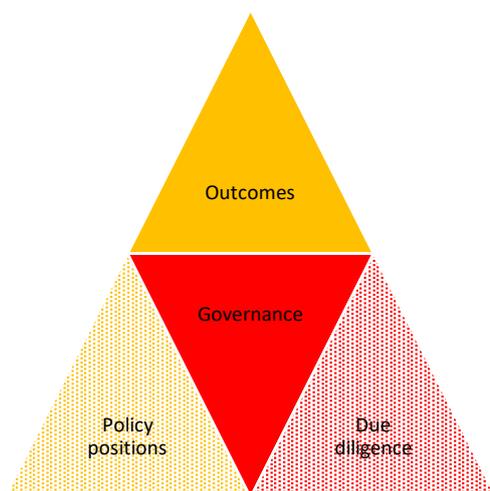


PENDAL GROUP YEAR 1 REPORT FINANCIAL SERVICES HUMAN RIGHTS BENCHMARK

Company Name	PENDAL GROUP LIMITED
Industry	funds management
FY end	30 September 2019
Revenue FY19	\$491.329 m
Employees	346
Retail divisions	Pendal Australia (products sold to retail clients)
CLIS divisions	Pendal Australia, Pendal International (institutional, wholesale and Westpac other funds)
Law reform contributions	None in our sample
Overall level of disclosure	Limited disclosure

Our overall rating of Pendal Group’s human rights performance for each domain is set out below



RETAIL: AMBER

We consider Pendal Group’s investment activities in the next section of our benchmark (CLIS). This area of the benchmark focuses on the relationship between Pendal Group and its retail customers.

There is no recognition by Pendal Group of how its activities can have human rights impacts for its retail customers in the holistic sense we envisage with our benchmark. We did not find evidence of governance of this risk. While we could identify some policy positions around aspects of our human rights categories, we were not able to view many of these. We were also unable to find policies on anti-discrimination, health and safety, or right to remedy.

Given the absence of broad governance of this risk and a lack of clarity around policy positions to cover each of the six human rights categories, we were not surprised to find no feasible human rights due diligence process. We understand from commentary that Pendal Group undertakes customer due diligence in relation to its AML/CTF and Sanctions policies, but it is unclear what happens beyond this.

In terms of outcomes, we note an absence of information from Pendal itself on this area of its operations. While we found no evidence of regulator attention arising from its treatment of retail customers, nor evidence of customer complaints to AFCA, we also found evidence of Canstar ratings of some of Pendal’s retail investment funds with none of its fund scoring a 5-star rating.

COMMERCIAL LENDING INVESTMENT AND SERVICES (CLIS): AMBER

Investment activities are a core area of Pendal Group’s operations.

One challenge facing Pendal Group in governing human rights risks in its investment activities arises from its boutique fund manager approach. There appears to be a hands-off approach to fund governance at the group Board level, but more attention at the subsidiary board and at executive level.

Our review of investment policies to understand a group position on human rights risks and the due diligence processes to detect it found only vague references to ‘ESG’, with some attention to environmental issue but little attention to social issues. Our review of its 2019 UN PRI Transparency Report appears to indicate decisions around ESG integration are at the fund level. There was meaningful discussion of the social factors considered across the Group’s funds. Its responsible investment policy and approach document does not provide any elucidation on these points, instead emphasising its active investor approach to include engagement and proxy voting.

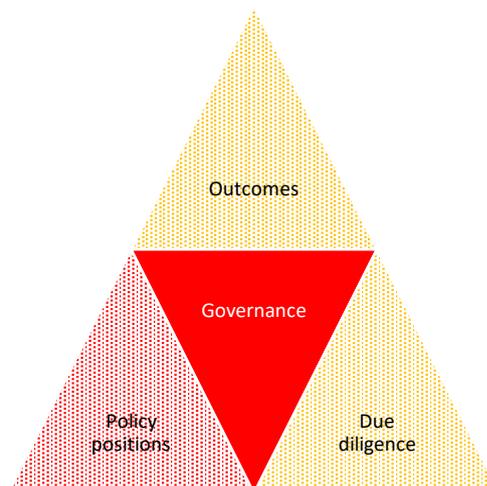
We appreciate that there is an investment due diligence process that occurs, but what is unclear is how human rights is taken into consideration as part of this. We found references to incident management from the conduct of its investee companies (and governments in its fixed income portfolios). And with the ability to ‘red flag’ a company (or sovereign issuer), there does not appear to be a restriction on investment in these entities.

In terms of outcomes, we note our earlier comment about the boutique fund approach and the decentralised model of investment policy and decision-making. It is not clear that Pendal Group undertakes this analysis for environmental impact of its investments across all of its funds. It is not certain that Pendal Group has yet undertaken this analysis for the human rights impacts of its investments.

