Pendal Group Limited
Level 14, The Chifley Tower
2 Chifley Square
Sydney NSW 2000
Australia

ABN 28 126 385 822

PENDAL GROUP

5 November 2021

Company Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

Pendal Group Limited Full Year Profit Announcement for the 12 months ended 30 September 2021

The following documents are attached for lodgement:

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

Yours sincerely

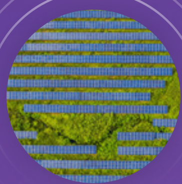
Authorising Officer

Joanne Hawkins
Group Company Secretary
Pendal Group Limited
Tel: +61 2 9220 2000

PENDAL GROUP

Annual Report 2021

The future is worth investing in



Pendal Group is an independent global investment manager focused on delivering superior investment returns for clients through active management.

Contents

To view the 2021 Annual Report, go to:
annual-report-2021.pendalgroup.com

Additional documents detailing our approach to corporate governance and management of environmental, social and governance matters include:

Corporate governance statement

Sustainability report

ESG data pack

The Pendal Group Climate Change Statement

The Pendal Group Human Rights Statement

The Pendal Group Modern Slavery Statement

Financial Highlights

Underlying profit after tax (UPAT)

$165.3 million

Up 25%

Base management fees

$522.8 million

Up 14%

Average FUM

$107.9 billion

Up 14%

Underlying earnings per share

48.2 cents per share

Up 17%

Performance fees

$57.5 million

Up $44.1m

Total dividend[1]

41.0 cents per share

Up 11%

Note: All comparative numbers to prior corresponding period, FY20, restated on a UPAT basis.

1 Final dividend of 24.0 cents per share

Chairman's Letter

Dear Shareholder,

One year ago, when composing this letter and reflecting on the sheer volume and pace of the changes the world faced in 2020, I commented that being able to respond to market changes and deploy creative solutions is what Pendal does best. Well, 2021 has certainly given us a chance to test that belief. Once again, a rapid convergence of events has resulted in a year of accelerated change around the globe. However, Pendal has emerged from the financial year confidently, having successfully executed on our key growth-oriented initiatives.

Our performance over the last year gives us confidence the company is well positioned heading into FY22. It has been a year of significant strategic achievements, providing a strong foundation for future growth.

Overview of the 2021 Financial Year: managing change

Change is a constant and it is incumbent upon companies to plan for, and be prepared to actively and successfully, manage change in the best interests of the company, its people, clients, and shareholders.

Change is multifaceted and is not confined to financial metrics. The way we work. Societal attitudes. Stakeholder expectations. These are all evolving, and companies must evolve too. Coupled with change itself is the rate of change. Everything moves faster, facilitated by increasing sophistication in communications. The choice is clear: manage and anticipate change — indeed, embrace it — or be left behind.

At Pendal there was much change during the 2021 Financial Year, both external and internal. We instituted a new five-year strategy, announced in November 2020 and after 11 years in the role, long-term Group CEO, Emilio Gonzalez, stepped down in March 2021. The Board executed its long-term succession plan, seamlessly transitioning to Nick Good, who was CEO of the Pendal US business. In May 2021, we made a compelling and strategic acquisition to facilitate growth opportunities, particularly in the US market. The external environment has persisted in being challenging, as the COVID-19 pandemic evolved during its second year. It continues to affect people and businesses around the world and in different timeframes, with varying levels of severity.

However, our team at Pendal has continued to meet this challenge by adapting to new ways of engaging with our clients and our global workforce. In particular, our investment management teams have been actively engaging with clients, so they are in no doubt that we are being proactive in the management of their investments.

That Pendal has come through these last challenging years is proof of the resilience of our people, the robustness of our business model, and the diversification within our business.

That's not to say our business has not been impacted. Ours is a business of people – of relationships. We sell no product apart from the intellectual capital of our investment leaders. Our currency is trust – between our clients and our people. We are a global company with our leadership and investment teams spread across four continents. Our inability to meet in person with our clients and colleagues has undoubtedly had an impact. While we have by necessity become increasingly digitised in the way we conduct business, we consider that personal interaction is important in fully assessing client needs and in generating solutions for them. These days will return.

"The strong results for the year demonstrate the continued successful execution of our strategy for growth and the strength of our diversified business model."

Managing change well in this environment has also required significant extra time and input from your Board and I would like to thank all Directors for their commitment. Long meetings via Zoom at irregular hours are not desirable by any measure, although necessary to navigate through these times. We all look forward to getting back to our pre-pandemic schedule when international travel is back on the agenda.

The macroeconomic environment and geo-political environments have also seen significant change. While we have observed global equity markets rebound, we have also seen a corresponding shift in policy frameworks as governments grapple with the market impact of the COVID-19 pandemic.

As to government policy, we follow events closely. We are a global business with people plugged into the world's major financial centres. Pendal is able to draw upon their insights derived from being 'on the ground.' The resulting 'whole' is greater than the 'sum of the parts.' We have a truly global perspective.

Financial results

Statutory Net Profit After Tax (Statutory NPAT) increased by 42 per cent to $164.7 million, compared to the previous corresponding period (pcp), reflecting a step-change in FUM from the acquisition of Thompson, Siegel & Walmsley (TSW), strong investment performance and positive mark-to-market and currency contributions. Underlying Profit After Tax (UPAT) was up 25 per cent to $165.3 million, compared to pcp, as a result of a substantial uplift in annuity income from base management fees and a four-fold increase in performance fees to $57.5 million.

Underlying earnings per share increased by 17 per cent to 48.2 cents per share.

The Board declared a final dividend of 24 cents per share (cps) which brings the total dividend for Financial Year 2021 (FY21) to 41 cps, up 11 per cent compared to FY20.

