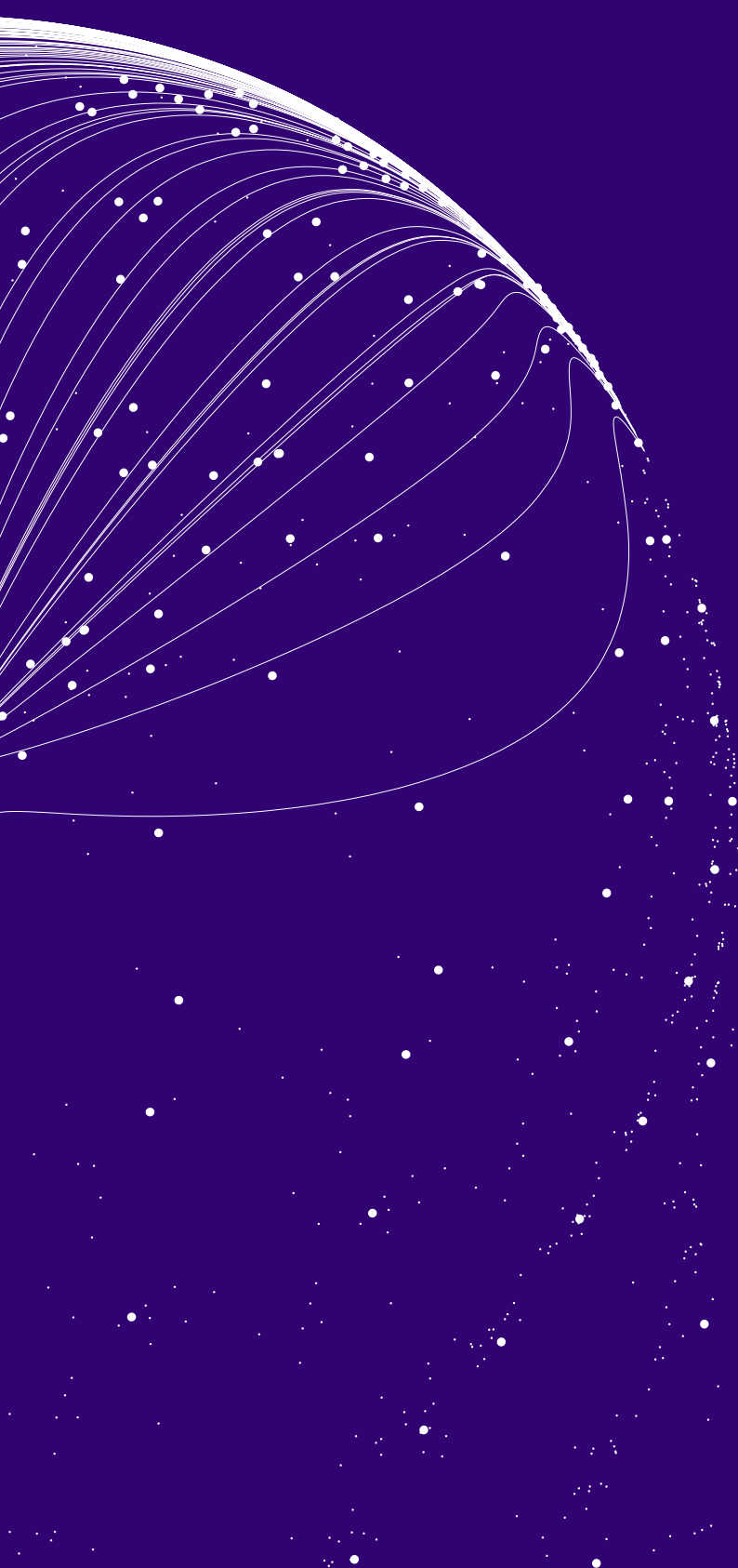


PENDAL

Corporate
Governance Statement
2018



Corporate Governance Statement 2018

Introduction and Purpose

On 27 April 2018, shareholders of Pandal Group Limited (**the Company**) approved the change of company name from BT Investment Management Limited to Pandal Group Limited.

This Corporate Governance Statement sets out the extent to which the Company's corporate governance practices for the year ended 30 September 2018 follow the third edition of the Corporate Governance Principles and Recommendations published by the ASX Corporate Governance Council (**ASX Recommendations**). This statement also addresses:

- Pandal Group's corporate governance framework
- key risks and Pandal Group's response to mitigating these risks, and
- other governance issues and tax information provided in accordance with the voluntary Tax Transparency Code published by the Board of Taxation.

This statement was approved by the Board on 8 November 2018.

ASX Principle 1 - Lay solid foundations for management and oversight

Recommendation 1.1

A listed entity should disclose:

- (a) the respective roles and responsibilities of its board and management; and
- (b) those matters expressly reserved to the board and those delegated to management.

The role of the Board and management

The Board is responsible for the governance of the Group and has reserved a number of responsibilities to the Board. These responsibilities are set out in the Board's Charter and include:

- appointing the Group CEO
- approving the Group's strategic plan and annual budget
- overseeing management's implementation of the Group's strategic plan and its performance against the annual budget
- approving the appointment of members of the Global Executive Committee
- approving significant Group policies
- approving the half year and year end financial statements and reporting documents
- approving dividends
- reviewing the performance and independence of the external auditor, and
- setting the Group's risk appetite and monitoring the effectiveness of the Group's risk management policies and procedures and the adequacy of its internal control mechanisms.

Delegation to management

The Board has delegated management of the Group's day-to-day operations to the Group Chief Executive Officer & Managing Director (**Group CEO**). Authority delegated by the Board to the Group CEO must be exercised:

- within the strategy and risk appetite approved by the Board
- in accordance with approved policies, and
- subject to specific regulatory obligations.

The Group CEO may sub-delegate any authority granted by the Board and is accountable to the Board for all decisions made in accordance with delegated authority.

Recommendation 1.2

A listed entity should:

- a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and
- b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

Director selection

Non-Executive Directors are appointed by the Board, following a recommendation from the Board's Remuneration & Nominations Committee (**RNC**). In making recommendations to the Board, the RNC has regard to:

- the collective skills and experience required by the Board to effectively discharge its duties
- the future composition and size of the Board, including the number of independent directors on the Board, and
- the background, experience, professional skills and personal attributes of the candidates.

Appropriate background checks are undertaken before a person is appointed as a Director of the Company.

Director appointment

When a Director faces election, or re-election, the Company provides shareholders with all material information in its possession, relevant to whether shareholders should elect or re-elect the Director, including:

- the Director's qualifications and experience
- details of other directorships currently held by the Director
- whether the Board considers the Director to be an Independent Director
- the length of time the Director has served on the Board, and
- a recommendation from the Board in relation to the election or re-election of the Director.

Recommendation 1.3

A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

Non-Executive directors

Non-Executive Directors are appointed by way of a formal letter. The letter sets out the key terms and conditions of the Director's appointment including such matters as:

- the term of the appointment
- the Company's expectations of Directors including their expected time commitment, duties to the Company, meeting attendance and preparation
- committee membership
- remuneration, including superannuation entitlements
- the Director's obligations to disclose details of their interests in the Company's securities and any matter which may impact on their independence
- education and training
- details of significant Company documents including key policies, and
- indemnity and insurance arrangements.

Senior Executives

At the time of their appointment, the Company enters into written agreements with the Group CEO and key management personnel. Further detail about the executive employment agreements entered into with key management personnel are contained in the 2018 Remuneration Report.

Recommendation 1.4

The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

Company Secretary

The Board is responsible for the appointment of the Company Secretary. The Company Secretary is accountable directly to the Board through the Chairman, on governance matters and all matters relating to the proper functioning of the Board. Details of the experience and qualifications of the Group Company Secretary, Joanne Hawkins, are set out in the 2018 Directors' Report.

