

# PENDAL

Corporate  
Sustainability &  
Responsibility  
2018

# Corporate Sustainability & Responsibility

We recognise the benefit of identifying material ESG matters, not only in our investments, but in managing them within our business operations as well.

## 1 Material environmental, social and governance (ESG) matters

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As an asset manager environmental, social and governance (ESG) issues are for us two-fold. Firstly, they have the potential to impact the value of the investments we make on behalf of our clients and need to be factored into our decision making accordingly.

Secondly, there are a number of issues which are material to the operations of our own business, and therefore should also be of interest to our own shareholders.

In our view, during 2018 the key issues were:

- **How we consider ESG risks and opportunities** within our investment process, acknowledging increased stakeholder interest in how we consider climate change in particular
- **Human capital** including our ability to attract, engage and retain the talent required to deliver our strategy and differentiate our business

- **Ethical conduct** given the spotlight the current Royal Commission has put on the entire Australian financial services sector

- **The actions we take as a corporate citizen** including how we consider our impacts on the environment, the community and our other stakeholders

Details of how we approach these issues and progress made during the year is contained within this Corporate Sustainability & Responsibility report as well as within the Risk Management section of the 2018 Annual Report.

## 2 Active managers and active stewards

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### 2.1 Consideration of ESG in investing

Pendal Group has a long history of responsible investing, with the launch of the BT Charitable Fund (now Pendal Sustainable Balanced Fund) in 1984.

Since then we have been tracking a range of ESG issues and realise that in many cases these issues can be relevant to the financial performance of our investments, influencing the value placed on a company and its ability to drive shareholders returns on a sustainable basis. In fact, the way a company handles ESG issues can provide insight into the company's exposure to negative incidents or emerging opportunities.

As such, we have been progressively factoring in ESG considerations into our investment process across multiple asset classes, including as a part of the research, analysis and due diligence undertaken.

For instance this year, we undertook specialist training with our fixed income team to assist in the integration of ESG considerations into fixed income products more broadly.

In many ways the consideration of ESG is a natural extension of our active approach to investing and this year we set this out more formally in our 'Responsible Investment Philosophy and Approach'. This document guides Pendal Australia's investment teams and is publicly available on our website. Its implementation is supported by our responsible investment governance

framework for which oversight ultimately rests with the executive committee. The Board ultimately approves and oversees Pendal's responsible investment strategy.

In addition, our 'Principles of Internal Governance and Asset Stewardship' sets out Pendal Australia's organisational and investment approach, internal governance and asset stewardship and is available on our website.

### 2.2 Role of research and engagement

The effective consideration of ESG issues requires investment quality research. In addition, raising matters of concerns directly with the companies with whom we invest can enhance the quality of information available to the market more generally and facilitate improved oversight and management of these matters.

Our approach to active ownership and engagement is outlined in our 'Principles of Internal Governance and Asset Stewardship' and is available on our website.

Regnan - Governance Research & Engagement Pty Limited (Regnan) was established in 2007, and is now jointly owned by Pendal Group and another institutional investor. Pendal Group is represented on Regnan's Board of Directors.

Regnan undertakes ESG research to identify material risks and opportunities within leading ASX-listed companies, and engages with boards and senior

management to seek improved consideration of these matters in business decisions where they have the potential to impact financial value.

During the 2018 Financial Year Regnan, on behalf of clients, undertook 86 engagements with 55 companies in the S&P/ASX 200 Index, with 85 per cent of active engagements demonstrating progress against the change objectives set. The most significant areas of change occurred with respect to climate change, human capital management, ethics and conduct, and board-related matters (including composition and issues of independence) as well as improvements to public disclosure allowing investors to better take ESG performance into consideration.

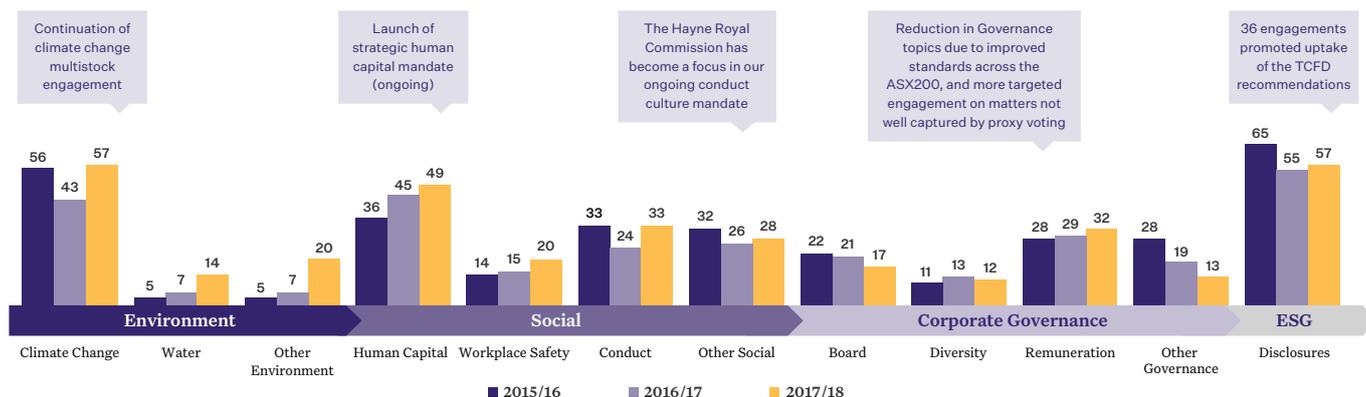
Via Regnan we are able to work with other institutional investors to ensure a coordinated approach to matters of market integrity.