The strong results for the year demonstrate the continued successful execution of our strategy for growth and the strength of our diversified business model.

Total Shareholder Return, since listing in December 2007 to 30 September 2021, is 247.8 per cent, compared to the 99.9 per cent return of the Standard and Poor's ASX200 Accumulation Index over the same period.

Managing change: succession planning

Along with navigating external change, 2021 has also been a year for managing internal changes at Pendal, all of which, I'm pleased to say, were anticipated and well managed and speak to Pendal's strategy and growth aspirations.

Managing a CEO transition is one of the most important things a Board has to do alongside promoting stability, stewarding strategy and supporting a CEO. The Board has worked over a number of years to have a robust CEO succession plan; one which would ensure a smooth transition and business continuity. This remains an ongoing process throughout the organisation.

In March 2021, our Group CEO, Emilio Gonzalez, stepped down. I'd like to take this opportunity to thank Emilio for his leadership, contribution, and commitment for over 11 years. Through a mixture of vision and disciplined execution, he oversaw the transformation of Pendal from an Australian only fund manager into a global asset management business. Emilio led from the front with passion and sound judgement. Under Emilio's leadership the business underwent a step-change in FUM, scale, distribution, product offerings to clients, and importantly, shareholder returns.

Nick Good, previously our regional CEO in the US, was appointed Group CEO. The biggest future potential for the Group is in the US and with Nick based in Boston, Pendal will be well-positioned and equipped as it transforms its business to take advantage of future growth opportunities. Nick's undeniable suitability and smooth entry into this role is testament to the company's thoughtful and well-prepared approach to succession. Pleasingly, succession came from within the company.

Managing change for long-term growth: the strategic acquisition of TSW

Managing significant change in the operating environment and the world generally over the last two years has been necessary. But we have continued to execute our long-term strategy. It is pleasing the company is delivering on the strategic imperatives laid out a year ago, including, most notably, further diversification of our business through our acquisition of 100 per cent of US-based investment management company TSW. The acquisition price represented 7.6x 1H21 EBITDA (annualised, excluding synergies) and is expected to be double-digit EPS accretive in the first full-year post completion.

The acquisition of TSW is strategic and expands our successful diversified business model in the largest equity market in the world. It delivers both scale and diversification benefits across investment capabilities, asset classes and channels.

The Board believes that the acquisition will strengthen the diversity of earnings and accelerate growth and shareholder returns.

This acquisition creates immediate value, doubles our addressable market in the US and delivers a step change in Pendal Group's diversification, scale and client offering, and importantly, expands our global distribution capabilities.

TSW is a highly regarded value-oriented investment manager, with a track record of strong investment performance. That it is such a natural strategic and cultural fit with Pendal is no accident. Our internal M&A process is as thorough as it is discerning. While there are growth objectives we endeavour to meet, we will never pursue growth for the sake of growth. Our acquisition of TSW illustrates the rigour we put into the search for true cultural alignment but also complementarity.

As complementary businesses, with almost no overlap of investment strategies, together we will be better placed to take advantage of the many growth opportunities inherent in the US market.

Managing risk: capital management and investing in the future

The $413 million purchase consideration was funded with a combination of equity and debt. Equity was raised through a fully underwritten Placement and, to enable retail shareholder participation, a Share Purchase Plan (SPP).

The capital raising included a Placement component to expeditiously deliver the funds necessary to undertake the transaction with pricing certainty and a SPP component to provide eligible shareholders with the opportunity to participate at a price at least as advantageous as large institutions, as Pendal welcomes and encourages the involvement of its eligible shareholders on the Pendal register.

In May, we executed a $190 million fully underwritten Institutional Placement of approximately 27.9 million new fully paid ordinary shares to institutional investors, which represented approximately 8.6 per cent of issued capital. The Placement was significantly oversubscribed with strong support from institutional investors, including both existing and new shareholders.

The SPP received total applications of approximately $218 million from eligible retail shareholders. An overall scale back of 13 per cent was applied, resulting in a total equity raising from the SPP of $190 million, the same amount as in the Institutional Placement, and at the same issue price of $6.80 per share.

We were pleased that Pendal shareholders, retail and institutional, demonstrated their support for this compelling and strategic acquisition through their strong participation in the capital raisings.

The total equity raising was $380 million, reducing the debt and balance sheet funding required to complete the transaction to $57 million, providing additional balance sheet strength and capacity for Pendal to accelerate growth opportunities.

Managing change: corporate governance

Another important aspect of change for forward looking companies is formal external Board review, and of course, long-term Board renewal.

This year we have undertaken our three yearly external Board review of our corporate governance procedures. This regular assessment, which is an integral element of our business strategy, considers the Board's access to accurate and 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. The review has concluded and the Board is considering the recommendations for implementation.

At Pendal, we take an active approach to Board renewal to support the evolution and transformation of the company and our commitment to act and make changes that are in the best interests of our valued shareholders.

Andrew Fay will this year retire from the Pendal Board at the conclusion of the 2021 Annual General Meeting, after 10 years of service. Andrew has been Chair of the Remuneration and Nominations Committee since May 2018 and prior to that was Chair of the Audit and Risk Committee from 2014 to 2016. Andrew joined the Board in October 2011; in the same month our acquisition of J O Hambro Capital Management was completed. As a former fund manager with an extensive range of skills and experience in financial and risk management, capital markets, executive remuneration frameworks, strategy and governance, Andrew made a meaningful and significant contribution to the Pendal Group during this very important period of transformation and growth. We thank him for his stewardship and service.

The Board renewal process is ongoing and includes recruiting a replacement for Andrew.