Recommendation 1.5

A listed entity should:

- a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;
- b) disclose that policy or a summary of it; and
- c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:
 - 1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or
 - 2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

Diversity & Inclusion at Pandal Group

To enable the contribution of divergent views and perspectives, Pandal Group is committed to creating an inclusive workplace that promotes and values employee diversity. This includes, but is not limited to, supporting individual differences in view, personal and/or work experiences, lifestyle, ethnicity, culture, age, gender, disability, marital status, religion, sexual orientation and education. Diversity not only strengthens business innovation, decision-making and risk management, it also provides superior client outcomes and returns to shareholders. Clients are also increasingly seeking assurance that their investments are being actively managed by diverse talent.

Pandal Group's commitment to Diversity & Inclusion (**D&I**) is reflected in our D&I Policy and is supported across the business by our D&I Strategy.

D&I Strategic Priorities

Pandal Group is focused on the following strategic priorities:

- encouraging broad diversity across all levels and areas of the business particularly within the senior ranks and emerging talent pool
- mitigating leader/key decision-maker 'bias' which impacts on recruitment, promotion and development business decisions
- embedding organisational culture, values and leadership behaviours that support a diverse and inclusive work environment
- developing women in senior leadership roles
- increasing female representation across the investment platform, and
- operationalising flexible work practices across all organisational levels and business units.

Progress against D&I Gender Targets

In the 2017 Financial Year, the Board revised and approved gender targets at Board and Executive level to be pursued from 2018 and ultimately achieved by 2023. Progress against these targets is regularly reviewed by the Board.

The table below highlights the progress made in achieving these targets as at 30 September 2018, compared to 30 September 2017:

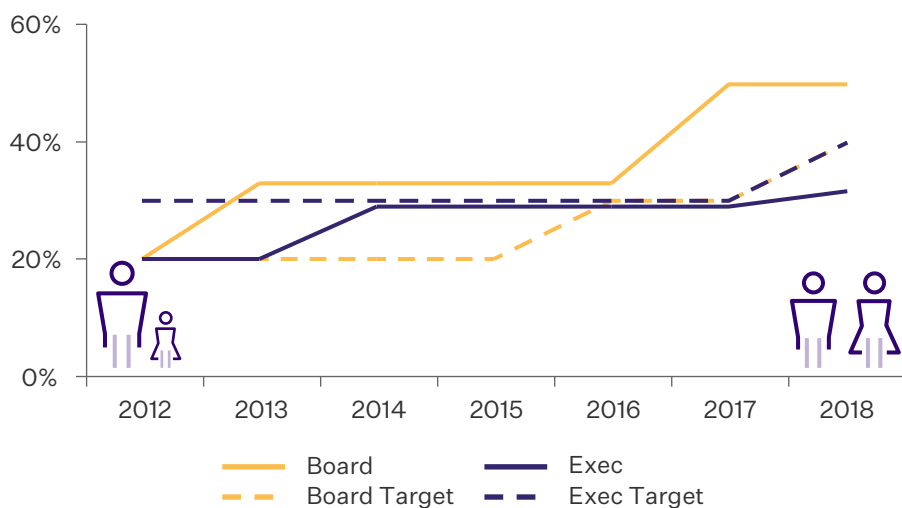
D&I Gender Target	Progress as at 30 September 2017	Progress as at 30 September 2018
A minimum of 40% female representation on the Pental Group Limited Board	50%	50% The Board target continued to be exceeded this year as it was in the 2017 Financial Year with females representing half the Board members.
A minimum of 40% female representation at Pental Group Executive level	29%	32% The Pental Group Executive Teams include both CEO-1 and CEO-2 level employees aligned with the Pental Group Global Executive team structure. Female representation across the teams increased to 32% this financial year, compared to female representation in the 2017 Financial Year. This progress indicates that the business is on track to achieve the 40% Executive Team gender target by 2023.

Pental Group Gender Diversity

Across the Pental Group more broadly, female representation as at 30 September 2018 is 37%, which is consistent with the Pental Group's gender composition in Financial Year 2017.

The Chart below represents gender diversity at Board and Pental Group Executive Teams' level over time against the Financial Year 2023 targets established for each group.

Board & Executive Team Female Representation



Pendal Group's D&I Initiatives that support Gender Equality and a Diverse Workforce

Across the Pendal Group there are a number of programs and initiatives designed to build greater diversity and inclusion in our workforce. Each region is focused on specific D&I areas and programs.

Flexible Work Arrangements

This Financial Year, the Pendal 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
- support available under the Domestic Violence Support Policy
- superannuation during unpaid parental leave
- timeout and career breaks, and
- job sharing.

WGEA Report

The Pendal Group is a relevant employer as defined under the Australian Workplace Gender Equality Act. Accordingly, Pendal 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 levels of the organisation and outlines the work practices and policies which are in place to support gender diversity and pay equity. The report can be found in the Shareholder Centre on Pendal Group's website.

Pendal Australia's D&I Initiatives

Participation in Mercer's Future IM/Pact Program

To achieve significantly greater reach to diverse groups and align with the Pendal Group's D&I strategic priority to build a pipeline of talented female investors, Pendal 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 Pendal Australia's summer 2018 investment team internships.

The economies of scale and collective ideas of the group represent a strong contribution to the investment management industry and the initiative demonstrates the Pendal Group's commitment to D&I.

Participation in the Career Returners Program

As a founding member, Pendal Australia's participation in the Career Returners Program continued for a third successive year, utilising this initiative to access an additional pool of qualified female talent and aligning with our D&I Strategy to increase female talent within the business. The intent of the program is to replenish the industry's pool of talented senior women, by providing them with meaningful work arrangements and enabling their return to corporate work after a significant break from the workforce.

Participation in the program this year has again seen a Career Returner take up employment with Pendal Australia.

Increasing female investor representation

In pursuit of increasing female representation in the investment teams and encouraging the participation of women in the funds management industry, the Investment Intern Program ran once again this year. Female, penultimate year university students were selected to undertake 8 week Investment Analyst placements in our Global Equities and Responsible Investments teams over the university summer break.

Industry Memberships

Pendal Australia continued its memberships with the Women in Banking & Finance Group, the Diversity Council of Australia and the NSW Equal Employment Opportunity Practitioners' Association (NEEOPA). These memberships ensure that the organisation keeps abreast of leading edge D&I research, insights and thought leadership, and provide access to industry networks, specialists and online recourses.

JOHCM's D&I Initiatives

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.

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.

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 have 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 the 2019 Financial Year and invite a broader group beyond female employees in order to discuss a wide range of issues.

Socio-Economic Diversity

This 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 UK 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.

Further information about Pendal Group's D&I Strategy and targets, as well as the D&I initiatives that were implemented in the 2018 Financial Year to support the strategy, is provided in the Corporate Sustainability & Responsibility report, which is available on our website (www.pendalgroup.com).

Recommendation 1.6

A listed entity should:

- a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and
- b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Board performance

The Board conducts periodic evaluations of the performance of the Board, its Committees and individual Directors.

An independent review of the performance of the Board, its Committees and Directors was undertaken during the 2018 Financial Year with the objective of assessing risk and looking to areas in which the Board could strengthen and enhance its performance. The process involved observing Board meetings and interviewing executives and Board members to form detailed insights and recommendations.

In overview, the assessment considered the Board's access to accurate, timely information necessary to govern properly; structural and process issues associated with oversight of a global company; leadership and company culture; board composition and succession planning and maintenance of a board dynamic of intellectualism and robust discussion and debate. Individual Directors also received feedback on their own performance. The Board is currently reviewing the recommendations, all of which are likely to be adopted or adapted.

Recommendation 1.7

A listed entity should:

- a) have and disclose a process for periodically evaluating the performance of its senior executives; and
- b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Executive performance evaluation

The RNC reviews and approves the annual performance objectives and measures of the Group CEO. As part of Pental Group's performance management cycle, the performance of the Group CEO and members of the Global Executive Committee is reviewed and evaluated at the end of each financial half year and full year. Performance is reviewed and evaluated against previously agreed objectives which are based on financial, non-financial and risk-focused criteria.

ASX Principle 2 - Structure the board to add value

Global Group Structure

Since the acquisition of J O Hambro Capital Management Limited (**JOHCM**) in 2011, Pandal Group has transformed into a global asset management business, which is reflected in its increased scale, its global footprint and its amplified complexity. Now, over half of funds under management and over three quarters of profits are generated outside of Australia.