Regnan also provides specialist ESG data, analysis and research which are actively used in Pendal Group's ethical and sustainable product range as well as across our mainstream funds.

### 2.3 Proxy voting

Pendal Group regards the exercise of proxy voting authority as an important aspect of investment decision-making and stewardship responsibilities. We do not involve ourselves in the day-to-day management of the companies in which we invest, however we recognise that we

## Areas of Regnan Engagement by topic



can influence company policy by virtue of the shareholdings that we manage on behalf of our clients. In accordance with industry practice we use that influence for the benefit of our clients. Pental Group places great emphasis on exercising clients' ownership rights and responsibilities to ensure companies are managed in the best interests of their long term investors.

We exercise our voting discretion on a case-by-case basis following an assessment of the matter at hand and after taking into consideration the likely effect on the portfolio or fund and drawing on relevant external research as needed. We publish Australian proxy voting records on the Pental Group website.

Information on the proxy voting pattern for Pental Australia during the 12 months to 30 June 2018 is set out below. Specific details on how each proxy has been voted are available on the Pental Group website.

JOHCM engages ISS Proxy Voting Services and ISS Proxy Advisory Services to facilitate voting and engagement activities. Fund managers review annual general meeting and extraordinary general meeting agendas prior to voting. Where ISS research highlights issues which do not represent best practice, the fund manager will discuss the issues before agreeing a course of action for those portfolios

where JOHCM has full discretion over voting. Where JOHCM decides not to vote with the ISS recommendation the arguments are documented. JOHCM's Investment Director has oversight of this process and is involved in the discussion of all the contentious issues and will, when appropriate, facilitate a wider debate on the issues.

### 2.4 Ongoing support for industry initiatives

The Group's active approach to investing sees us working together with other investors, typically via a range of industry bodies, in order to continually improve ESG practices.

#### 2.4.1 Principles for Responsible Investment (PRI)

JOHCM and Pental Australia are both signatories to the United Nations-supported PRI.

We report our progress annually via the PRI's Investment Reporting and Assessment Survey. This provides an opportunity to review and monitor our performance relative to peers to identify areas where we can continue to improve. During the year we participated in the PRI's ESG in credit collaboration contributing to the final report and sharing our experiences in the accompanying webinar.

#### 2.4.2 Responsible Investment Association Australasia (RIAA)

Pental Group is a member of RIAA, an industry body representing responsible and ethical investors across Australia and New Zealand.

RIAA works to promote a more responsible approach to investment and encourage more people to actively choose a responsible and ethical option for their savings and investments. We were pleased to have been identified as an asset manager 'demonstrating industry leading ESG integration practices' in RIAA's 2018 benchmarking report.

All of Pental Group's Responsible Investment funds offered in Australia have been certified by RIAA according to the strict disclosure practices required under its Responsible Investment Certification Program. We are also an active member of RIAA's human rights working group.

#### 2.4.3 Investor Group on Climate Change (IGCC)

As a founding member of IGCC, and current member of its management committee, we collaborate with other investors to encourage government policies and investment practices that address the risks and opportunities of climate change in an economically efficient manner. More specifically the IGCC aims to:

- Raise awareness of the potential impacts, both positive and negative, resulting from climate change to the investment industry, corporate, government and community sectors.
- Encourage best practice approaches to facilitate the inclusion of the impacts of climate change in investment analysis by the investment industry.
- Provide information to assist the investment industry to understand and incorporate climate change into the investment decision.

Proxy voting for 2017/18 <sup>1</sup>	Total Resolutions	For	Against	Abstain	Other <sup>2</sup>
Number of resolutions	1,493	1,279	103	13	98
Percentage of total	-	85.7%	6.9%	0.9%	6.6%

<sup>1</sup> Resolutions across Australian listed investments held by Pental Australia managed investment schemes.

<sup>2</sup> Other: Resolutions where Pental Australia did not vote on a resolution due to administrative and other reasons, including where a shareholding was divested prior to the voting cut-off date and where Pental Group was excluded from voting (such as when participating in a capital raising on behalf of clients which is the subject of a resolution and where voting would be deemed to be a conflict of interest). NB: The definition of Other was previously named "Did not vote" in prior Annual Reports of the Pental Group.

## 2.5 Ethical and sustainable portfolios

A growing number of clients are interested in investing in a way that takes into account not only the impact of ESG issues on their investments but also the impact of their investments on the environment, the community and other stakeholders. In response to this need we offer a diverse range of ethical and sustainable products including both 'Best of Sector' and ethical screens.