Outlook

During this year, we have achieved much in executing our long-term strategy, achieving further diversification of our business to reduce risk, support resilience and to position the company for sustainable, long-term growth.

I would like to thank the management team and all of our employees for their personal contribution during what has been another difficult year, and for continuing to step up for our clients, and support the company's long-term prosperity.

I would also like to acknowledge and thank my Board colleagues for the significant extra time they have contributed to Pendal this year, guiding and contributing to the management of the significant corporate activity the company had executed and the continuing challenges of external environment.

Finally, I would like to acknowledge you, our valued shareholders, for your support. While there are many stakeholders, ultimately Pendal belongs to you.

James Evans
Chairman

Group Chief Executive Officer's Report

Dear Shareholder,

The past year has been one of positive momentum and progress for Pendal, despite the challenges of the continuing COVID-19 pandemic. We also celebrated a proud milestone: it has been 50 years since our long heritage was first established.[1] I feel privileged and excited to have been given the opportunity to lead this outstanding team of people as we look ahead to the next 50 years. While my key focus is on the opportunities that lie ahead for Pendal, I am also acutely aware of how much value there is to be protected and nurtured within this great organisation.

We are a company that is talent-led, defined by conviction, and deeply connected with our clients. We have a spirit of entrepreneurialism that compels us to grow, to build and to seek out opportunity. It has been this spirit that has transformed us from the Australian-based company that began 50 years ago to the global, dynamic organisation we have become.

Performing through volatility has always been our strength. Over the last year we continued to adapt to new ways of doing business against the backdrop of COVID-19, while taking advantage of buoyant market conditions. Some of our achievements over this time have been highly visible, such as the acquisition of US-based Thompson, Siegel & Walmsley (TSW), completed in July. However, much of the progress we have made has been below the surface, in steadily reinforcing and building upon our foundations for future growth. Our commitment to delivering consistent performance and a superior experience for our clients has been, and will continue to be, our ongoing priority.

I would like to thank the Board for placing its trust in me and to also acknowledge the outstanding contribution of my predecessor, Emilio Gonzalez, during his 11 years of leadership. His reputation as a thoughtful and committed leader was a big factor in encouraging me to join Pendal, and he leaves with an exceptional legacy.

The Pendal difference

Even before joining the Pendal Group, two years ago now, I was well aware of its enviable reputation in the industry and among investors. Since being appointed Group CEO, I have spent time listening to our people, our clients and our shareholders. I have learned much about our company – what it means to those who know it well, and its potential.

I have heard three clear messages. Firstly, that the unique culture at Pendal, which sets us apart from our competitors and underpins our investment excellence, must be protected and nurtured. It is a culture of conviction and integrity. Our teams are united by their desire to deliver their very best in the interests of our clients, and we must continue to empower them to do so. While it does not appear as a line item in our financial statements, we clearly know the value of our culture.

Secondly, there is no doubt that our success is ultimately determined by our ability to attract, develop, and retain the very best talent. Many of our fund managers are regarded as thought leaders within our industry. We actively recruit investment talent with deep expertise and a strong sense of conviction, and we deliberately create an environment of independence and autonomy in which they can thrive. Our investment teams are supported by dedicated and highly experienced specialists across our business who share the same commitment to excellence and a “can do” mindset.

"We are a company that is talent-led, defined by conviction, and deeply connected with our clients. We have a spirit of entrepreneurialism that compels us to grow, to build and to seek out opportunity."

1 Ord-BT established Pendal Nominees, its first nominee company, in 1971.

As our global footprint continues to grow at Pendal, we will maintain our talent-led philosophy across all regions.

Finally, one of the most compelling strengths of Pendal is the depth of connection and trust we have with our clients. Our client base is experienced and sophisticated - they are well-informed, engaged, and proactive. They want to feel connected to their fund managers and develop an understanding of how they think and behave, and why they make the investments decisions they do.

At Pendal, our fund managers actively foster a close relationship with our clients. They communicate regularly and with transparency, which gives our clients peace of mind. The result is long-term confidence in the strength of our stewardship across their investments. As we shape our business moving forward, delivering to their needs and further enhancing our relationship with them will continue to drive us.

FY21 financial results

During the past year, global equity markets experienced the strongest 12-month growth period in more than 30 years. Pendal was well placed to take advantage of these exceptional conditions because of our scale, our diversified global business model, and our ability to adapt in a fluctuating environment. As a result, we have achieved a significant increase in FUM, revenue, profitability and shareholder returns over this period.

Our underlying net profit after tax (UPAT) was $165.3 million, an increase of 25 per cent on the previous year, while statutory net profit after tax (NPAT) lifted 42 per cent to $164.7 million. We were also pleased to see a 17 per cent uplift in underlying earnings per share (EPS). The results included two months of contribution from TSW.

Our total fee revenue grew 23 per cent to $581.9 million, with higher average FUM levels driving an increase in base management fees that rose 14 per cent to $522.8 million. A standout for the year was the uplift in performance fees that increased to $57.5 million, from $13.4 million in pcp with notable contributions from the International Select and Global Select strategies as well as the MicroCap and Focus Australian equity strategies.

Closing FUM was up 51 per cent to $139.2 billion as at 30 September 2021. The acquisition of TSW accounted for an additional $33.1 billion in FUM, and organic growth of $16.0 billion came from strong investment performance and markets. Positive foreign currency movements also supported FUM growth.

We start the new financial year with equity markets near all-time highs. However, we see pressure on flows, particularly in the institutional channel. While this may have short-term effects, we are confident that the combination of improved investment performance and disciplined investment in our strategic initiatives will support sustainable long-term growth.