In response, Pandal Group has established a Global Executive Committee and in the 2017 Financial Year Pandal Group Limited Non-Executive Directors were appointed to the board of J O Hambro Capital Management Holdings Limited (**JOHCM Holdings**) to support the Group's global governance framework. Pandal Group Limited and JOHCM Holdings board and committee meetings are conducted in an omnibus arrangement.

Board and Committees

As at 30 September 2018, the Board comprised six Directors: 5 Non-Executive Directors and the Managing Director. The roles of Chairman and Managing Director are performed by different individuals.

During the year, the composition of the Board underwent two changes: Meredith Brooks retired as a director on 30 April 2018 after serving 5 years on the Board. Sally Collier was appointed as a director on 2 July 2018.

The current committees of the Board are:

- the Audit & Risk Committee
- the Remuneration & Nominations Committee.

The composition of the Board and its Committees during the 2018 Financial Year is set out in Table 1:

Table 1

Name	Status	Audit & Risk Committee	Remuneration & Nominations Committee	Year Appointed
James Evans	Independent Non-Executive Chairman	-	-	2010
Emilio Gonzalez	Managing Director & Group CEO	-	-	2010
Meredith Brooks ¹	Independent Non-Executive Director	-	Chair ¹	2013
Sally Collier ²	Independent Non-Executive Director	Member ²	Member ²	2018
Andrew Fay	Independent Non-Executive Director	Member ³	Chair ³	2011
Kathryn Matthews	Independent Non-Executive Director	Member	Member	2016
Deborah Page AM	Independent Non-Executive Director	Chair	-	2014

1. Meredith Brooks retired as a Director on 30 April 2018 and ceased to be Chair of the Remuneration & Nominations Committee on that date.

2. Sally Collier was appointed as a Director on 2 July 2018. Sally Collier was appointed as a member of the Remuneration & Nominations Committee and Audit & Risk Committee, effective from 2 July 2018.

3. Andrew Fay ceased to be a member of the Audit & Risk Committee effective from 2 July 2018. Andrew Fay was appointed as Chair of the Remuneration & Nominations Committee, effective from 30 April 2018.

Details of the background, experience, professional skills, expertise and location of each Director of the Company, in office as at 30 September 2018, are set out in the 2018 Directors' Report.

Corporate Governance Statement 2018 continued

Meetings

The number of meetings of the Board and Board Committees held during the 2018 Financial Year and the number of meetings attended by each Director is set out in Table 2:

Table 2

Name	Board		Audit & Risk Committee		Remuneration & Nominations Committee	
	A	B	A	B	A	B
James Evans	10	10	-	-	-	-
Emilio Gonzalez	10	10	-	-	-	-
Sally Collier	3	3	2	2	1	1
Meredith Brooks	5	5	-	-	3	3
Andrew Fay	10	10	4	4	5	5
Kathryn Matthews	10	10	5	5	5	5
Deborah Page AM	10	10	5	5	-	-

A - Meetings eligible to attend as a member of the Board or Committee.

B - Meetings attended as a member of the Board or Committee.

Recommendation 2.1

The board of a listed entity should:

(a) have a nomination committee which:

- (1) has at least three members, a majority of whom are independent directors; and
- (2) is chaired by an independent director,

and disclose:

(3) the charter of the committee;

(4) the members of the committee; and

- (a) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

Remuneration & Nominations Committee

The Board has established a Remuneration & Nominations Committee (**RNC**). The current members of the RNC are: Andrew Fay (Chair), Sally Collier and Kathryn Matthews.

Andrew Fay became Chair of the RNC on 30 April 2018, following the retirement of Meredith Brooks. Sally Collier was appointed as a Non-Executive Director on 2 July 2018 and was appointed as a member of the RNC, effective from that date.

All current members of the RNC are Independent Non-Executive Directors. The Chair of the RNC is an Independent Non-Executive Director.

The qualifications of the members of the RNC are set out in the 2018 Directors' Report.

The number of meetings held by the RNC and the attendance of each member of the Committee are set out in Table 2 (above).

Roles and responsibilities

The RNC's role is to review, report and make recommendations to the Board on the following matters:

- defining the Group's remuneration principles and the strategic objectives for remuneration frameworks
- executive remuneration policies
- the recruitment, retention and termination policies and procedures for the Group CEO and members of the Global Executive Committee
- performance hurdles and awards under each equity plan operating across the Group
- the appointment of new directors, having regard to the existing mix of skills and experience on the Board and ensuring that appropriate background checks are carried out
- policies relating to the remuneration of non-executive directors
- performance evaluation of the Board, Board Committees and individual Directors
- the re-election of directors, and
- the development of a Board succession plan.

The RNC operates in accordance with the terms of a written Charter approved by the Board, which can be found on our website (www.pendalgroup.com).

Recommendation 2.2

A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

Director skills and experience

The RNC assesses the collective skills, experience, diversity, independence and personal attributes the Board requires to effectively discharge its responsibilities.

In 2015 the Board formalised a skills matrix that identified the skills and experience that are critical to the effective functioning of the Board and that will add value to the Company's strategy and operations. The areas identified included:

- financial management and reporting
- business leadership, people and talent management
- asset management and financial services industry knowledge and experience
- knowledge and experience in the international financial services and asset management markets that are important to the current and future strategy of the Group
- governance and risk management, including regulatory and technology evolution, and
- client and external stakeholder management.

As part of its responsibility to regularly evaluate the capacity of the Board, the RNC assessed the incumbent Directors' collective skills and experience against this matrix. This evaluation revealed two areas where additional capability would be valuable: current international financial services expertise and relevant strategic technology insight.

The appointment of Kathryn Matthews to the Board in December 2016 specifically addressed the first, and most pressing, requirement. Kathryn is UK-based with extensive funds management experience in Asia and North America over her 30 year executive career. Subsequently, Sally Collier was appointed to the Board with effect from July 2018. Sally is now based in Australia and has over 30 years' experience in financial services including as a senior executive in both the UK and Hong Kong. Christopher Jones has also been appointed to the Board with effect from November 2018. Christopher is US based and has significant experience over his 30 year career in financial services as both a Chief Investment Officer and Portfolio Manager in the US. Specialist external advice to the Board will be sourced as required to provide insight and depth to strategic technology decision-making.

The Board has also identified a number of personal character attributes that each Director must possess. These attributes reflect the Company's culture and are essential to the effective operation of the Board:

- integrity
- accountability
- gravitas
- collegiality
- good listener
- communicator
- appetite to learn.

Recommendation 2.3

A listed entity should disclose:

- (a) the names of the directors considered by the board to be independent directors;
- (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and
- (c) the length of service of each director.

Director Independence

The RNC assesses the independence of the Directors on an annual basis, as part of the Company's annual reporting and Annual General Meeting processes. The RNC also considers the independence of a Director at the time of their appointment; when they face election or re-election as a Director; or if there is a change to the Director's interests, positions, associations or relationships that may impact upon the Director's independence.

When considering whether a Director is independent, the RNC and the Board has regard to the factors set out in Box 2.3 in the ASX Recommendations. These elements include whether the Director:

- is, or has been, employed in an executive capacity by the entity or any of its child entities and there has not been a period of at least three years between ceasing such employment and serving on the Board
- is, or has within the last three years been, a partner, director or senior employee of a provider of material professional services to the entity or any of its child entities
- is, or has been within the last three years, in a material business relationship (e.g. as a supplier or customer) with the entity or any of its child entities, or an officer of, or otherwise associated with, someone with such a relationship
- is a substantial security holder of the entity or an officer of, or otherwise associated with, a substantial security holder of the entity
- has a material contractual relationship with the entity or its child entities other than as a director
- has been a director of the entity for such a period that his or her independence may have been compromised.

The Board considers all Non-Executive Directors to be Independent Directors, including the Chairman.

The status and tenure of each Director is set out in Table 1.

Recommendation 2.4

A majority of the board of a listed entity should be independent directors.