This is an active process requiring the ongoing monitoring of company performance.

During the year we launched the Pental Sustainable Future Australian Shares Portfolio. The portfolio avoids exposure to fossil fuel production and extraction (coal, oil and gas), tobacco, alcohol, gambling, pornography and companies with poor human rights or labour records, incidents of corruption or bribery and invests in those with strong environmental and social practices for their sector.

We continue to win new mandates in the institutional and wholesale/adviser channels across multiple asset classes consistent with growth in the responsible investment sector more generally.

## 2.6 Using the SDGs to measure impact

Increasingly we are seeking to understand and measure the social and environmental impacts of our investments.

We have begun to map our ESG Thematic (Social, Sustainable, Green and Climate Bonds) holdings to the Sustainable Development Goals (SDGs) framework in order to better understand the impact of these investments and the opportunities for scale. The SDGs consist of 17 goals to achieve a better and more sustainable future for all. Developed by government, business and civil society they were endorsed in 2015.

During the year, we enhanced our approach within the Pental Sustainable Fixed Interest Fund to be actively overweight in these thematics primarily supporting the goals for affordable and clean energy, sustainable cities and communities, and responsible consumption and production. We also hold opportunistic positions within our mainstream funds.

We will continue to explore other ways to use the goals to think about and measure our impact.

## SUSTAINABLE DEVELOPMENT GOALS



## 2.7 Modern slavery

In addition to considering issues of modern slavery with respect to ethical and other investments JOHCM is required to report under the UK Modern Slavery Act. A copy of the statement is available on the JOHCM website.

This experience is likely to assist us in complying with emerging regulation in Australia.

## 3 Spotlight on managing climate risk

Pental Group's approach to climate change continues to evolve as the global community's understanding matures and regulatory frameworks adapt.

Interest in the management of climate-related risks and opportunities has increased with the release of the Task Force for Climate-related Financial Disclosures (TCFD) guidelines.

We recognise the risks of climate change and, as stewards of capital and major investors, we want companies to evolve towards business models that are sustainable in a low carbon world and resilient to the effects of a changing climate. At the same time we recognise that this evolution is best undertaken in a way that supports economic and earnings stability, and we will advocate and engage in support of this pathway.

Climate-related impacts vary across industry sectors, geographies and asset classes. Pental Group acknowledges that effective management of systemic issues, such as climate change, requires holistic board oversight combined with robust measurement and reporting. But the scale of this challenge also requires a collaborative response, to this end we are committed to sharing our perspectives with our investors, shareholders, clients and other stakeholders and supporting industry collaborations for more robust and relevant climate-related action and disclosure.

**3.1 Climate Risk Management and the TCFD**

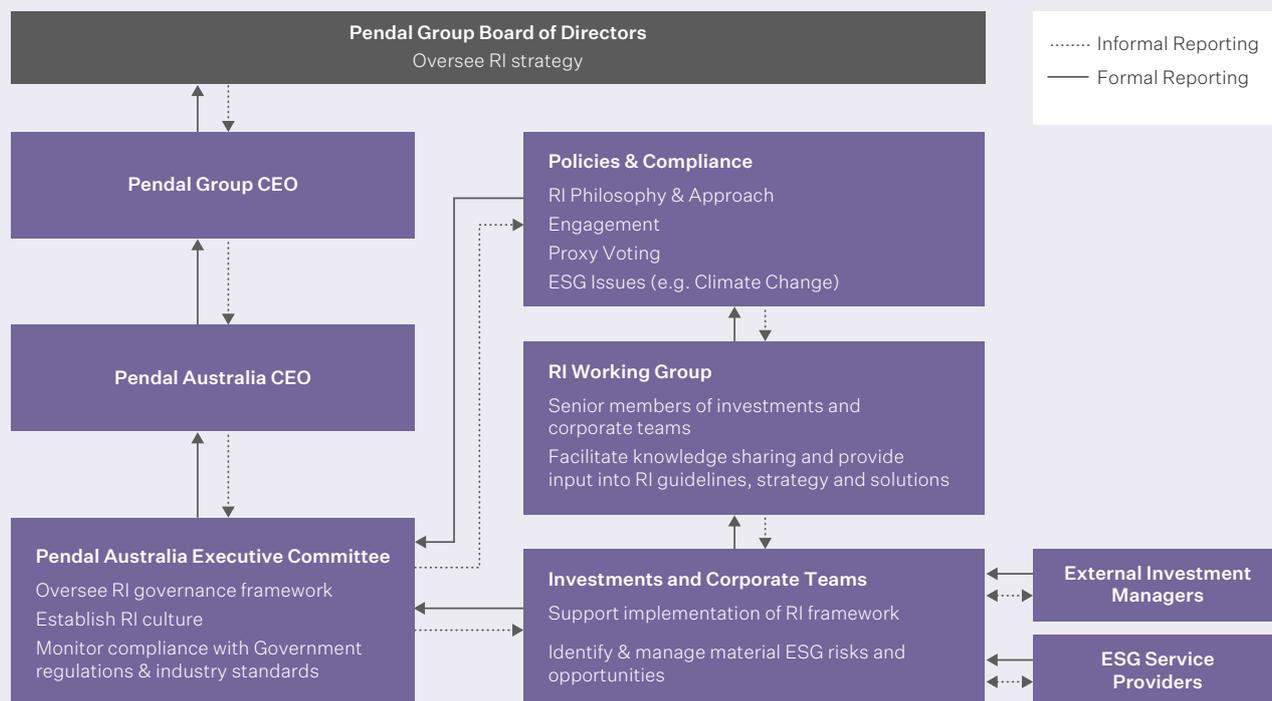
The following provides more detail on how we are managing the climate risks and opportunities we have identified for our business, aligned to the recommendations of the TCFD and we will continue to expand these disclosures over time.