Achieving a step change in scale and diversification: the TSW acquisition

The addition of TSW to the Pendal family was a highlight of FY21. Pendal has a strong presence and history of success in the US. This acquisition resulted from a long-planned strategic decision to deepen our participation and diversify our revenue in the US market, given the opportunities for growth.

Not only does it double our addressable market in the US, but the acquisition also expands our distribution capabilities and product offering, and will facilitate our growth avenues in both the short and long term. Notably, it also resulted in a step change in FUM: more than doubling US FUM to A$63.9 billion (US$46.0 billion) and increasing total Group FUM by 51 per cent to A$139.2 billion.

The acquisition was compelling and strategic. There was much about TSW that appealed to us. It was a complementary business in terms of its independent investment philosophy and entrepreneurial culture, and it had only a minimal overlap in investment strategies. Importantly, from our clients' perspective, TSW's product suite broadened and balanced the portfolio we could offer via our expanded distribution network.

Given this natural alignment, integration of the business is progressing well and to plan. The acquisition is expected to be double-digit EPS accretive in its first full-year post completion.

John Reifsnider, former CEO of TSW, is leading our combined presence in the US and brings great talent and experience to Pendal. His collaboration was instrumental to the success of our acquisition of TSW, and I look forward to working closely with him as we pursue the opportunities we see in the US market.

Solid progress achieved on multi-year strategy

Our strategic investment program consists of a targeted set of initiatives that we invest in because we believe they represent the areas of our business that will best enhance our ability to deliver to our clients' needs as well as deliver the most long-term value to our shareholders.

1. Leveraging our global distribution capability

As signalled a year ago, we believe there is significant potential for growth in Europe. To take advantage of that potential, we have steadily been building our sales presence in Europe and the UK during the year, including the appointment of a new Head of Distribution. In FY22, we will open an office in Europe and continue to expand our team, focusing on enhancing existing relationships and establishing new ones, particularly with global financial institutions in Nordic, German and French speaking areas.

In the US, we are well advanced in organising our business to take advantage of the strong market opportunities. We have expanded our institutional distribution team, reorganised our intermediary team and the JOHCM and TSW sales teams are already actively pursuing cross-sell opportunities.

To underpin these efforts, we have also been boosting our digital engagement with prospective and existing clients. Highly targeted marketing campaigns have successfully drawn more clients and prospects to Pendal in FY21. In addition, in Australia we launched a new content strategy, “The Point”, which is a weekly collection of short, sharp, relevant 200-word articles, podcasts and insights from our portfolio managers, that is highly valued by our clients.

2. Expansion and enhancement of product sets

FY21 saw a significant expansion of product offerings to our clients. Our US clients gained access to the TSW suite of products which has little overlap and complements our existing US set. We believe there is also potential to offer these products in other regions. As we expand globally as a company, the ability to offer an expanded and diversified product set provides a significant strategic advantage for our company. It not only builds deeper and closer relationships with our clients but is also a key point in attracting new fund managers.

As part of our continued commitment to the rapidly growing ESG/RI sector, this year we also launched two new products. The Regnan Global Equity Impact Solutions strategy is now available to clients in all regions and has attracted early client support. We also attracted a highly respected new Sustainable Water and Waste investment team. The team’s first product, the Regnan Sustainable Water and Waste Fund was launched in the UK in September 2021 and will be made available to European investors in FY22.

In Australia, we evolved the Pendal Horizon Fund (formerly the Pendal Ethical Share Fund) and the Pendal Sustainable Australian Share Fund, enhancing the equity strategies to better align with changing client needs. Additionally, we delivered the flagship Global Select Fund to Australian wholesale clients for the first time.

3. Streamlining our global operating platform

We are well advanced in our four-year program to create a more streamlined and scalable global operating platform which will both improve the productivity of our teams and enhance service and interaction with our clients.

After a thorough selection process, we appointed Northern Trust as our group-wide global custodian. We also established a cloud-based group-wide data warehouse and infrastructure, and we transitioned to a new Australian registry provider. Additionally, we used our scale to renegotiate a number of existing contracts with global vendors. One highlight which saw immediate results was the transitioning of our US mutual funds to a proprietary trust structure, which reduced fees and improved governance for all fund holders. These substantial initiatives will improve client service and support future growth.

Positioned for success

Our long-term strategy at Pendal has been to pursue growth through diversification – which helps us to manage through the inevitable market cycles, allowing us to deliver a range of investment strategies for our clients and less volatile returns for our shareholders.

What excites me most about the future for Pendal, is the undeniable potential held by our global footprint and strong boutique investment culture. Our investment teams can tap into different perspectives and fresh thinking on behalf of our clients, no matter which geography they are in. One of our key points of difference is that we are able to offer the benefits of both worlds to our clients: global insights and a diverse product set, together with highly-personalised service in a boutique culture.

As the world reopens following COVID-19, we are ready to take advantage of the opportunities that will arise. Our commitment to our multi-year investment program has strengthened our foundations and we believe the pieces are coming together to consolidate our position, particularly in the high growth markets of Europe and the US. Our ability to strengthen existing relationships as well as build new ones should be greatly enhanced in FY22 as restrictions ease and the mobility of our people improves.

We are a people business; our talented people and the relationships they build with our clients are central to our success. Our future strategy revolves around creating the best conditions for them to do what they do best – create outstanding value for our clients and our shareholders. I would like to acknowledge and thank our truly exceptional team of people at Pendal for their commitment, principles and hard work, especially in these challenging times.

Looking to the future, we will continue to evolve so that we are optimally positioned to respond and thrive in an increasingly competitive and dynamic environment. I am confident we will do this with the conviction, integrity and entrepreneurial spirit that has carried us through the last 50 years.

