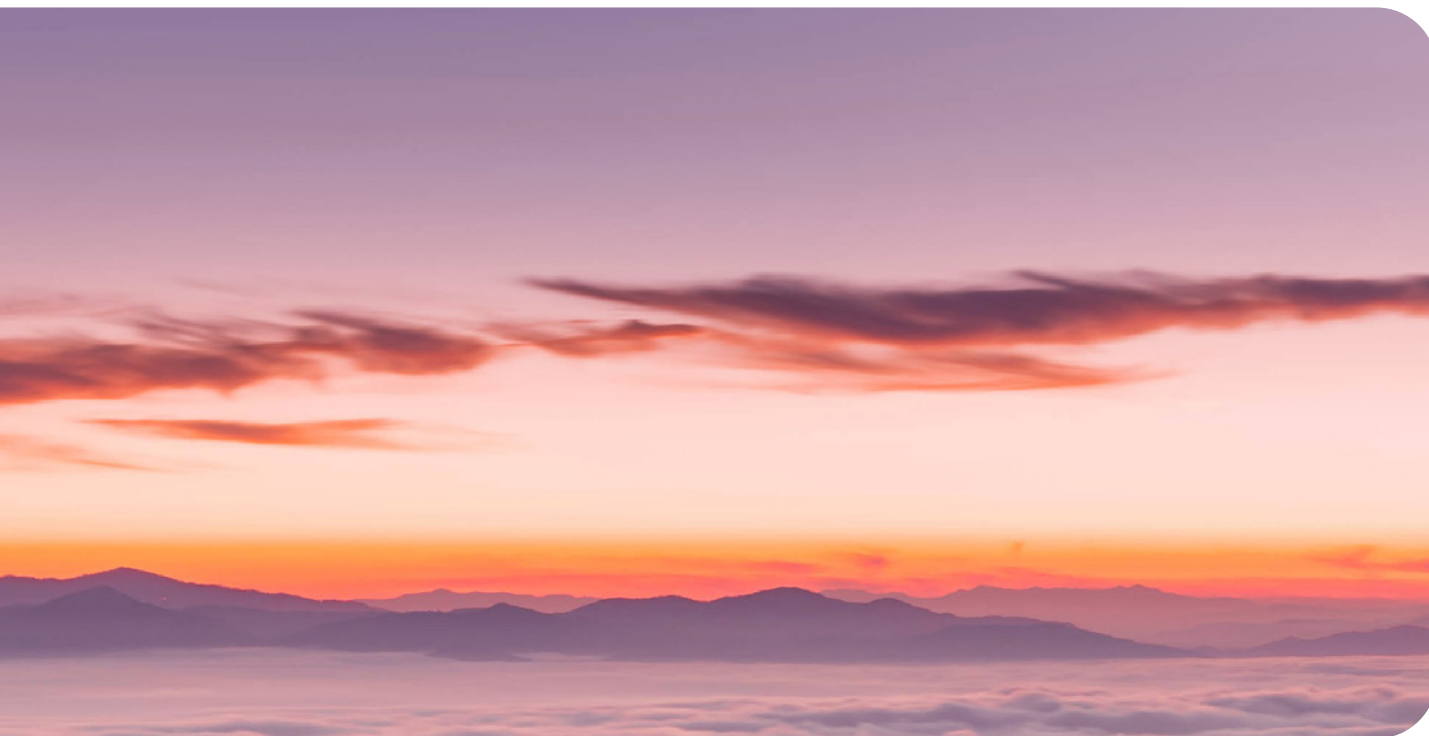
Turnover in the financial services sector has continued to rise. In response, we are focusing on building out the Pendal Employee Value Proposition to attract new talent and improving engagement with our people on alignment with our vision and values.

In FY22, we strengthened our recruitment processes, hired a recruitment specialist and conducted market mapping.

Exit surveys conducted in the offboarding process, revealed that perceptions on career progression or diversification were an area of concern. We have also implemented targeted retention strategies for key personnel, which have been effective in reducing turnover.

	FY20	FY21	FY22
Voluntary attrition rate	5.2 %	9.5%	14.2%





Employee health, safety and wellbeing

Prioritising the health, safety and wellbeing of our people is essential.

The natural uncertainty stemming from this year's corporate activity as well as the challenges of the past year including geopolitical tensions and rising cost of living pressures have further reinforced the need to support and prioritise employee wellbeing. As in 2021, mental health remained a key focus in FY2022 to ensure our employees feel supported and have access to the resources, tools and information they need to maintain a healthy work-life balance.