The Board is comprised of a majority of Independent Directors, being James Evans (Chairman), Sally Collier, Andrew Fay, Kathryn Matthews and Deborah Page. Emilio Gonzalez is the Group CEO and is therefore not considered to be an Independent Director.

Recommendation 2.5

The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

Chairman of the Board

James Evans is the Independent Non-Executive Chairman of the Board. James Evans was appointed the Chairman of the Board on 6 December 2013, having originally been appointed a Director of Pandal Group (formerly BT Investment Management Limited) in June 2010.

The role of the Chairman is to:

- chair meetings of the Board and general meetings
- provide leadership to the Board
- oversee the operation and function of the Board
- facilitate the effective contribution of all Directors to Board discussions
- oversee the process of evaluating the Board and individual Directors
- maintain an ongoing dialogue with the Group CEO and provide appropriate guidance and mentoring
- act as a public spokesman for the Board, and
- promote good relations between the Board and management.

The positions of Chairman of the Board and Group CEO are not held by the same person.

Recommendation 2.6

A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

Induction of Directors and ongoing education

Newly appointed Directors receive an extensive induction, which includes the provision of an Induction Pack containing all relevant corporate governance documents, including significant policies, previous annual reports and minutes of previous Board and Committee meetings. Directors also receive briefings on the Group's business, including risk and compliance issues, from senior executives and investment managers, and updates on changes in the regulatory environment affecting the Group. Directors receive appropriate training on regulatory and other issues which are relevant to the business.

ASX Principle 3 - Act ethically and responsibly

Recommendation 3.1

A listed entity should:

- (a) have a code of conduct for its directors, senior executives and employees; and
- (b) disclose that code or a summary of it.

Code of Conduct

The Company has a Code of Conduct which draws from and expands on its core values of integrity, honesty, respect, teamwork and high performance. The Code of Conduct applies to Directors, the Global Executive Committee and all other employees and is designed to assist them in their decision-making and behaviour. The principles underlying the Code of Conduct are:

- acting with honesty and integrity
- respecting the law and complying with all laws and regulations
- respecting confidentiality and not misusing information
- valuing and maintaining professionalism
- working collaboratively as a team
- managing conflicts of interest responsibly, and
- striving to be a good corporate citizen and achieve community respect.

The Code of Conduct is supported by a number of detailed policies that deal with a range of ethical issues and include the following:

- Conflicts of Interest Policy
- Trading in PDL Securities Policy
- Personal Account Trading Policy
- Anti-Money Laundering and Counter Terrorism Financing Policy
- Managing Fraud and Corruption Policy
- Discrimination & Harassment Policy
- Work Health & Safety Policy
- Whistleblower Protection Policy.

The Code of Conduct and associated policies are available to all employees on the Company's internal website. All new employees are required to familiarise themselves with the Code of Conduct as part of their induction training requirements.

A copy of the Code of Conduct can be viewed on our website (www.pendalgroup.com).

ASX Principle 4 - Safeguard integrity in corporate reporting

Recommendation 4.1

The board of a listed entity should:

(a) have an audit committee which:

- 1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
- 2) is chaired by an independent director, who is not the chair of the board, and disclose:

3) the charter of the committee;

4) the relevant qualifications and experience of the members of the committee; and

5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) If it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

Audit & Risk Management Committee

The Board has established an Audit & Risk Committee (**ARC**). The current members of the ARC are: Deborah Page (Chair), Sally Collier, and Kathryn Matthews.

Sally Collier was appointed as a member of the ARC on 2 July 2018 following her appointment as a Non-Executive Director in July 2018. Andrew Fay ceased to be a member on 2 July 2018.

All members of the ARC are Independent Non-Executive Directors and the Chair of the ARC is an Independent Non-Executive Director.

The qualifications of the members of the ARC are set out in the Company's 2018 Annual Report. Members of the ARC have an appropriate mix of qualifications and experience in finance and risk management generally and more specifically in relation to the investment management industry.

The number of meetings held by the ARC and the attendance of each member of the Committee are set out in Table 2.

Role and responsibilities

The primary role of the ARC is to oversee:

- the integrity of the Group's financial reporting
- the adequacy and effectiveness of the Group's internal control systems and risk management framework
- the appointment, remuneration, qualifications, independence and performance of the auditor of the Group's half yearly and annual financial statements
- oversight of the Internal Audit process, and
- compliance with applicable legal and regulatory requirements.

The ARC operates in accordance with the terms of a written Charter approved by the Board, which can be found on our website (www.pendalgroup.com).

Audit issues

The ARC has the following responsibilities in relation to audit matters:

- evaluate the independence of the statutory auditor at least annually, including making an assessment whether the statutory auditor is independent of the Company and that there are no conflicts of interest that could compromise the independence of the statutory auditor
- review statutory audit plans and audit fees
- discuss any issues relating to the conduct of the audit with the statutory auditor
- review the findings of statutory audits to ensure that issues are being appropriately managed and rectified, and
- periodically consult the statutory auditor in the absence of management.

The Group's statutory auditor is PricewaterhouseCoopers (**PwC**). PwC provides an independent opinion that the Group's consolidated financial statements represent a true and fair view of the Group's financial position and performance and comply with relevant regulations.

PwC receives copies of the agenda and papers for each ARC meeting. The statutory auditors attend the ARC's meetings when the half year and full year financial statements are being considered. The statutory auditors also attend other meetings when relevant items are on the ARC's agenda.

Members of the ARC are able to contact the auditors directly at any time. Similarly, the statutory auditors are able to contact the Chair of the ARC directly at any time.

Any non-audit services provided by PwC to the Company are approved by the Chair of the ARC.

Recommendation 4.2

The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

CEO and CFO assurance

Prior to the Board's approval of the half year and full year financial statements, the ARC and the Board receive a declaration from the Group CEO and the Group CFO that in their opinion:

- the financial records of the Group have been properly maintained
- the financial statements comply with the appropriate accounting standards, and
- give a true and fair view of the Group's financial position and of its performance during the relevant period.

The Group CEO and the Group CFO also declare that their opinions are formed on the basis of a sound system of risk management and internal controls that are operating effectively.

Recommendation 4.3

A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

The Company's statutory auditor attends the Company's annual general meeting and is available to answer questions from shareholders in relation to the conduct of the audit, the audit report, the accounting policies adopted by the Company in preparing the financial statements and the independence of the auditors.

Shareholders may submit written questions to the statutory auditor prior to the annual general meeting.

ASX Principle 5 - Make timely and balanced disclosure

Recommendation 5.1

A listed entity should:

- (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and
- (b) disclose that policy or a summary of it.

The Company is committed to promoting investor confidence and the rights of all shareholders by complying with the disclosure obligations contained in the Corporations Act and the ASX Listing Rules. It seeks to ensure that all market announcements are presented in a factual, clear and balanced way.

The Company has a Market Disclosure Policy, which sets out how it communicates with its shareholders and the market. The policy establishes a Disclosure Committee whose members include the Group CEO, the Group CFO, the Chief Executive Officer of Pental Australia, the Chief Executive of JOHCM and the Group Company Secretary.

The Disclosure Committee is responsible for managing compliance with the Company's disclosure obligations. The Disclosure Committee determines what information should be disclosed to the market and the form of that information. The Disclosure Committee is also responsible for assisting employees to understand the Group's disclosure obligations.

The Board retains responsibility for approving announcements of key significance such as:

- year end and half-year financial results
- earnings updates
- mergers and acquisition related announcements
- changes to corporate structures
- changes to Senior Executives or Key Management Personnel, and
- matters involving significant reputational and risk e.g. regulatory issues.

Our website includes copies of announcements lodged with the ASX by Pental Group Limited.

ASX Principle 6 - Respect the rights of security holders

Recommendation 6.1

A listed entity should provide information about itself and its governance to investors via its website.

Pendal Group Limited is committed to ensuring that all shareholders have equal and timely access to material information concerning the Group. It communicates to shareholders directly and by the publication of all relevant Company information in the Shareholder Centre of Pendal Group Limited's website.