**3.1.1 Governance**

Climate-related risks and opportunities for our business are considered within our broader risk management framework. Investment risk and opportunities are considered within our responsible investment governance framework as described in section 2.1 and illustrated in the diagram below.

Climate change is specifically called out in our 'Responsible Investment Philosophy & Approach' which guides all Pental Australia's investment teams. The statement publicly sets out the need to consider the impacts of climate-related risks and opportunities across all sectors and our commitment to working with clients to help them do this.

**Pental Australia Responsible Investing (RI) Governance Structure**



**3.1.2 Strategy**

Ultimately one of the important issues we face is how climate change, and the associated transition to a low carbon economy, reconfigures the investment landscape. This brings with it both investment risks and opportunities - both physical and transitional - but also changes the expectations of investors. We expect an increased focus on the role we play in facilitating this transition from our clients and also from stakeholders more broadly.

These factors in combination - the impact of climate change on our investments, and the changing demand of our stakeholders - are two examples of challenges climate change poses to our business.

This is to some extent also governed by policy settings in the regions in which we operate and invest.

By comparison our own operational emissions are immaterial falling well below the requirements for mandatory reporting. Notwithstanding this, we monitor the environmental impact of our business and take steps to minimise that impact, where possible.

**3.1.3 Climate-risk management**

**3.1.3.1 Assessing climate risk**

Consistent with our approach to managing any material business risk, material climate risks are identified in line with our Group Risk Management Framework.

Where material to our investments, climate-related risks are increasingly

being factored into the investment decision-making processes across multiple asset classes consistent with our Responsible Investment Philosophy. These include both physical risks and those arising from the transition to a low carbon economy.

Pental Australia has been managing 'low-carbon' investment strategies from as early as 2014.

We measure carbon intensity across our equity portfolios and make this information available to clients, including for use in their own reporting. This also enables us to undertake internal benchmarking, for instance the carbon intensity of our low carbon (fossil fuel free) Australian share strategy, launched during the year, is 30 per cent below benchmark for the index as a whole.

Further, during 2017 in response to growing interest from our sustainable fund clients to avoid direct exposure to fossil fuels we implemented a thermal coal exclusion framework across all of Pandal Group's Sustainable Series Funds, representing some \$0.9 billion in funds under management.

### 3.1.3.2 Company engagement

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 asset markets may be affected. This includes issues of business resilience to climate-related risks (both from transition and physical risks) and policy-related risks as well as calls for greater disclosure.

Further, via Regnan, we have engaged with ASX-listed companies on climate-related risks for over a decade. More recently this has included engagement on TCFD disclosure more specifically. In the 12 months to 30 September 2018, Pandal Australia

had over 36 engagements with over 27 companies on TCFD disclosures either directly or indirectly via Regnan. This most typically involved in-depth discussions with senior leaders in high risk sectors including banking, manufacturing and energy to provide expert insight on the risks analysis and disclosure investors require.

As a signatory to the 2017 G20 and G7 Nations Initiative on Climate Change, Pandal Group is an early supporter of a collective global investor initiative, together representing over USD 22 trillion in assets as at 3 July 2017. The initiative urges the governments of G7 and G20 nations to maintain the momentum on climate change action, including through creating policy and financial frameworks to improve the quality of climate-related information and to support the utilisation of tools, and metrics that effectively incorporate the risks and opportunities into financial assessments.

Further we are participating in the Climate Action 100+ initiative working collaboratively with investors globally

to engage greenhouse gas emitters and other companies with significant opportunities to improve corporate governance on climate change, drive the clean energy transition and strengthen climate-related financial disclosures.

We are increasingly seeing climate-related resolutions as a means of calling for greater action and/or disclosure. We approach each on a case-by-case basis.

### 3.1.4 Metrics and targets

We currently report a number of metrics that will help us track alignment with the global ambition set out in the Paris Agreement, and will continue to explore other measures to help inform our decision making.

We acknowledge that climate change is an ongoing and complex issue. We are continuing to work with our stakeholders to help them navigate the transition to a low carbon economy, while also delivering responsible, performance-driven strategies that meet our clients' long term investment objectives.