In Australia, our Employee Assistance Program (EAP) was promoted; we had guest speakers during Mental Health Awareness Month and held quarterly wellbeing events such as skin checks, mindfulness and wellbeing, ergonomic assessments and flu vaccines.

In the UK and US two wellbeing workshops were held, curated to meet the needs of our people. We hosted a workshop for employees with advice on managing their own grief, as well as how to respond to others who have experienced loss.

A further workshop on loneliness and inclusiveness was held, addressing key themes perpetuated by the pandemic. Additionally, a Mindfulness Bootcamp was organised for US employees with weekly mindfulness sessions and an opportunity for 1:1 coaching.

With the end of lockdowns, during the year our employees began to return to the office. While the easing of restrictions came as a welcome relief, our employees' expectations have changed. We continue to offer hybrid work arrangements and engage with our employees to accommodate their needs. This is important for our employees to maintain a healthy work-life balance while also accessing the benefits and flexibility that hybrid work offers.

More broadly, our workplace health and safety practices are informed by and align with the applicable regional guidelines. We review our policies frequently to ensure alignment with legislation and make changes as needed. Employees receive mandatory workplace health and safety training annually and can view our health and safety policies on the employee intranet.

Focus on diversity, equity and inclusion

Our ambition is to foster a work environment where everyone feels welcome, supported and respected.

We know that divergent views promote creativity and innovation, strengthen decision making and enhance business performance.

Our approach to diversity, equity and inclusion is guided by our organisational values and leadership behaviour with diversity encouraged across all levels of Pandal. Our behaviours are guided by the [Pandal Diversity and Inclusion Policy](#).

Our approach to DEI is overseen by the Global DEI Steering Committee which includes representatives from across the group with initiatives implemented by regional committees. The Group DEI Steering Committee meets every two months to discuss progress, address concerns and identify initiatives to be implemented in each region. Each year, the Committee maps out key dates and initiatives with the aim of supporting each of the four DEI streams – accessibility, culture, pride, or gender. By adopting a global approach, we benefit from the diversity of thought and experience that our global team members bring.

DEI is a priority in recruitment and career development, ensuring our processes mitigate bias and promote a diverse pool of applicants. By keeping DEI front of mind, we can monitor our recruitment process to ensure there are no barriers to participation.

In Australia, to help guide our actions and identify areas of improvement, this year we voluntarily participated in the Diversity Council of Australia (DCA) Inclusion@Work Member Index Survey. Participation enables our progress towards the creation of a diverse and inclusive workplace to be continually reviewed. In FY22, 56% of Pandal participated in the 2021 Inclusion@Work Index survey.

The results of participating organisations are consolidated to create a DCA Member Index Benchmark. A separate survey conducted on a further 3,000 Australian workers result in the creation of a National Index Benchmark. Together, these surveys provide an overall view of the current state of inclusion in the Australian workforce and changes in the D&I journey over time.

Recognising the importance of driving this change from leadership, our people leaders in Australia participated in three workshops facilitated by an expert third party on the foundations of inclusion, understanding how to value, engage and motivate people and effectively balance accountability and psychological safety.

Our gender diversity targets

Target

At least

40 per cent

female representation on the Pandal Board by 2023. Achieved in 2017 and has continued.

At least

40 per cent

female representation across Pandal Executive teams by 2023.

A minimum of

40 per cent

female representation across the Pandal workforce.

FY22 status

50%

increased from 43% in FY21.

27%

no change from FY21.

39%

increased from 37% in FY21.

Recognising that diversity, equity and inclusion goes beyond gender, we continue to improve data collection and analysis. In the UK, Europe and US, ethnicity data is being collected in line with GDPR requirements. With access to more DEI data from across the Group, we will be better positioned to tailor our DEI initiatives to meet the unique needs of our people over time.

Major Initiatives in FY22

- Continued to support the 40:40 Vision, an ambitious investor-led initiative that aims to see women fill at least 40 per cent of executive leadership roles across all ASX300 companies by 2030.
- Continued to promote diversity within our investment teams and hosted an internship program for female university students to gain experience working in funds management. Two such students completed the program in FY22.
- Participation in several DEI focused events across our offices including:
 - National Sorry Day / National Day of Healing and NAIDOC Week
 - International Women's Day
 - International Men's Day
 - Harmony Week
 - Wear it Purple Day
 - LGBT History Month
 - Black History Month UK and US
- We continued to partner with Investment20/20, a sector-led talent service for the investment management industry, providing a platform to reach and develop capable young people from more diverse backgrounds.