All ASX announcements, reports, results presentations and other relevant documents are available in the Shareholder Centre of the Company's website.

Shareholders have the option to receive information from the Company either electronically or in hard copy.

Recommendation 6.2

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

The Company has a program of ongoing communication with its shareholders in which it provides concise and clear communication on matters that are relevant to shareholders and their investment in the Company.

The Company facilitates two-way communication with its shareholders by:

- making relevant information about the Company available to shareholders on its website
- encouraging shareholders to receive communications from the Company in electronic format
- encouraging shareholders to attend and participate in shareholder meetings, including by asking questions either at the meeting, or by submitting written questions in advance of the meeting
- the operation of a call-centre by the Company's share registry, Link Market Services, which shareholders can contact in relation to any questions they may have about the Company or to their shareholding.

Recommendation 6.3

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

The Company provides all shareholders with a notice of general meetings and endeavours to ensure that the contents of the notice of meeting are clear and concise.

The Company encourages all shareholders to attend and participate in general meetings of the Company. Shareholders may ask questions of the Board, management or the Company's auditors. Shareholders are also able to submit written questions prior to the meeting. These questions are reviewed prior to the meeting and the Chairman seeks to address as many of these questions as possible, at the meeting.

An Investor Relations Calendar is published on our website which sets out important dates relevant to shareholders (for example, the date the Company releases its full year results and the date of its annual general meetings).

Recommendation 6.4

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

Shareholders are able to elect to receive communications from the Company electronically. Shareholders are also able to send electronic communications to the Company, or to the share registry, Link Market Services.

ASX Principle 7 - Recognise and manage risk

The Group is a pure investment manager. We use our global investment expertise to manage investment risk and generate wealth for our clients. Our goal is to provide investment products that meet or exceed our clients' expectations. The key to our success is earning the trust of our clients over the long-term. We aim to grow our business by successfully investing over multiple market cycles. Our products are clear in their investment goals and transparent in their fees. Our culture encourages individuals to act with integrity and honesty and to value the interests of our clients as our first priority.

The Group has an established Risk Management Framework (**Framework**) in place to ensure risk management principles are met. The Framework is subject to regular review and stress testing to confirm its effectiveness.

The success of the Group's business is based on taking risks that are known, understood, assessed and managed in line with the Board approved Risk Appetite Statement. The Group seeks to proactively identify all material risks that may affect the organisation and ensure that these are managed appropriately. When assessing risk appetite, the Group has adopted risk posture statements, which specify the acceptable risk level for each of the identified risks. The Group's most conservative risk posture is in the management of critical areas such as key investment personnel, strategic alignment and execution, reputation (business and brand), behaviour and conduct, regulation, fiduciary obligations to clients and oversight of third party providers. This means that the Board has a narrower tolerance for these risks. In relation to risks associated with business growth and initiatives the Board accepts a higher risk appetite, consistent with its strategic objectives including investing shareholder funds in the form of seed capital to support growth.

Recommendation 7.1

The board of a listed entity should:

- (a) have a committee or committees to oversee risk, each of which:
 - (1) has at least three members, a majority of whom are independent directors; and
 - (2) is chaired by an independent director,and disclose:
 - (3) the charter of the committee;
 - (4) the members of the committee; and
 - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

The Board has established the Audit & Risk Committee (**ARC**). Details of the composition, structure and responsibilities of the ARC, including those relating to risk management, are set out under ASX Principle 4.

Recommendation 7.2

The board or a committee of the board should:

- (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and
- (b) disclose, in relation to each reporting period, whether such a review has taken place.

Corporate Governance Statement 2018 continued

The Group actively manages a range of business risks and uncertainties which have the potential to have a material impact on the Group and its ability to achieve its stated objectives. This includes the possible loss of funds under management (**FUM**) and accompanying revenue which may have a significant impact on the Group's profitability. While every effort is made to identify and manage material risks, additional risks not currently known or detailed below may also adversely affect future performance. The Board has identified the Group's material risks as outlined below.

Table 3

Key Risk	Risk Description	Risk Management
Strategic Alignment and Execution	<p>The risk that the Pandal Group's strategy is not aligned to future growth opportunities including the selection of appropriate products in the right geographies at the right time.</p> <p>The risk associated with the failure to effectively execute the Group's strategy and that the strategy does not produce the expected results.</p>	<ul style="list-style-type: none"> • Annual strategy and budget process, with outcomes approved by the Board • Employee objectives aligned to strategic objectives • Clearly articulated objectives and governance structure • Robust due diligence for acquisitions, engaging subject matter experts • Regular monitoring and strong reporting mechanisms
Talent	<p>The Pandal Group's performance is largely dependent on its ability to attract and retain talent and, in particular, key investment personnel. Loss of key personnel could adversely affect financial performance and business growth.</p>	<ul style="list-style-type: none"> • Long-term retention plans • Competitive remuneration structures in the relevant employment markets to attract, motivate and retain talent, with alignment to client and shareholder outcomes • Succession planning to develop or attract talent for sustainable growth • Maintenance of a strong reputation and culture which promotes an attractive workplace
Investment Performance	<p>The management of investment performance risk is a core skill of the Group. This is the risk that portfolios will not meet their investment objectives or that there is a failure to deliver consistent performance that meets or exceeds our client's expectations.</p> <p>The risk that our investors seek other investment products if we are unable to meet investment objectives.</p>	<ul style="list-style-type: none"> • Talent hiring and succession planning • Clearly defined investment strategies and investment processes within stated risk parameters • Regular investment performance reviews and analysis of investment risks across all asset classes and strategies • Investment monitoring performed independent of our portfolio managers
Changing Client Preferences	<p>The inability to respond effectively to changing client preferences with regard to products and solutions, fee structures, and asset classes.</p> <p>Such a risk could lead to offering investment products that are no longer in demand, loss of revenue from fee compression and FUM loss from the increasing prevalence of passive investment preferences in the market.</p>	<ul style="list-style-type: none"> • Management of a diverse product range which includes development of new product strategies with client engagement • Increasingly diverse product offering to address evolving investor needs • Ongoing monitoring and review of strategy • Ongoing fee reviews on all portfolios
Product and Revenue Concentration	<p>The risk of uneven distribution of exposure to particular sectors, geographic regions, clients and/or products.</p>	<ul style="list-style-type: none"> • Clear strategy targeted at diversity across investment strategies, style and geographies • Expanded distribution network broadening the client base across channel • Ongoing pursuit of new investment talent to broaden investment capability • Monitoring and reporting to assess areas of concentration which identify elevated thresholds