Yours faithfully,

Nicholas Good
Group CEO

Acquisition of Thompson, Siegel & Walmsley

During the year, Pendal completed the acquisition of US value-oriented investment manager, Thompson, Siegel & Walmsley (TSW).

Established in 1969 and headquartered in Richmond, Virginia, TSW is a high-performing value-oriented investment firm with a long history of delivering strong investment performance for clients. Well-regarded with a stellar reputation, TSW provides investment strategies across international equities, US equities, multi-asset and fixed income.

Culturally, TSW and Pendal are strongly aligned. TSW has a long tenured and talented investment team of 20, and share the same fundamental "investment independence" philosophy.

Like Pendal, TSW has a spirit of entrepreneurialism, with a boutique and "hands-on" feel to its business, which is appreciated by its employees and clients alike.

With strong client support and no loss of mandates or key personnel resulting from the acquisition, integration is progressing well and to plan.

> **"As a result of the acquisition, we will double our addressable market in the US and extend our ability to generate new FUM through the distribution of both TSW and JOHCM products across an expanded global network."**

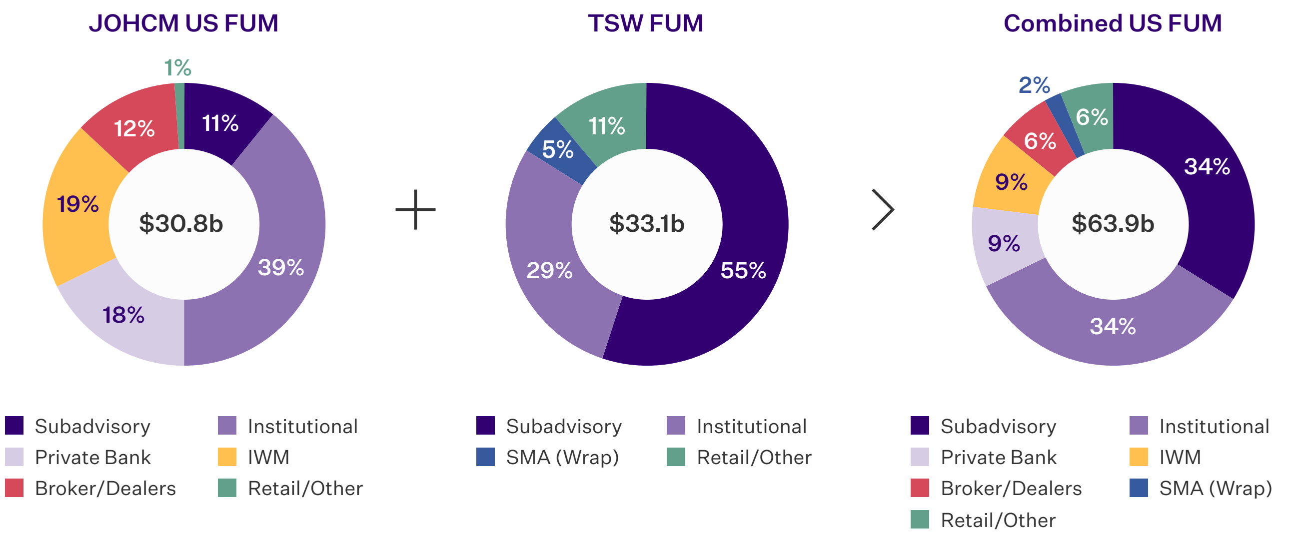
Nick Good
Group CEO

Strategic rationale

Step change in Pendal's FUM: more than doubling US FUM to $63.9 billion.

Doubles Pendal's US distribution footprint and provides access to a broader base of institutional and sub-advisory relationships.

TSW's suite of value-oriented products provide a complementary portfolio of investment strategies for Pendal's clients.



Strategic Report

During FY21 there was significant progress on a wide range of strategic initiatives. Key highlights were the development and expansion of Pendal's global distribution capability, streamlining of the global operating platform to deliver scalability and efficiencies, and adapting Pendal's product offerings to ensure future relevance to clients and long-term sustainability.

Global distribution

Expanded our footprint in key growth markets

- Doubled addressable market in the US and opened up opportunities for cross-selling
- Progressed distribution build out in continental Europe
- Enhanced sales leadership in Europe and Australia
- Expanded global distribution of key investment strategies

Product diversification

Diversified our product offering and broadened our ESG/RI capabilities

- Significantly expanded range of products available to US clients
- Launched Regnan Global Equity Impact Solutions (RGEIS) strategy in all regions
- Onboarded Regnan Sustainable Water & Waste team and launched fund in the UK
- Deepened ESG integration and stewardship