## 4 Human capital management

The success of Pandal Group depends on attracting, engaging and retaining the highest calibre people. Crucially, the hire and development of talented people supports the retention of our existing business and drives its future growth.

To ensure our people are highly engaged and contribute meaningfully to the Pandal Group's strategic objectives, we deploy best practice human capital management policies, processes and practices that cultivate a strong organisational culture.

### 4.1 Succession planning

Succession planning is a critical process used to manage 'key person risk' and functions as a significant input to workforce planning more generally.

This year, succession plans were reviewed for each Investment Head across the Pandal Group, refreshed across a five year time horizon. The process established clear succession pathways for each role, building the

immediate succession pipeline and planning across the '1-3' and '4-5' year timeframe. The plans for each role draw on internal successors with associated targeted development plans in place or map to the external market targeting potential external successors.

### 4.2 Employee turnover

Employee turnover during the 2018 Financial Year was lower than the previous financial year and predominantly occurred in operations and corporate support areas. As at 30 September 2018 the Pandal Group's 12-month rolling attrition rate was 8.85%, down from 10.74% in the 2017 Financial Year. Retention remained strong across the Pandal Group's investment teams with a low 12-month rolling attrition rate of 2.51%.

### 4.3 Employee engagement

A high level of employee engagement is critical for the delivery of strong business results. We are focused on driving

engagement even higher as Pandal Group continues to grow. To this end, the results and insights obtained via engagement surveys directly feed into our people strategy and drive our key areas of focus.

In the most recent survey of employee engagement in the 2015 Financial Year, Pandal Australia exceeded the Australian Financial Services benchmark and advanced our standing within the top quartile of Aon Hewitt's Best Employer range. Engagement increased by 5% on the previous engagement score which was measured in the 2013 Financial Year.

Pandal Australia's human capital management initiatives in the 2018 Financial Year continued to support the engagement drivers that were identified in the most recent engagement survey. Our focus has centred on employee remuneration and reward arrangements, as well as career development and learning and development opportunities.

Further information about the material employee engagement risks facing the business and the strategies and controls in place to manage them are summarised in Table 4 of the Pental Group 2018 Corporate Governance Statement.

## 4.4 Professional development

Across the Pental Group, we continued to offer a range of programs and policies that support the ongoing education and professional development of our employees. These included:

- Leadership development programs to enhance the leadership capability of current and future leaders
- Support of industry specific professional accreditations and memberships
- Financial assistance and leave for employees pursuing study relevant to our business, which includes professional qualifications such as the Chartered Financial Analyst (CFA) qualifications and CFA Institute Investment Foundations Certificate Program

Onsite and external training programs that enhance individual technical skills and behavioural competencies and build team cohesiveness and communication were also rolled out. This included:

- Targeted sales training as part of a broader sales capability framework
- Investment presentation skills training to sharpen content and pitch
- A tailored course in Transcendental Meditation to encourage higher brain coherence, increased energy and mind clarity to positively impact on investment decision-making, problem-solving and creativity
- Investment team coaching to enhance decision-making and team performance
- Team building to maximise individual and team performance

## 4.5 Employee benefits

The Pental Group's employee benefits on offer remain focused on supporting the engagement, wellbeing and health of our employees. These benefits included:

- Paid contribution leave at Pental Australia which provides eligible employees with an additional week's leave per annum
- Salary continuance insurance premiums paid by Pental Australia
- Employee excellence recognition awards
- Service recognition awards
- Financial study assistance
- Study leave
- Professional membership fee reimbursement support
- Employee Assistance Program
- Health assessments
- Regular wellbeing initiatives, including mindfulness seminars that focus on promoting mental wellbeing
- Emergency/Compassionate Leave above legislative entitlements

Further detail about these activities is outlined in section 4.8.1 of this report.

## 4.6 Culture & Ethics

As an investment manager, earning and maintaining the long term trust of our clients is critical to the Group's success.

The Pental Group's culture encourages individual employees to act with integrity and honesty and encourages employees to alert us to instances where this is not the case.

### 4.6.1 Code of Conduct

The Pental Group has a Code of Conduct that applies to Directors, the Senior Management Team, employees and the Company's contingent workforce. The Code of Conduct is based on seven key principles:

- Acting with honesty and integrity
- Respecting the law and acting accordingly
- Respecting confidentiality and not misusing information
- Valuing and maintaining professionalism
- Working as a team
- Avoiding conflicts of interest
- Striving to be a good corporate citizen and achieving community respect

### 4.6.2 Other policies relevant to culture and conduct

The Pental Group has a suite of policies in place specific to the respective businesses that seek to cultivate a positive and ethical culture and to help manage conduct risk across the organisation. These policies include:

- Misconduct & Disciplinary Action Policy
- Grievance Handling Policy
- Discrimination & Harassment Policy
- Anti-Bullying Policy
- Conflicts of Interest Policy
- Gifts & Hospitality Policy
- Personal Account Trading Policy
- Managing Fraud & Corruption Policy
- Whistleblower Protection Policy

### 4.6.3 Anti-money laundering and counter terrorism financing

The Pental Group has adopted Anti-Money Laundering & Counter Terrorism Financing (AMLCTF) policies and procedures and various standards that meet the requirements of the relevant AMLCTF legislation. The Pental Group is committed to preventing its financial products being used as a vehicle for money laundering, financing terrorism, tax avoidance or other criminal activity.