Tackling Diversity in our Investment Research – the Sustainable Investment Awards 2022

J O Hambro Capital Management / Regnan were awarded the Best Sustainable Thought Leadership Paper at the 2022 Sustainable Investment Awards for their paper; *Beyond diversity: Equity and inclusion as an overlooked opportunity for investors*. The award category is open to papers that are original, inspirational, thought provoking and expand readers' minds or include a call to action on sustainable investment issues.



- We continued our partnership with #10000BlackInterns, a UK-based effort to help black students kickstart their career in investment management through six-week paid summer internships.
- Committed to Future Female Fund Managers Programme, a targeted programme aimed at developing female fund management talent, which will commence in January 2023.

Supporting Diversity through Industry Associations

We are proudly involved in industry associations focused on DEI.

- The Diversity Council of Australia
- The Inclusion Circle (Australia)
- The Diversity Project (UK)



Our Clients

Responsible investment

The expansion of our RI and ESG capabilities is a central tenet of the Group's overall growth strategy. Regulators, as well as our clients, expect us to continue integrating ESG into our decision-making, enabled by active stewardship for investments. Throughout the year, we have continued to evolve our suite of sustainable impact offerings to provide solutions that meet the needs of our clients.

In FY22, we continued to integrate ESG considerations within investment procedures. This work included enhancing processes to manage compliance with regulatory change and has supported the adoption of the Sustainable Finance Disclosure Regulation (SFDR) a component of the European Commission's Sustainable Finance Action Plan.

Stewardship and engagement

We act as responsible stewards of our clients' assets, through actively engaging with investee companies and by exercising our voting rights. Proxy voting is a crucial aspect of investment decision-making and stewardship responsibilities as we have a fiduciary obligation to act in the best interest of all clients and represent our clients in corporate governance matters.

Through our active ownership engagement approach, which refers to the use of the rights and position gained from the ownership of securities to influence the activities or behaviours of investee companies, we further support the investment goals of clients and prioritise engaging with companies in relation to proxy matters supporting informed voting decisions.

Our Stewardship Reports, published annually for Pental Group's Australian investment management business and J O Hambro Capital Management Group detail the responsible investment practices, including ESG integration and stewardship activities we undertake on behalf of our clients.



[Pental Stewardship Report](#)



[J O Hambro Stewardship Report](#)



Meaningful conversations and active engagement across a range of ESG priorities

Active and meaningful engagement can often take place across a range of ESG priorities. We are currently engaging with a leading Australian insurance provider across four key issues. Two of these engagements relate to the increased exposure to catastrophic weather events and the transition to a low-carbon economy. The third engagement regards human capital issues of improving corporate culture and diversity. Finally, Pendal is engaging on the governance of exposure to inflation risk.

Pendal's engagement regarding cultural issues and diversity restrictions for this insurance organisation saw the implementation of staff surveys and gender executive commitments by 2030.

SFDR program of work

In the UK we formally adopted the SFDR in 2021. As at 31 December 2021, 70% of FUM in the Europe, UK and Asian region was classified as Article 8 or 9, with 10% awaiting regulatory approval. Under SFDR, an Article 8 fund promotes a combination of environmental and social characteristics, provided the companies making investments follow good governance practices while an Article 9 fund has the objective of sustainable investment or carbon emissions reduction.

Regnan

Regnan has over 20 years' experience in providing engagement and advisory services on environmental, social and governance (ESG) issues and expanded into impact and sustainable investment management in 2020.

Regnan's focus on meaningful change is driven by understanding that the trajectory of many ESG issues has worsened, despite more investors than ever engaging in this space. Annual global greenhouse gas emissions have never been higher, inequality has increased and high-profile examples of poor corporate practice continue.

Regnan conducts engagement and advocacy on behalf of clients to improve ESG performance in listed companies. The engagement process includes research-based assessments to set change objectives, these objectives can be thematic or stock level and aim to address risks in company portfolios. Progress is tracked throughout the engagement to identify the impact achieved, this could be risks mitigated or opportunities realised.

FY22 engagement highlights

59

engagements with 34 companies

41%

of companies engaged multiple times to secure change

45

engagements discussed climate risk management.

During the reporting period, Regnan facilitated a variety of roundtables and investor masterclasses on net zero target-setting and measurement, hydrogen utilisation in the global energy transition, women's global leadership, sustainable agriculture and climate risk.

For further information on Regnan's activities refer to ['From stock to system' Australian engagement report 2022](#).

In the UK, Regnan's impact and sustainable funds qualify for Article 9 under SFDR and showcase the robust importance of impact through engagement:

- Regnan Global Equity Impact Solutions Fund a high conviction, diversified, global multi-cap portfolio; and
- Regnan Sustainable Water and Waste Strategy invests in companies providing solutions of global water and/or waste-related challenges.