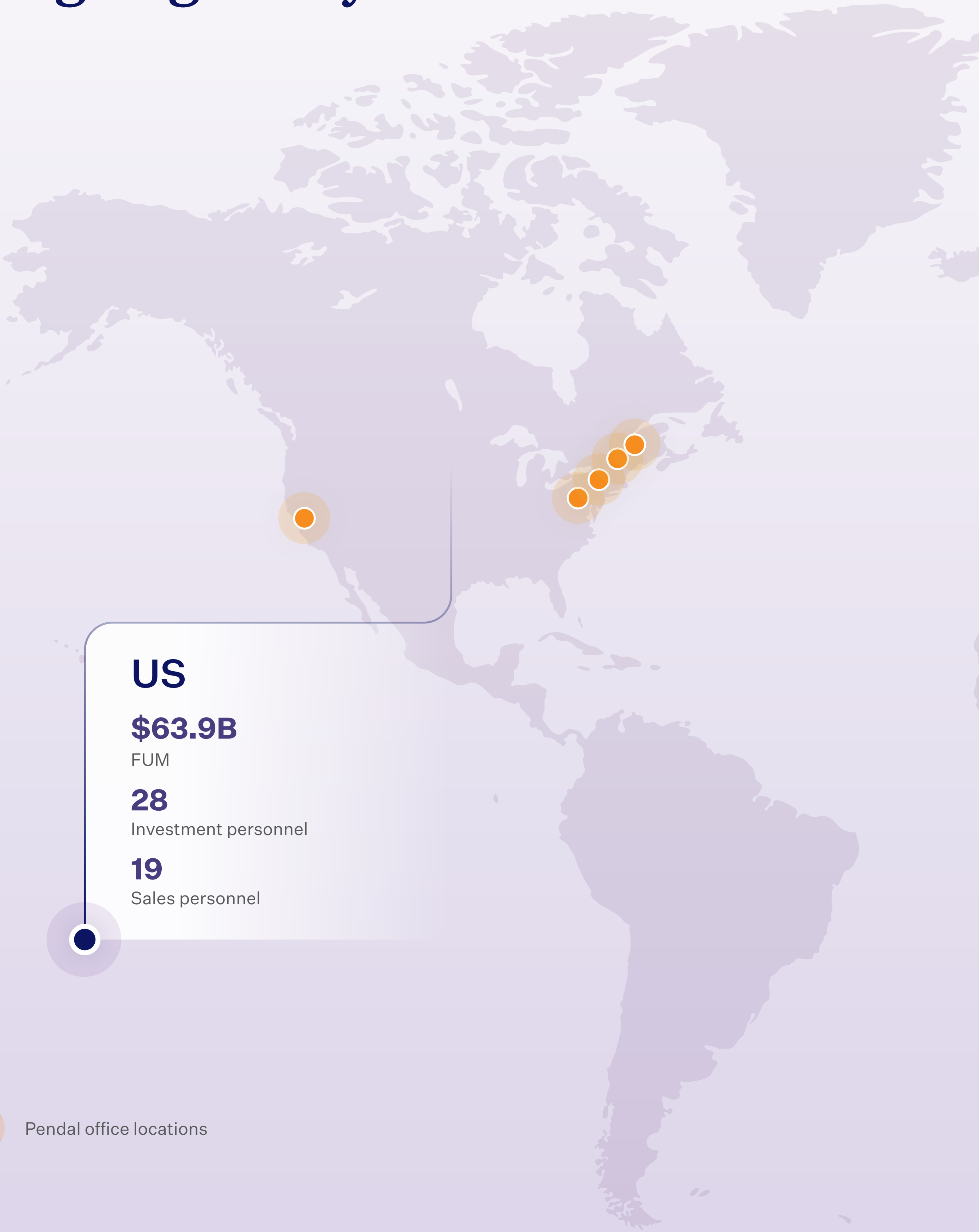
Global operating platform

Continued to streamline our platform to leverage scale and drive client benefits

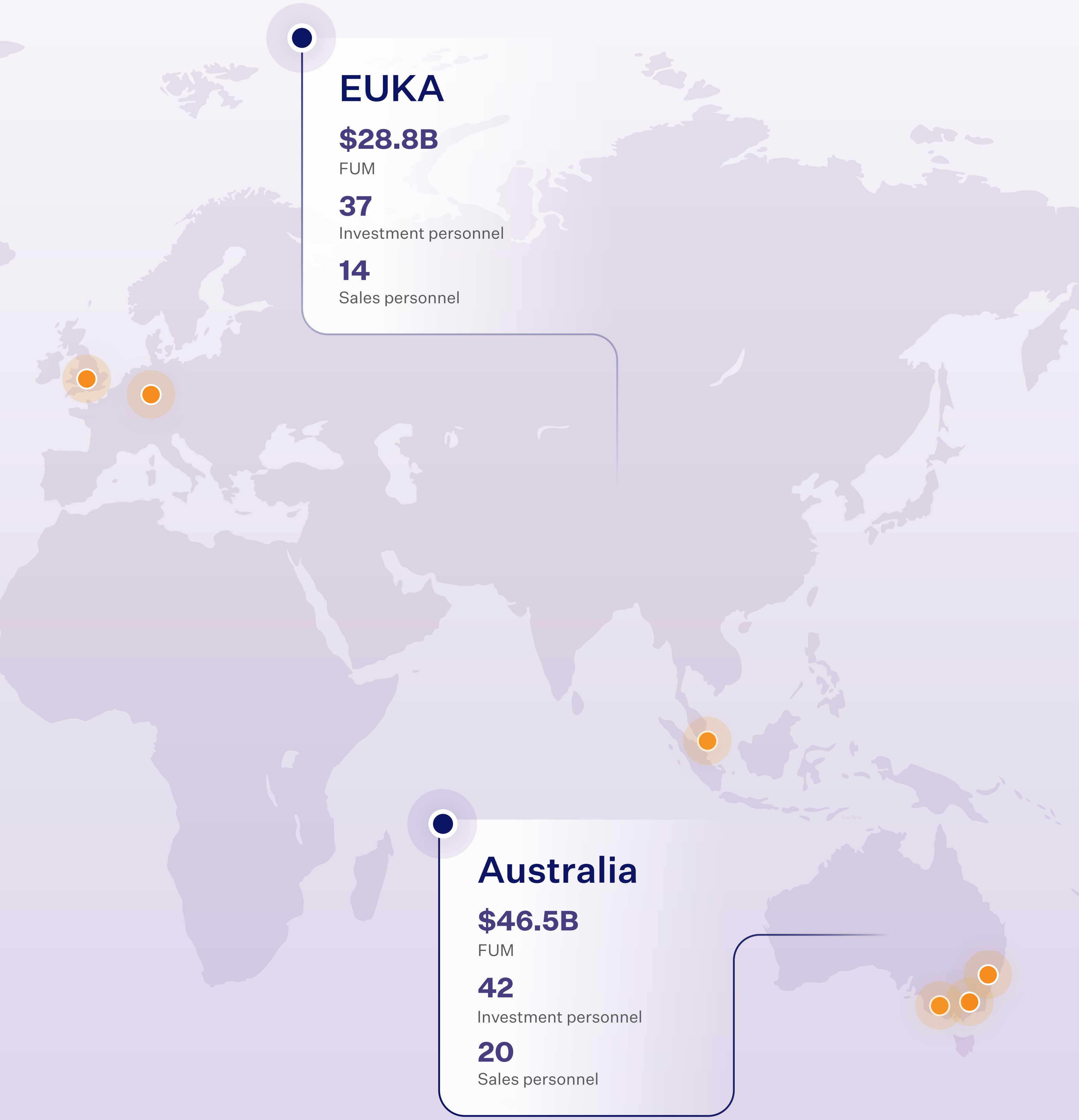
- Appointed Northern Trust as group-wide global custodian
- Established proprietary fund structure for US mutual funds
- Implemented cloud-based group wide data warehouse and infrastructure
- Transitioned to new Australian registry provider