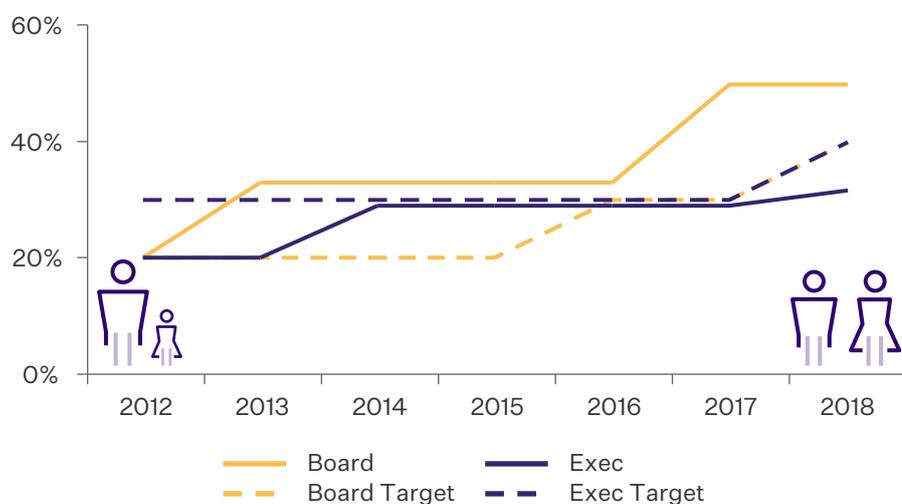
### 4.6.4 Whistleblowing Policy and Practice

The Pental Australia Whistleblower Protection Policy and the underlying escalation and reporting procedures provides the framework to guide employees in how to report wrong doing and the investigation process that would ensue. Training in the Whistleblower Protection Policy is provided at commencement of employment and as part of mandatory training every two years.

In June of this year, Pental Australia appointed Lighthouse Services Inc (Lighthouse) as the independent, outsourced provider to operate the Company's external whistleblower reporting channel (a case management portal and hotline). This provides employees with the opportunity to externally escalate and confidentially report any concerns in relation to wrongdoing without fear of reprisals or disadvantage in the workplace.

In addition, employees may report concerns via the existing, internal reporting channels (people leader, 2-up people leader, Pental Human Resources, Pental Risk & Compliance).

## Board & Executive Team Female Representation



All reports received through internal and external whistleblowing channels are assigned a Whistleblower Investigation Officer.

Whistleblower incidents/breaches are reported to the Pental Australia Executive Committee Risk Forum and Board as required. There were no reportable incidents in the 2018 Financial Year.

### 4.7 Diversity & Inclusion

The Pental Group aims to attract, engage and retain a diverse mix of employees who bring differences in view, personal/work experiences, lifestyle, ethnicity, culture, age, gender, disability, marital status, religion, sexual orientation and education to the organisation.

Aside from being the right thing to do, encouraging and embracing divergent views strengthens business innovation, decision-making and risk management and contributes to the achievement of superior client outcomes and returns to shareholders. Because of this, clients are increasingly seeking assurances that their investments are being managed by a diverse team of people.

The Pental Group's commitment to Diversity & Inclusion (D&I) is reflected in the Group D&I Strategy that focuses on the following strategic priorities:

- Encourage broad diversity across all levels and areas of the business, particularly at the Board and Executive level
- Mitigate leader/key decision maker bias which impacts on recruitment, promotion and development business decisions

- Embed organisational culture, values and leadership behaviours that support a diverse and inclusive work environment
- Develop women in senior leadership
- Increase female representation across the investment platform
- Ensure flexible work practices are operational across all organisational levels

#### 4.7.1 Diversity & Inclusion targets

The chart above shows gender diversity at the Board and Executive level across time against the targets set for each.

In the 2017 Financial Year, the Board revised its gender targets, approving a minimum of 40% female representation on the Pental Group Limited Board and across the Pental Group Executive Teams by the 2023 Financial Year. These targets took effect from the 2018 Financial Year.

As at 30 September 2018, female Board representation remained at 50%, consistent with that achieved in the 2017 Financial Year. This result exceeds the 40% target set at this level.

Female representation within Pental Group's Executive Teams is 32% as at 30 September 2018, a slight increase on the 29% gender balance recorded in the 2017 Financial Year. This represents steady progress to achieving the 40% Executive Team gender target by 2023.

Female representation across the Pental Group remains at 37%, consistent with that in the 2017 Financial Year.

#### 4.7.2 Diversity initiatives

In support of the Group's D&I Strategy, Pental Group delivered on the following initiatives in the 2018 Financial Year.