<p>Country and Regulatory Risk</p>	<p>The global operations of the Pandal Group are conducted in Australia, United Kingdom, United States, Singapore and Europe. There is a risk that the Group will not be able to effectively respond to regulatory change, or comply with multi-jurisdictional laws and regulations which could materially affect the business.</p> <p>Failure to effectively manage these risks may have an associated impact on operating costs through increased legal and compliance costs, and potential for regulatory sanctions and fines, which reduces profitability.</p> <p>The impending withdrawal of the UK from the European Union (EU) in March 2019 presents an increased risk of loss of revenue and the ability to manage and distribute funds into the EU.</p>	<ul style="list-style-type: none"> • Clearly defined compliance framework to meet compliance obligations • Established policies and procedures supporting the risk and compliance framework • Experienced and appropriate level of legal, risk and compliance resources to manage obligations, change and complexity • Regular and constructive engagement with regulators including participation on industry bodies • Brexit Steering Committee in place • Establishment of new Irish Management Company (subject to regulatory approval) • Ongoing monitoring, reporting and review of regulatory obligations and country risks, including new and proposed legislation
<p>Outsourced Service Providers</p>	<p>The Pandal Group has a number of key outsourced service providers, particularly in respect to fund administration and custody services. Failure to manage key outsourced service providers appropriately exposes the business to a risk of potential financial loss and/or reputational damage. This includes services provided by external parties not being conducted in line with the respective service level agreements, as well as service providers ceasing to provide services and the subsequent migration to new providers.</p> <p>Over the next three years the Pandal Group's Australian operations will be exposed to heightened third party risks as the business seeks to transition its back office service providers.</p>	<ul style="list-style-type: none"> • Robust due diligence process • Clearly defined framework, policies and procedures • Regular monitoring and review of service level agreements and standards • Independent annual audit of the design and effectiveness of internal controls • Annual Business Continuity Planning and regular testing of critical systems • Strategic skill-sets for project teams tasked with transformational projects • Ongoing monitoring and reporting
<p>Behaviour and Conduct</p>	<p>The risk of inappropriate behaviour which is not in line with the Pandal Group's core values, including the risk of senior management failing to set an appropriate cultural "tone from the top", which may result in the delivery of detrimental or sub-optimal outcomes for our clients and shareholders.</p>	<ul style="list-style-type: none"> • Clearly defined Code of Conduct which outlines the expected behaviour of all individuals • Independent whistleblowing provider • Embedded Risk Management Framework, which incorporates conduct risk management • Ongoing risk and compliance training and confidential staff engagement surveys • Internal Audit program incorporating conduct assessments
<p>Business Interruption and Disruption (including cyber risk)</p>	<p>The risk that the Pandal Group may suffer service disruptions such that losses may arise from defects such as system failures, faults or incompleteness in computer operations, or illegal or unauthorised use of computer systems and personal information including cybercrime.</p>	<ul style="list-style-type: none"> • Business Continuity and Crisis Management Plan • Annual testing of Disaster Recovery Plans • Independent review of the design and effectiveness of internal controls • Staff training • Cyber Security Incident Response Plans • Ongoing consultation with cyber security specialists
<p>Market, Financial, and Treasury</p>	<p>The Pandal Group's fee income is derived from the assets we manage on behalf of our clients. The assets we manage face a variety of risks arising from the unpredictability of financial markets, including movements in equity markets, interest rates and foreign exchange rates.</p> <p>The Pandal Group also invests its own capital alongside clients when establishing new financial products and building them to scale. This exposes the business to the same potential loss of capital as our clients.</p>	<ul style="list-style-type: none"> • Diversification across asset classes, investment styles and geographies • Budgeting and financial forecast management • Ongoing monitoring and review of strategy • Conservative approach to leverage • Monthly offshore earnings hedged into Australian dollars • Clearly defined Seed Capital Policy • Ongoing monitoring and annual board review of seed capital portfolio performance

Roles and responsibilities

Overall accountability for risk management lies with the Board. The ARC assists the Board in its oversight of risk management, financial and assurance matters. The Board delegates responsibility for the implementation of risk management to the Group CEO and the Global Executive Committee. The Global Executive Committee has accountability and responsibility to manage the Group in a sustainable way, to enhance and maintain the Group's reputation, to ensure compliance with legal and regulatory obligations and industry standards, to strive to achieve the Group's objectives and to take all necessary steps to promote ongoing long term investment performance for clients. The Group Chief Risk Officer is responsible for coordinating the identification, assessment, control, monitoring and reporting of risk exposures and their associated mitigants and controls throughout the Group.

Review of the Risk Management Framework

The Board Risk Appetite Statement is subject to review at least annually. This process incorporates review of key aspects of the strategy and assesses whether adjustments to the risk appetite need to be made as strategy evolves.

Recommendation 7.3

A listed entity should disclose:

- (a) if it has an internal audit function, how the function is structured and what role it performs; or
- (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

During the 2018 Financial Year, Deloitte provided internal audit services to the Group in Australia and other jurisdictions. Deloitte:

- has all necessary access to information to effectively conduct their audits
- works with senior management and the respective Risk and Compliance teams to develop an internal audit plan that complements other assurance work conducted
- independently reviews the effectiveness of the Group's risk management processes and internal controls, and
- reports audit results to senior management and depending upon the nature of the issue being reported and the responsibility for that issue, to the Pandal Group ARC, the JOHCM Holdings Audit & Risk Committee or to the Board of Pandal Fund Services.

Additionally during the 2018 Financial Year, the ARC led a tender process to select a firm to provide internal audit services globally to the Group. KPMG will provide internal audit services to the Group with effect from 1 January 2019.

Recommendation 7.4

A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

Sustainability risks

Sustainability risks are identified and managed in accordance with the Group's overall risk management policies and framework.

Economic sustainability risks

Pandal Group's material economic sustainability risks include risks associated with investment and markets, which are detailed on pages 20 to 21 of this document.

Environmental sustainability risks

Given the nature and size of Pandal Group's business and operations, Pandal Group does not have any material environmental sustainability risks.

Social sustainability risks

Pandal Group's material social sustainability risks and the strategies and controls that are in place to manage them are summarised in Table 4:

Table 4

Risk	Social Sustainability Risk Area		Risk Description/Impact	Strategies and Controls to Manage Risk
	People (Internal)	Community (External)		
Attraction and retention of talent	✓	✓	<ul style="list-style-type: none"> Inability to attract highly skilled individuals, thereby limiting the talent pool Inability to retain talented employees who have strong corporate knowledge and experience, impacting on the retention of existing business and future growth opportunities 	<ul style="list-style-type: none"> Remuneration policies and practices that reward for performance Competitive remuneration and benefits arrangements, including short and long-term incentives remuneration schemes Compulsory equity deferral across a number of variable reward schemes Formal talent management and succession planning processes and practices Review of business critical roles and top talent Transparent performance management practices Training and development aligned to employee learning requirements Targeted leadership programs and activities Employee Engagement Survey and results action planning Alignment of Group strategy with the objectives of individual employees Flexible work arrangements and employee wellbeing initiatives promoted across the organisation Competitive Employee Benefits Program offering <p>Further information about the Group’s management of Human Capital is provided in the Corporate Sustainability & Responsibility report available on the Pental Group website (www.pentalgroup.com)</p>
Diversity & Inclusion (D&I)	✓	✓	<ul style="list-style-type: none"> “Group think” bias, limiting debate and challenge, impacting investment and business decision making and strategic planning Non-compliance with regulatory requirements, impacting brand and reputation and, in turn, regulator confidence and employee, client and shareholder attraction and retention 	<ul style="list-style-type: none"> Development and implementation of the Group’s D&I Strategy D&I initiatives which support Pental Group’s D&I Strategy. Further detail regarding these initiatives is provided in the Corporate Sustainability & Responsibility report, available on the Pental Group website (www.pentalgroup.com) Remuneration & Nominations Committee (RNC) oversight of progress against the Pental Group D&I Strategy and D&I Targets Annual review of remuneration across comparable roles to ensure gender pay equity Adoption and promotion of D&I policies Adoption, promotion and regular reporting of D&I targets Maintenance of Pental Australia’s D&I engagement score in the Aon Hewitt Best Employer range Flexible working policies, practices and culture operational across all organisational levels <p>Further information about the Group’s D&I policy and targets is set out under ASX Recommendation 1.5.</p>
Succession Planning	✓		<ul style="list-style-type: none"> ‘Key-person dependency’ in business critical roles Lack of knowledge transfer from specialist, highly skilled employees who leave the organisation Costly hiring or promotion mistakes being made to quickly fill an urgent senior role gap 	<ul style="list-style-type: none"> Formal talent and succession planning practices in place Review of business critical roles Retention arrangements in place for employees identified as business critical Mitigating actions in place for identified succession gaps Regular update reports provided to the RNC

