

# Corporate Sustainability & Responsibility Overview

## We recognise the benefit of identifying and managing ESG matters, not only for our investments, but also within our business operations.

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 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 are contained within the Corporate Sustainability & Responsibility report which can be found online at [annual-report-2018.pendalgroup.com/csr](https://annual-report-2018.pendalgroup.com/csr) as well as within the Risk Management section on pages 16 and 17 of the 2018 Annual Report.

A summary of key issues and progress made during the year is set out below:

Material Items During 2018	Highlights
<b>Considering ESG within investment processes</b>	 Commenced reporting aligned with the Task Force on Climate-related Financial Disclosures (TCFD) framework
	 85% of active engagements by Regnan have demonstrated progress on material ESG issues since first engaged
	 Engaged with over 39 ASX-listed companies on climate-related risks, and over 27 on TCFD disclosures, either directly, or indirectly via Regnan
	 Signed on to the Climate Action 100+ initiative, working with other investors to seek company action on climate change
	 Further deepened the consideration of ESG factors across asset classes, including Sustainable Development Goals (SDGs) mapping and ESG training in fixed income
	 Launched the Pental Sustainable Future Australian Share Portfolio (featuring a fossil fuel-free Ethical and Sustainability strategy)
<b>Human Capital Management</b>	 Maintained 50% female representation at Board level which exceeds our target of 40%
	 Increased female representation at the Executive level from 29% to 32% against a target of 40% to be achieved by 2023
	 Increased female participation in investment management through company-specific initiatives and also as founding members of industry-wide diversity initiatives, including the Mercer Future IM/Pact Program and the Serendis Career Returners Program
	 Participated in McLagan Gender Diversity Study focused on the investment industry in the UK
<b>Ethical Conduct</b>	 Strong commitment to Group internship, apprenticeship and work experience programs targeted at increasing the pipeline of diverse talent from a socio-economic and gender perspective
	 Introduced an independent whistleblowing mechanism
<b>Corporate Citizenship</b>	 The Pental Group engaged in volunteering and fundraising activities in support of a number of charities, including but not limited to: The Running for Premature Babies Foundation, School Home Support Charity, Indigenous Marathon Foundation, Macmillan Charity, The Wayside Chapel, Richard House Children's Hospice



One of the key global initiatives to tackle climate change.

An investor-led initiative to engage with companies with significant risks associated with the transition to a lower carbon economy to improve governance on climate change, curb emissions and strengthen climate-related financial disclosures.

Published initial TCFD disclosures

Engaged with over **27 companies** on TCFD disclosure

### Diversity & Inclusion

Progress on gender targets for the 2018 Financial Year



### Commitment & Initiatives

- Commitment to increasing female representation in investment management - Founder member of Mercer Future IM/ Pact Program and Serendis Career Returners Program
- Pental Group continues to maintain membership with key industry bodies, including Diversity Council Australia, NEEOPA, Women in Banking and Finance
- Focused on increasing the pipeline of diverse talent from a socio-economic and gender perspective

### Responsible Investment = Active ownership



#### Company research

Understand stock, specific industry and mega trends



#### Identify risks

Avoid value destruction and reputational risk



#### Corporate engagement

Improve financial & ESG outcomes with management & board



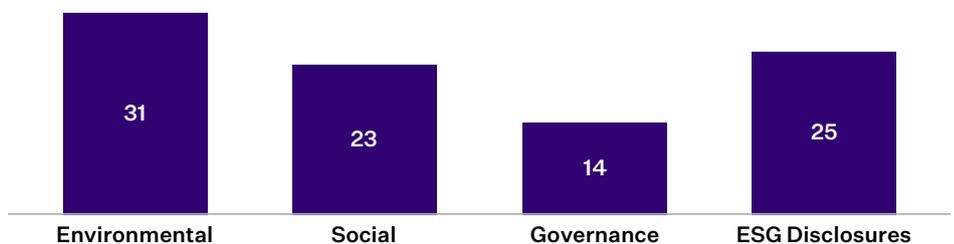
#### Proxy voting

Ensure the board is representing investor interests

### Change evident following engagement

Number of companies, Year to 30 June 2018

Engaged by Regnan



More details on these, and other initiatives, are available online at [annual-report-2018.pentalgroup.com/csr](http://annual-report-2018.pentalgroup.com/csr)