##### 4.7.2.1 Participation in the Mercer Future IM/Pact Program

To achieve significantly greater reach to diverse groups and further align with the Pental Group's D&I Strategy to build a pipeline of talented female investors, Pental Australia joined an industry working group in November 2017 as a foundation member.

Branded Future IM/Pact and led by Mercer, the group consists of Chief Investment Officers, Portfolio Managers, senior investment professionals and Human Resources practitioners from asset manager and owner partner organisations.

The core objective of the program is to attract more diverse talent to the Investment Management industry. Accordingly, the group has developed an industry Employee Value Proposition to appeal to people from all backgrounds. A dedicated website has also been created to provide information about how to start an investing career and gain exposure to the industry through internship, graduate, mentoring and networking opportunities. The site is being promoted through social media, industry and university associations and was used to advertise Pental Australia's summer 2018 investment team internships.

The economies of scale and collective ideas of the working group represent a strong contribution to the Investment Management industry and the initiative demonstrates Pental Australia's commitment to D&I.

##### 4.7.2.2 Participation in the Career Returners Program

As a founding member in 2016, Pental Australia's participation in the Career Returners' Program continued for a third successive year, recognising the role of the program as an additional talent pool to draw from when recruiting and aligning with our D&I Strategy to increase female talent within the business. The intent of the program is to provide qualified and experienced senior women with meaningful work arrangements that enable them to return to corporate work following a significant career break.

Our participation in the program this year has seen another career returner being employed within Pental Australia.

### 4.7.2.3 Increasing female investor representation

In pursuit of increasing female representation across the investment platform and encouraging the participation of women in the funds management industry, Pental Australia's Investment Intern Program ran once again this year. Female penultimate year university students were selected to undertake eight-week Investment Analyst placements over the University summer break in the Global Equities and Responsible Investments teams.

### 4.7.2.4 D&I internships and Work Experience

JOHCM has run a number of work experience, apprenticeship and internship programs across different businesses. This is part of a concerted effort to build a diverse talent pipeline into the organisation and identify future talent. A notable success has been the American Sales Internship Program that resulted in a female intern being permanently hired into a Business Development Associate role this year. JOHCM's London office also hosted a number of work experience placements throughout the 2018 Financial Year for students to gain insight into the workings of an investment management business. Students came from a range of educational institutions including schools from the more disadvantaged areas of London. Further information about this charity is provided in section 4.9 Contributing to our communities.

### 4.7.2.5 Gender Diversity Study

JOHCM participated in a Gender Diversity Study facilitated by McLagan, a leading provider of reward surveys across the investment management industry. The survey focused on gender metrics and initiatives as well as D&I more broadly and provided data which enabled the business to assess how it is positioned against other investment firms in the industry. It also provided insight into the types of D&I activities being implemented by peers.

### 4.7.2.6 Employee Family Forums

JOHCM is committed to gaining employee feedback and participation in D&I initiatives and discussions. This Financial Year JOHCM hosted forums with female employees across the business, focusing predominantly on family related issues, including supporting employees returning to the workplace from parental leave. Issues discussed and feedback gathered has resulted in improved

facilities for mothers in the workplace and enhancements to JOHCM's parental leave pay offering, which was already above the statutory requirements. JOHCM plans to run this forum on a more regular basis in Financial Year 2019 and invite a broader group beyond female employees in order to discuss a wide range of issues.

### 4.7.2.7 Socio-Economic Diversity

During the 2018 Financial Year JOHCM commenced an alliance with the School-Home Support Charity. The charity works with children and families from a range of educational institutions, including schools from the more disadvantaged areas of London, to bring them in to U.K city offices. The objective of the program is for these families to better understand the myriad of roles and career opportunities that exist in corporations, to break down barriers to employment, maximise educational opportunities and improve life chances. The first JOHCM 'Aspirations' forum is to be held in November 2018.

### 4.7.2.8 Women's development initiatives

To support the D&I commitment to develop women in senior leadership, coaching and leadership training was provided to high-potential female senior managers, team leaders and emerging leaders over the last 12 months.

### 4.7.3 Workforce Gender Equality Agency Report

Pental Group submitted its annual report to the Australian Workplace Gender Equality Agency (WGEA) in May 2018. The report provides a breakdown of gender composition and average pay across all organisational levels. It also outlines work practices and policies which support gender diversity. The report can be accessed in the shareholder centre of the Pental Australia website.

### 4.7.4 Gender pay equity

Each year as part of the Annual Remuneration Review, businesses across the Pental Group undertake gender pay gap analyses comparing pay levels for comparable roles. This is a standard salary review and benchmarking process that occurs annually. Pay equity is monitored ongoing through the year when hiring new and promoting existing employees. While to date no gender pay equity issues have been identified, it remains an area we continue to proactively monitor.

### 4.7.5 D&I industry memberships

Pental Australia maintained its memberships with the Women in Banking & Finance Group, the Diversity Council of Australia and the NSW Equal Employment Opportunity Practitioners' Association (NEEOPA) this financial year. These memberships ensure the business keeps abreast of leading edge D&I research, insights and thought leadership, and provide access to industry networks, specialists and online resources.