In FY22, Regnan launched the Sustainable Water and Waste Strategy in Europe. The fund will be available to US investors in the coming year.

In November 2021 the Regnan Global Equity Impact Solutions (RGEIS) Fund won the Investing in Shared Value award by the Shared Value Project.

This award celebrates an investment product that uses capital as a vehicle to advance social and environmental issues and use funds to generate societal outcomes alongside full market return.

Further evolution of Pental's Sustainable Series funds

This year, in Australia, the evolution of the Pental Horizon Sustainable Australian Share Fund and the Pental Sustainable Australian Share Fund progressed.

During FY22, we continued our review of exclusionary screens across our Sustainable Series funds to ensure they continue to meet client needs and as a result we have broadened exclusionary screening for the Pental Sustainable International Share Fund which avoids investing in companies which directly extract or explore for fossil fuels (specifically, coal, oil and natural gas).

Our dedicated responsible investment and Regnan strategies have significantly outperformed their emissions intensity benchmarks. The progress demonstrates how our funds are working in line with our climate change and sustainability ambitions.

Emissions intensity of select strategies vs their respective benchmarks

Our dedicated RI and Regnan strategies significantly outperform their benchmarks in terms of emissions intensity:

Pendal Horizon Sustainable Australian Share Fund	Pendal Sustainable Australian Share Fund	Pendal Sustainable Future Australian Shares Portfolio	Regnan Global Equity Impact Solutions Fund
▼ 52.3%	▼ 49.6%	▼ 52.1%	▼ 58.0%

Some of our core strategies are also less carbon intensive than their benchmarks:

Pendal Global Select Fund	Pendal MicroCap Opportunities Fund	Pendal Concentrated Global Share Fund	Pendal MidCap Fund
▼ 62.5%	▼ 94.4%	▼ 21.4%	▼ 49.4%

Note: Weighted Average Carbon Intensity, calculated using ISS carbon data as 30 September 2022. Figures are indicative and at times based off estimated not reported emissions.

FY22 Industry participation

Notable industry participation in FY22 included:

- Pendal submissions to the Responsible Investment Association Australasia (RIAA) regarding proposed sustainability ratings for its certified products
- Named 'Responsible Investment Leader' in the Responsible Investment Benchmark Report by Responsible Investment Association Australasia (RIAA)
- Ongoing support of the IGCC with Pendal 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
- Regnan is a member of the Sustainability Management Advisory Committee for Chartered Accountants Australia and New Zealand (CA ANZ)
- Regnan and JOHCM are members of the CFA Society UK Inclusion and Diversity Group
- Member of the GIIN Listed Equities Working Group
- Contribute to the Impact Investing Institute Learning Panel

Principles for Responsible Investment

As a signatory to the United Nations Principles for Responsible Investment (UN PRI) since 2016 we remain committed to implementing against the six principles. Pendal's 2021 Transparency Report is available for download from the [UN PRI data portal](#).

Regnan driving the food system conversation

Global agriculture and food production systems require rapid change to feed a global population estimated to reach 10 billion people by 2050. There are limitations within existing models for agriculture and food production.

In December 2020, Regnan published '[Catalysing Sustainable Agriculture and Food Production](#)', a thematic investment insights report focusing on the fundamental system changes required for agriculture and good production modelling, identifies transformative solutions, and provides investment selection insights that underpin the Regnan Global Equity Impact Solutions Fund.

This year, the Regnan Sustainable Food System Roundtable was held, bringing business leaders across the food system together to discuss the transition of the sector, identify opportunities within the value chain, and determine areas for action.



Our Community and Environment

As a people-centric organisation, giving back to the community is a business imperative. We know that our employees want to have a meaningful impact and seek to align themselves with organisations that reflect their personal values.



Our values of integrity and honesty, respect, courage, teamwork and high performance underpin decision-making at all levels of our business informs how we engage with and contribute to the communities in which we operate.

Charities and community initiatives supported during FY22:

Health and wellbeing	Society	DEI
Running for Premature Babies Foundation	Foodbank	Fish out of Water
Menopause pledge	Field Day RVA for Higher Achievement	#10000BlackInterns
	Two Good Co – on-site volunteering	Veterans workstream
	Donate a plate – Wayside Chapel	The Future Female Portfolio Managers Program
		UpReach

Modern Slavery

Modern slavery is a form of human rights abuse that refers to situations where work cannot be refused or ceased due to coercion, threats, or deception and in which workers may be deprived of personal freedoms. Modern slavery can be experienced as forced labour, human trafficking and slavery and slavery like practices including forced marriage.