Corporate Governance Statement 2018 continued

Health, Safety & Wellbeing (HS&W)	✓	✓	<ul style="list-style-type: none"> • Lack of robust HS&W framework leading to unsafe work practices, an increase in employee injuries, costly workers' compensation claims and material workers' compensation premium increases (due to high lost time injury rates) • Non-compliance with regulatory requirements, impacting on brand, reputation and, in turn, regulator confidence and employee, client and shareholder attraction and retention • Penalties applied to Pental Group Work Health & Safety Officers 	<ul style="list-style-type: none"> • Integrated HS&W Strategy, Governance Framework and Performance targets in place • Audit and Risk Committee (ARC) oversight of HS&W performance metrics, including 90% compliance with mandatory HS&W training • Annual establishment of Pental Australia's HS&W Management Plan with regular progress reports to the ARC • Annual establishment of Pental Australia's HS&W Risk Register • HS&W mandatory training for all employees and people leaders • Employee Assistance Program in place • Annual Employee Wellbeing Program which is preventative in nature and focuses on employee physical and psychological wellbeing through initiatives such as posture, ergonomic and health assessments, diet, sleep and exercise monitoring, skin checks, eye tests, mindfulness and yoga classes • Employee Benefits Program which offers discounts on a wide range of health and lifestyle products and/or services <p>See the Corporate Sustainability & Responsibility report available on the Pental Group website (www.pentalgroup.com) for more information about the HS&W Strategy and the initiatives that have been pursued this financial year.</p>
Employee Engagement	✓		<ul style="list-style-type: none"> • Employees actively and passively disengaged, resulting in lack of discretionary effort, poor productivity and team morale, increased absenteeism and turnover, and ultimately failure to execute on the business strategy 	<ul style="list-style-type: none"> • Measurement of Employee Engagement and results action planning across the business • Competitive remuneration and benefits arrangements, including short and long-term incentives remuneration schemes • Employee Wellbeing Program • Employee benefits including superannuation paid on unpaid parental leave and salary continuance insurance paid for all employees • Flexible work and leave policies and practices operational across all levels of the organisation <p>Further information about Employee Engagement is provided in the Corporate Sustainability & Responsibility report available on the Pental Group website (www.pentalgroup.com).</p>
Corporate Conduct	✓	✓	<ul style="list-style-type: none"> • Inappropriate employee conduct, impacting on reputation and brand and undermining client, shareholder and regulator confidence 	<ul style="list-style-type: none"> • Policies (i.e. Code of Conduct, Technology Code of Use, Whistleblower), practices and a culture that drives honest and ethical employee behaviour • No appetite for failure to meet regulatory obligations • Clear understanding and effective management and monitoring of the Group's regulatory obligations
Market Position/ Profile	✓	✓	<ul style="list-style-type: none"> • Lack of engagement with the community in which we operate and which we serve, limiting employee and client attraction and retention • Lack of awareness about the positive impact that Pental Group has on the environment, the community and stakeholders, impacting the Group's reputation and brand 	<ul style="list-style-type: none"> • Promotion of our ethical and sustainable products that incorporate ESG best practice • Central corporate coordination of Pental Group employees' community involvement and participation in fundraising initiatives • Corporate sponsorship of Australian and UK-based charities

ASX Principle 8 - Remunerate fairly and responsibly

Recommendation 8.1

The board of a listed entity should:

(a) have a remuneration committee which:

(1) has at least three members, a majority of whom are independent directors; and

(2) is chaired by an independent director,

and disclose:

(3) the charter of the committee;

(4) the members of the committee; and

(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

The Board has established the Remuneration & Nominations Committee (**RNC**). Details of the composition, structure and responsibilities of the RNC, including those responsibilities relating to remuneration are set out under ASX Principle 2.

Recommendation 8.2

A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

Details of the Group's governance relating to remuneration, including policies and practices for Non-Executive Directors, executive directors and senior executives are disclosed in Pental Group's 2018 Remuneration Report, which is contained in Pental Group's 2018 Annual Report.

Recommendation 8.3

A listed entity which has an equity-based remuneration scheme should:

(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and

(b) disclose that policy or a summary of it.

Pental Group's Trading in PDL Securities Policy precludes employees of Pental Group from entering into a transaction or financial product (such as options, derivatives or other arrangements) that may operate to limit the economic risk of unvested holdings in PDL securities or entitlements under equity-based remuneration schemes.

A copy of the above Trading in PDL Securities Policy is available on our website (www.pentalgroup.com).

Other Governance Issues

Responsible entity governance at Pandal Group

Pandal Fund Services Limited (**Pandal Fund Services or PFSL**) is the responsible entity of the Pandal Funds and has a fiduciary obligation to act in the best interests of investors in those funds. These fiduciary obligations may, from time-to-time, conflict with the interests of Pandal Fund Services or the wider Group. When this occurs, the PFSL Board is required by the Corporations Act to give priority to the interests of investors in the Pandal Funds. The Directors of PFSL are conscious of their fiduciary obligations to investors in the Pandal Funds and continually assess their decisions in light of these obligations.

The PFSL Board is currently comprised of the following executive directors: Emilio Gonzalez (Group CEO), Cameron Williamson (Group CFO) and Justin Howell (Head of Investment Services & Program Office). Mr Gonzalez is the Chairman of the PFSL Board. The PFSL Board has responsibility for the management of risks that arise from its duties as the responsible entity of the Pandal Funds and the provision of financial services under its Australian Financial Services Licence (**AFSL**).

The Board of Pandal Fund Services has delegated a number of its responsibilities to the Group CEO.

MICC

As the Pandal Fund Services Board is not comprised of a majority of external directors (as defined by section 601JA of the Corporations Act) the Board has appointed a Managed Investments Compliance Committee (**MICC**). The MICC is comprised of two external members and one internal member.

The external members of the MICC are Penni James (Chair) and David Prothero. The internal member of the Committee is Justin Howell (Head of Investment Services & Program Office).

The MICC has the functions and responsibilities of a compliance committee as set out in Sections 601JC and 601JD of the Corporations Act.

JOHCM

J O Hambro Capital Management Holdings Limited (**JOHCM Holdings**) is the holding company for the wholly owned subsidiary J O Hambro Capital Management Limited (**JOHCM**). In the 2017 Financial Year Non-Executive Directors of Pandal Group Limited were appointed to the Board of JOHCM Holdings to support the Group's global governance framework. James Hambro is Deputy Chair of JOHCM Holdings and is based in the UK. The Pandal Group Limited and JOHCM Holdings board and committee meetings are now conducted in an omnibus arrangement. The JOHCM governance structure is regularly reviewed in light of regulatory developments in UK, Europe, US and Asia along with the growth of the JOHCM business.

Tax Transparency

Approach to taxation

The Group views taxation as an important contribution to the communities in which it operates. The Group is committed to high standards of governance and transparency and is pleased to adopt the voluntary Tax Transparency Code (**TTC**) designed by the Board of Taxation in Australia. The following information is provided in relation to both Part A and Part B of the TTC, and is consistent with the UK legislative tax transparency measure for qualifying entities to publish their tax strategy.

Tax strategy and governance

The Group is a multi-national business which manages investment assets across a diverse range of asset classes, clients and geographies. The Group seeks to manage its tax affairs to enhance compliance, minimise risks and facilitate its strategic objectives.

A strong tax governance and internal control framework is in place to manage tax affairs at Pandal Group. The Board has endorsed the Group's tax strategy, which sets out its aims to:

- be a responsible taxpayer and comply with applicable taxation laws
- legitimately manage Group and subsidiary tax costs
- align tax policies and procedures with overall Group strategy and initiatives
- implement a robust Tax Risk Management Framework to identify, manage and communicate tax risks to the Board
- promote effective working relationships on tax matters with Group stakeholders, including the Board, staff, shareholders, subsidiaries, customers, business partners and regulators
- not engage in activities which are unlawful or are designed to avoid tax,
- contribute to government and industry proposals to reform and improve tax systems to benefit the Group, its stakeholders and the community.

Corporate Governance Statement 2018 continued

The ARC is responsible for reviewing, monitoring and making recommendations to the Board on the Company's tax policies and practices, including any material decisions relating to tax. A tax risk management framework is in place which sets out the control environment and how the Company identifies, classifies, assesses and responds to tax risks. Pandal Group's global tax and finance teams are responsible for implementing the framework, reviewing and monitoring tax risks and reporting to management, including the Group CFO and the ARC on a regular basis.

Tax risk management sits within, and is aligned to, the Group's broader strategy and Risk Management Framework. Acceptable levels of risk in relation to taxation are therefore determined in accordance with the Group's risk appetite statement, under which a risk posture is adopted for each identified risk. Tax risks are generally included in the Group's most conservative risk posture, which includes the management of critical areas such as strategic alignment, reputation, behaviour, regulation and obligations to investors. This means that the Board has a narrower tolerance for tax risks in these areas, but may accept a higher risk in relation to business growth and initiatives, consistent with its strategic objectives.