### 4.7.6 Flexible work arrangements

During the 2018 Financial Year the Pental Group continued to offer policies and practices designed to support flexible work arrangements, promote D&I and foster work-life balance, whatever the employee's stage of life. This included:

- Working from home
- Part-time work
- Compressed working hours
- Purchased leave (of up to four weeks per year)
- Paid parental leave (over and above legislative entitlements)
- Continued benefits during parental leave
- Leave and support available under the Domestic Violence Support Policy
- Superannuation during unpaid parental leave
- Timeout and career breaks
- Job sharing

#### 4.8 Health, Safety & Wellbeing (HSW)

Pendal Group is dedicated to providing a safe and healthy work environment, where employee wellbeing is paramount. At a minimum, while on our premises, all employees and visitors can expect to be free from work-related injuries and illnesses. The Group fulfils its responsibility by:

- Eliminating or minimising health and safety risks
- Monitoring measureable objectives and targets to continuously improve health and safety performance
- Providing consultation where appropriate and when there is an impact on work health and safety
- Providing information, instruction, training and resources to ensure people can do their job safely
- Receiving and responding to health and safety incidents, hazards and near misses
- Complying with WHS regulation and legislation

To fulfil this responsibility and maximise employee attraction, retention, engagement, and performance, the overarching objectives of the Health, Safety & Wellbeing (HS&W) Strategy are to:

- Ensure the health, safety and wellbeing of employees
- Develop HS&W leadership and capabilities
- Embed a HS&W Management System (HS&WMS) that supports robust risk prevention, identification, elimination and minimisation
- Maintain compliance with Work Health & Safety legislation

##### 4.8.1 HS&W Management Plan

In line with Pendal Australia's 2018 Financial Year HS&W Management Plan, key HS&W performance metrics and information was regularly provided to the Pendal Group Limited Board and Pendal Global Executive Team. This enabled Pendal Group Work Health & Safety Officers to meet their due diligence obligations.

Quarterly wellbeing events also took place across Pendal Australia in the 2018 Financial Year. Approximately one third of the workforce participated in on-site mindfulness sessions, health checks, yoga classes, flu vaccinations and massages, demonstrating the strong value that employees place on these activities.

New initiatives offered at Pendal Australia this year centred on promoting mental wellbeing. This included mindfulness seminars focused on stress reduction techniques that enhance cognitive awareness, resilience, concentration and clarity of mind.

Another example was the 'Fit 24' team challenge that was rolled out through the month of March. It involved teams of employees working together to reduce daily sugar intake, increase physical activity and prioritise more sleep per day, in order to better manage stress and improve resilience levels.

This initiative was introduced to address key WHS business risks of stress, diet and fatigue, that were identified in health checks conducted in the 2017 Financial Year and which feature in the organisation's HS&W Risk Register.

Further information about the material HS&W risks facing the business and the strategies and controls that the Group has in place to manage them is summarised in Table 4 of the Pendal Group's 2018 Corporate Governance Statement.

#### 4.9 Contributing to our communities

The Pendal Group actively contributes to the community by supporting charitable organisations and initiatives that improve the social wellbeing of the communities in which the Pendal Group operates.

Pendal Australia and JOHCM centrally manage and champion charitable endeavours for employees across each organisation. This includes the coordination of fundraising initiatives, volunteering and events.

This financial year, Pendal Australia became a Strategic Charity Partner for the Running for Premature Babies Foundation (RFPBF). The RFPBF raises money to fund lifesaving equipment and research for babies born prematurely.

The Committee's support and fundraising for RFPBF included:

- A Christmas Tree Drive of wraps and blankets for all baby beds in the Neonatal Intensive Care Unit at Sydney Children's Hospital in Randwick
- Proceeds from sales of the fundraising Entertainment Book
- Provision of branded hats for 500 RFPBF team runners in the Sydney Morning Herald Half Marathon
- Coordination of an office trivia night

Other community initiatives included participation in the JP Morgan Corporate Challenge and support for the Wayside Chapel's 'Donate a Plate' campaign, providing Christmas lunch to homeless people on Christmas Day.

In the 2018 Financial Year, the JOHCM Charity Committee organised a number of activities to raise money for local and national charities including:

- Morning tea drives for the Macmillan Charity (that supports cancer patients and their families) and to support employees participating in the London Marathon
- Christmas fundraising events for Target Ovarian Cancer and Sharefound, including a Christmas Jumper Day for Save the Children
- Coordination of a London office quiz night with proceeds going to the SWAN UK charity (that supports families affected by undiagnosed genetic conditions)
- An office indoor bowling evening for Richard House Children's Hospice
- Corporate donations to Bowel & Cancer research, the Cystic Fibrosis Foundation and the School-Home Support charities

During the 2018 Financial Year, the JOHCM Charity Committee worked with the School-Home Support Charity to develop an initiative in which parents and children will attend the London office to learn about the business and the types of jobs and careers JOHCM offers.

All charity money raised by employees was matched by the company. Employees were also supported to volunteer their time through the provision of special leave.