Pendal Group’s [Human Rights Statement](#) details our position on human rights and provides internal guidance.

Pendal Group publishes its Modern Slavery Statement annually in line with our reporting requirements to the Australian Modern Slavery Act 2018 and the UK Modern Slavery Act (2015).

Within the Modern Slavery Statement, we disclosed the modern slavery risks that are material to the Group, our approach to managing these risks and progress made. In line with the Group’s Risk Management Policy, managing modern slavery risks is the responsibility of all employees.

Based upon our assessment of our operations and supply chain, we have identified our risk of modern slavery as inherently low. Despite this, we have implemented actions to manage risks through our business model, governance, policies and procedures and training. To support employees to identify modern slavery risks, training is provided and our investment teams receive role specific modern slavery awareness training.

Climate Change

Pandal recognises the risks and opportunities presented by 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.

The finance sector is well positioned to support global efforts in both climate mitigation and adaptation through capital allocation as well as collaboration. Stewardship, or active ownership, practices can drive positive climate action with investee companies, including accurate, timely and relevant climate-related disclosures. Active managers have an interest in leveraging their influence to support such outcomes.

The [Pandal Group Climate Change Statement](#), published in 2020 outlines our position on climate change and provides internal guidance to our business and investment teams to support decision making.

We have identified the need for a Group approach to mitigating risks from climate change in both real and financial assets and supporting the private sector efforts through capital allocation and collaboration. As a house of boutique firms, we understand that a one-size-fits-all approach is not always practical. As a result, we continue to work with our investment teams to align with the Group's ambition where appropriate, while maintaining investment autonomy.

This year, we partnered with a leading third-party professional services team to conduct a current state assessment of potential Group-wide decarbonisation ambitions and key implementation requirements. We did this to expand our understanding of climate-related impacts and activities across our organisation. Within the financial sector, emerging standards and regulations are supporting institutions to define their ambitions, set and implement strategies for decarbonisation.

Throughout this assessment, a comprehensive stocktake was conducted over our capability to assist clients with their net-zero ambitions and targets. The assessment approach included document reviews, interviews, benchmarking and reporting which delivered our current state assessment.

Pandal's next steps identified through this assessment:

- Determine the desired ambition level and develop a shared statement of ambition for Pandal Group
- Establish relevant Group and fund level GHG emissions baselines and minimum requirements for reporting
- Incorporate oversight and monitoring of climate performance into existing governance structure

Regnan engagement insights on climate

This year, Regnan's targeted engagement on climate change has focused on a core thematic that the need for a systems approach, with engagement throughout the value chain, not solely within operations.

Physical risks of climate change

Since 2013, Regnan have undertaken engagement with companies over their physical risks of climate change. Engagement focussed on the adaptation measures needed to build resilience to the physical effects of climate change, given emissions reduction activities are falling short of effectively mitigating climate impacts.

Our research identified more than a third of the ASX200 as having elevated exposure to physical climate risk, with financial implications over the short to medium term. There has been some progress made by organisations in considering physical climate risks, including:

- increased allocation of capital to building resilience initiatives including technical solutions.
- greater consideration over the climate resilience of key suppliers.
- site by site assessments of physical risks using scenarios and physical risk analysis for company consideration of infrastructure.

Effective management of physical climate risks requires organisations to expand their perspective to the broader system, where focus shifts to the value chain, not just company operations. Analysis is undertaken to inform decision making and seeking cost-effective adaptation options even if they exist outside of the organisational boundary.



Our business activities

Emissions from our operations are typically not material. However, we seek to reduce our emissions through the following actions:

- minimising emissions from flights and hotel accommodation
- reducing electricity consumption and/or offset emissions from electricity
- working with suppliers to reduce scope 3 emissions, including potentially switching to suppliers who are committed to reducing their emissions

Pendal Australia has completed its FY21 Climate Active carbon neutral certification and offset 2,344 tonnes of CO₂-e through the NIHT Topaiyo REDD +, Papua New Guinea and Keo Seima Wildlife Sanctuary offset schemes. We are now in the process of quantifying our FY22 footprint with the goal of achieving Climate Active carbon neutrality for our third year running.



Emissions – Tonnes CO ₂ e		Total
Scope 1		0.0
Emissions over which Pendal has direct control via ownership of activities		
Scope 2		891.4
Purchased electricity, heat, or steam		
Scope 3		3,387.9
Indirect emissions from activities or services purchased from third-party companies and include indirect emissions associated with scope 1 and 2 sources		