In the coming year, we will continue to drive sustainable growth through disciplined investment in strategic initiatives. Key priorities include completing the TSW integration, expanding our distribution footprint in Europe, and streamlining our global operating platform.

Delivering investment strategies globally



Pendal office locations


EUKA
$28.8B
FUM
37
Investment personnel
14
Sales personnel
Australia
$46.5B
FUM
42
Investment personnel
20
Sales personnel

Financial Performance

The 2021 Financial Year saw a significant increase in the Group's funds under management, revenue and profit primarily due to extraordinary growth in global equity markets and the acquisition of Thompson, Siegel and Walmsley (TSW), a US value-oriented investment manager during the year.

Underlying net profit after tax (UPAT) was $165.3 million, an increase of 25 per cent on the previous year, while statutory net profit after tax (NPAT) lifted 42 per cent to $164.7 million.

Five-year profile	FY17	FY18	FY19	FY20	FY21
Average FUM ($b)	$90.4b	$99.5b	$98.8b	$94.8b	$107.9b
Closing FUM	$95.8b	$101.6b	$100.4b	$92.4b	$139.2b
Base management fee margin (bps)	50bps	51bps	49bps	48bps	48bps
Base management fees ($m)	$447.2m	$501.1m	$482.6m	$458.1m	$522.8m
Performance fees	$37.9m	$54.5m	$5.9m	$13.4m	$57.5m
Fee revenue	$491.0m	$558.5m	$491.2m	$474.8m	$581.9m
Operating expenses	$296.7m	$315.7m	$304.9m	$306.9m	$377.8m
Operating profit ($m)	$194.2m	$242.7m	$186.3m	$167.9m	$204.1m
Operating margin	+40%	+43%	+38%	+35%	+35%
UPAT ($m)	$153.8m	$197.8m	$148.5m	$132.6m	$165.3m
Statutory NPAT	$147.5m	$202.0m	$154.5m	$116.4m	$164.7m
Underlying EPS (cps)	49.1cps	62.5cps	46.6cps	41.1cps	48.2cps
Dividends	45.0cps	52.0cps	45.0cps	37.0cps	41.0cps

Funds under management (FUM)

FUM as at 30 September 2021 was $139.2 billion, a 51 per cent increase over the year. The growth in FUM was largely the result of the acquisition of TSW and a $16.0 billion contribution from higher markets and investment performance. Favourable foreign currency movements of $2.1 billion also supported FUM growth. Net outflows were $3.7 billion for the year.

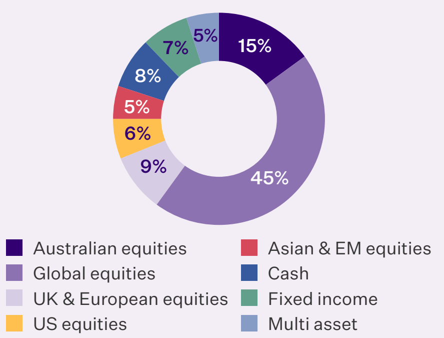
In the institutional and sub-advised channels, there was $2.9 billion in outflows across the Group as clients took the opportunity to rebalance portfolios and take profits following the significant market appreciation through the year. This was most pertinent in the International Select strategy following a period of stellar outperformance.

Flows in the higher margin wholesale channel were mixed with strong flows in the US Pooled funds (+$1.5 billion) and a record year in the Australian funds (+$0.8 billion) being offset by redemptions in the OEICs (-$1.6 billion) as UK equities remained out of favour with investors. The Regnan Global Equity Impact Solutions strategy attracted good early support from UK and European wholesale investors following its launch in the December 2020 quarter.

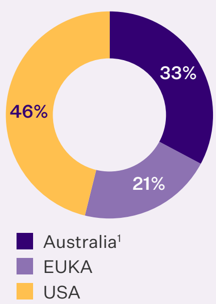
The Westpac book saw outflows of $1.4 billion with the majority of this in lower margin cash strategies and was in line with expectations.

During the year the Japan OEIC and International Small-cap mutual fund were wound up and returned to clients ($0.2 billion) upon closure.