The Group's attitude towards tax planning is to ensure that material transactions and activities are compliant with applicable tax legislation and align with the Group's tax strategy and risk management framework. In doing this, the Group seeks advice from external tax advisers on significant or complex tax issues, and engages openly and co-operatively with the relevant tax authority (including the ATO and HMRC) to communicate important business changes, to obtain formal or informal guidance where there is uncertainty in the interpretation of tax laws and to address any regulator concerns or inquiries that may arise.

Income tax reconciliations

A reconciliation of the Group's accounting profit to its income tax expense is included at Note B4 of the 2018 Financial Report, in accordance with International Financial Reporting Standards (IFRS). Further information is provided in the tables below to enhance transparency of the Group's tax outcomes in each of the major countries in which the Group operates, including taxes calculated at the corporate tax rate in each jurisdiction, material differences between accounting profit and tax expense, and the effective company tax rate (calculated as tax expense divided by accounting profit) for Australian and global operations. Tax paid during the financial year can also differ from the tax expense for accounting purposes, and these differences are set out below.

Reconciliation of accounting profit to tax expense by country

Table 5

Year Ended 30 September 2018	Australia (\$'000)	UK (\$'000)	Singapore (\$'000)	USA (\$'000)	Total (\$'000)
Profit before tax¹	33,213	124,644	64,661	26,587	249,105
Corporate tax rate (local)	30%	19%	17%	24.5%	
Tax at corporate tax rate	9,964	23,682	10,992	6,514	51,152
Tax effect of material differences:					
Employee equity grant amortisation	185				185
Other non-deductible/(deductible) items	(111)	(272)	41	(198)	(540)
Tax credits and rebates	(56)		(10)		(66)
State and local taxes		987		1,520	2,507
Effect of changes in future tax rates		378		1,669	2,047
Adjustments to deferred tax of prior years		2,621		102	2,723
Adjustments to current tax of prior years	(278)	422	(5)		139
Tax expense	9,704	27,818	11,018	9,607	58,147
Effective tax rate (%)	29.2%	22.3%	17.0%	36.1%	23.3%

¹ Profit before tax excludes distributions of profits received from subsidiaries, as those profits are already included in the profit of the relevant subsidiary.

Table 6

Reconciliation of Tax Expense to Income Tax Paid by Country Year Ended 30 September 2018	Australia (\$'000)	UK (\$'000)	Singapore (\$'000)	USA (\$'000)	Total (\$'000)
Tax expense (as above)	9,704	27,818	11,018	9,607	58,147
Timing differences recognised in deferred tax	(1,272)	688	33	(2,142)	(2,693)
Prior year instalments paid this year	(788)	9,064	8,786	(581)	16,481
Current year instalments to be paid next year	5,395	(14,215)	(11,302)	453	(19,669)
Income tax paid	13,039	23,355	8,535	7,337	52,266

International related party dealings

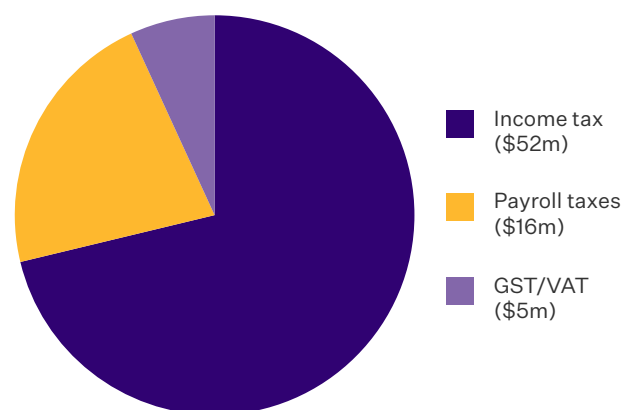
As a global investment manager, the Group operates across international borders and leverages the resources available to benefit the Group entities in each country. The Company's international related party dealings are conducted in a manner consistent with Australian and international laws and the arm's length principle. Formal agreements are put in place between Group entities to ensure that related party dealings are documented and consistently applied, while contemporaneous documentation is prepared and maintained to support the selection and implementation of appropriate arm's length pricing methodologies and outcomes. The key categories of dealings with offshore related parties which have a material impact on the business's taxable income in each country are summarised as follows:

- Investment management services are provided by Group entities and investment teams located in the UK, US and Singapore to support the operation of certain investment products issued by Group entities located in the UK, US and Australia. A benchmarked arm's-length proportion of the management fee revenue earned on these products is paid to the entity employing the relevant investment team for these services
- Distribution services are provided by sales personnel located in the UK, Australia, Singapore and the US for investment products, and are remunerated with a benchmarked proportion of the management fee revenue earned on the relevant product or mandate. This typically comprises the residual of the management fees after payment to the fund manager entity
- Support services are provided between Group entities where resources can be effectively shared, which includes trade execution, finance and accounting, compliance and other services. These activities are benchmarked and priced on an arm's length basis
- Group/head office services are provided by Pandal Group Limited to its subsidiaries in relation to activities of the Group executive, finance and other functions which support the operation and development of the global business
- Employee share plans are established by Pandal Group Limited to provide equity in the Australian listed entity to attract and incentivise employees throughout the Group. Amounts are charged to subsidiaries in the UK, US and Singapore for the provision of equity and administration of the share plans as appropriate, and
- Financing is provided to Group entities through equity and, where appropriate, debt investment. Subsidiaries provide returns on the equity invested in them through the payment of profits as dividends to the relevant holding company. As these profits have been subject to tax in the country of the subsidiary, the dividends are generally not subject to further tax in the country of the holding company. Intra-group debt funding is mainly utilised on a short-term basis, and is documented with arm's length terms and interest as applicable.

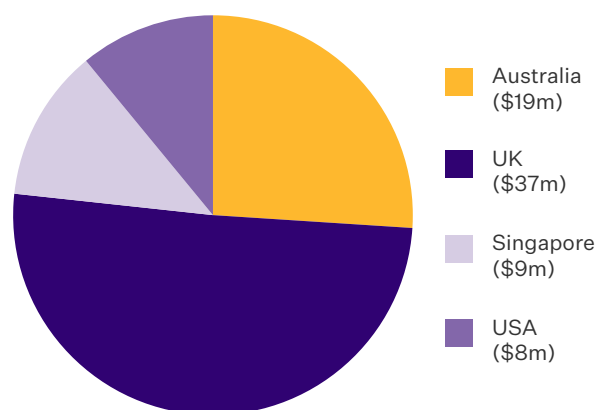
Total tax contribution

The Group contributes to the communities in which it operates through the payment of corporate income taxes as well as other indirect taxes on services and employment. The Group's tax contribution during the 2018 Financial Year is set out below by tax type and by country of payment. Taxes paid by the Group on behalf of others (such as GST/ VAT collected and pay-as-you-earn withholding taxes paid) are not directly borne by the Group and are not included in the amounts shown below.

2018 tax contribution by type (total \$73m)



2018 tax contribution by country (total \$73m)



Glossary

2018 Financial Year

The financial year ended 30 September 2018

ARC

Audit & Risk Committee of Pental Group Limited

Board

Board of Directors of Pental Group Limited

Company

Pental Group Limited

Corporations Act

Corporations Act 2001

Group

The Company and its subsidiaries

Group CEO

Chief Executive Officer & Managing Director of the Group

Group CFO

Chief Financial Officer of the Group

JOHCM

J O Hambro Capital Management Limited

JOHCM Holdings or JOHCMH

J O Hambro Capital Management Holdings Limited

Pental Australia

The Australian operations of the Group

Pental Funds

The managed investment schemes or unit trusts of which Pental Fund Services Limited is the responsible entity

Pental Fund Services or PFSL

Pental Fund Services Limited (ABN 13 161 249 332)

Pental Group

The Company and its subsidiaries

reporting period

The financial year ended 30 September 2018

RNC

Remuneration & Nominations Committee of Pental Group Limited