This report is presented for the purpose of disseminating information and research findings for the benefit of the public. It has been prepared on the basis of evaluation of human rights performance based on publicly available material for the 22 ASX listed entities included in the sample.

The University of Sydney (“University”) makes no representations or warranties as to the accuracy, completeness, or reliability of the information contained in the report, and accepts no legal liability whatsoever arising from, or connected to, the material contained in this report.

The information contained in this report is not intended to constitute legal, tax, financial or investment advice and nothing in the report is intended to imply any recommendations or opinions. The University recommends that users make their own independent judgements or seek independent advice with respect to the information contained in this report.



PENDAL GROUP YEAR 1 REPORT FINANCIAL SERVICES HUMAN RIGHTS BENCHMARK

EMPLOYEES: AMBER

Pendal Group is one of the smaller employers in our FSE sample. Its public disclosures convey the importance of its key employees to its success. These disclosures also convey the vulnerability of its operations to staff departures.

Our assessment of governance of this risk revealed many gaps across our six human rights categories. For example, we note that the Audit and Risk Committee receives reports on whistleblowing: what reports does that committee or, indeed any of the Board sub-committees or the full Board, receive about employee health and safety matters, or employee grievances and disputes that aren't addressed through whistleblowing? Similarly, we note the Remuneration and Nominations Committee considers remuneration for the Group CEO and their direct reports: what oversight does this committee, or the Board itself, have over remuneration in the rest of the Pendal Group.

We found evidence of a broad suite of policies to manage aspects of human rights risks in this area of its operations. There are strong statements of support for a diverse and inclusive work place. We found evidence of flexible workplace

practices, work health and safety policies, superannuation payments for staff on unpaid parental leave. We were unable to see the details of many of its policies for employees, even by way of a summary, and our coding reflects this lack of information.

We also found little evidence to suggest a feasible human rights due diligence across our six human rights categories. In terms of outcomes, we note the diversity performance while also noting disclosures that suggest there are no gender pay equity issues that are not able to be explained or justified. We were unable to find that explanation or justification.

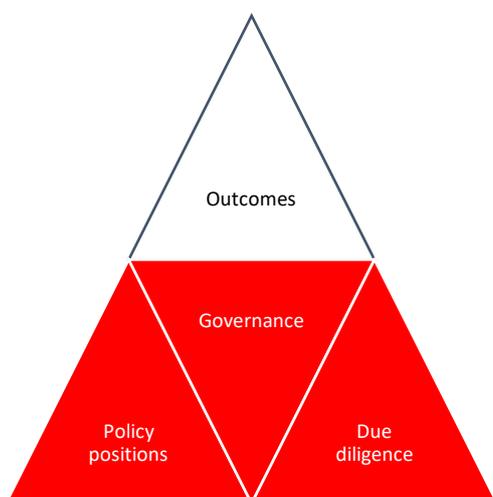
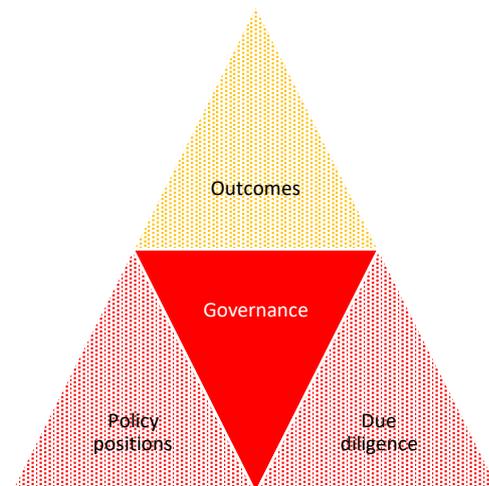
SUPPLY: RED

Pendal Group has not yet released its first statement under Australia's Modern Slavery Act reporting requirements.

We found no prior mention of its supply chain in its FY19 documentation, nor could we find any references to policies to govern this area of its operations.

We therefore were unable to code any of the underlying risk management factors – governance, policy positions or due diligence – at a level higher than red.

Our coding for outcomes is common across all of our FSE sample.



SOCIETY: RED

There is no recognition at Board level of public policy advocacy as a source of human rights risk.

This means there is no governance framework to manage this risk, nor are there appropriate policy positions or a feasible human rights due diligence to assess and respond to this risk.

Pendal did not make any submissions to the reforms included in our sample. We note Pendal commentary seeking to raise awareness of environmental and social issues within the financial services community.

We observed its contributions to various investor-led initiatives in the area of climate change and sustainable finance, but note that this is not the same as Pendal using its voice to contribute publicly to law reforms in areas that touch on its business operations in ways that promote consideration of relevant human rights impacts.