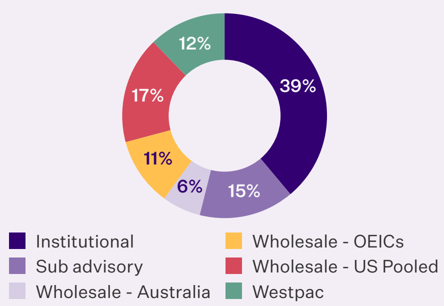
FUM by asset class



FUM by geography
(client domicile)



FUM by channel



1 Includes Australia and New Zealand

Funds under management (AUD $billion)	Sep-20	Flows[1]	Other[2]	FX	Sep-21
Australia (excl. Cash)					
Institutional	14.5	(1.4)	2.6	0.0	15.7
Wholesale	6.6	0.8	1.0	0.0	8.4
Westpac	9.9	0.0	1.9	0.0	11.8
Total Australia (excl. Cash)	**31.0**	**(0.6)**	**5.5**	**0.0**	**35.9**
Europe, UK & Asia (EUKA)					
Segregated Mandates	10.8	(0.2)	2.6	0.4	13.6
OEICs	12.4	(1.6)	3.9	0.5	15.2
Total EUKA	**23.2**	**(1.8)**	**6.5**	**0.9**	**28.8**
US					
JOHCM Segregated Mandates	7.3	(0.7)	0.8	0.0	7.4
JOHCM US Pooled Funds	18.8	1.5	3.2	(0.1)	23.4
TSW – sub advisory	0.0	(0.5)	18.1	0.7	18.3
TSW – other	0.0	(0.1)	14.3	0.6	14.8
Total US	**26.1**	**0.2**	**36.4**	**1.2**	**63.9**
Total Pendal Group (excl. Cash)	**80.3**	**(2.2)**	**48.4**	**2.1**	**128.6**
Cash	12.1	(1.5)	0.0	0.0	10.6
Total Pendal Group	**92.4**	**(3.7)**	**48.4**	**2.1**	**139.2**

1 TSW flows since completion on 23 July 2021
2 Other includes investment performance, market movement, distributions and FUM acquired upon completion of TSW

Investment performance

In the 2021 Financial Year, global equity markets experienced the strongest 12-month period of growth in more than 30 years. Market returns were higher across the board with the MSCI ACWI Index in local currency terms and the S&P/ASX All Ordinaries Index up 27 per cent while the S&P 500 rose 28 per cent. The FTSE 100 was 21 per cent higher. Markets in Asia and Europe also rebounded strongly during the year.

There was strong investment performance across a broad range of strategies during the year with notable improvement in the Group's UK equity strategies. The UK Equity Income fund outperformed its benchmark by 31.4 per cent while the UK Dynamic fund also had a strong year returning 22.1 per cent above its benchmark. Similarly, the UK Growth Fund had a stellar year achieving 27.7 per cent outperformance for the 12 months to 30 September 2021.

The consistent performance in Australian Equity strategies continued with 87 per cent of FUM outperforming their respective benchmarks. Impressively, 100 per cent of Australian equities FUM has outperformed relevant benchmarks over the past five years and since inception.

Revenue

Revenue grew 23 per cent to $581.9 million (2020: $474.8 million) with higher average FUM levels driving a 14 per cent uplift in base management fees to $522.8 million. Performance fees increased significantly to $57.5 million (2020: $13.4 million) with notable contributions from the JOHCM International Select and Global Select strategies as well as the Pendal MicroCap and Focus Australian equity strategies. Fee margins remained steady at 48 basis points.

Expenses

Total operating expenses were $377.8 million, a 23 per cent increase on the 2020 Financial Year. The increase was primarily driven by an uplift in variable employee expenses as a result of higher performance fees, base management fees and profit growth. As outlined in 2020, the Group has also embarked on an investment program centred around global distribution, product diversification and enhancing the global operating platform. New employees have been recruited to progress these initiatives.

Excluding the contribution of TSW, fixed costs were 9.6 per cent higher this year and the compensation ratio was 47 per cent, both in line with guidance provided in FY20. During the year a distribution strategy was established for Europe and senior sales leadership was refreshed in Europe and Australia. Our ESG/RI capabilities were expanded with the appointment in the UK of a thematic investment team delivering a sustainable waste and water strategy and the Regnan Global Equities Impact Solutions strategy was rolled out across all regions attracting early client support. Additionally, the Group's flagship Global Select fund was brought to the Australian market.

During the year a number of one-off global projects were carried out enhancing the Group's operating platform which totalled approximately $5 million. These are expected to deliver a recurring uplift to operating profit before tax of approximately $5 million effective from the 2022 financial year.

In the coming financial year, strategic investments for growth will continue. In the US, the TSW and JOHCM's US sales teams have commenced offering our clients in the region an expanded range of investment strategies and, in continental Europe, a branch office will be opened, and FTE added, in order to capture market share in the region.

Financial Position

Pendal Group strengthened its financial position during the 2021 Financial Year through robust profit growth and the acquisition of TSW. Net tangible assets increased by 25 per cent to $454 million at 30 September 2021 while total net assets grew by 55 per cent to $1.4 billion. This solid financial base supports the Group's ongoing investment for growth.

Cash

Cash held by the Group as at 30 September 2021 was $297.7 million (2020: $207.5 million) and represents a seasonal high for the business. Cash levels increased through the year due to higher profits and the acquisition of TSW.

Cash flows from ongoing operations are typically held for regulatory and working capital purposes, to acquire shares for employee share schemes, or to fund strategic initiatives including seed investments. Surplus cash above these requirements are paid to shareholders in the form of dividends.

Cash flows earned by overseas subsidiaries within the Group are held in foreign currencies - British pounds, Euro and US dollars - until repatriated to the Australian parent through inter-company dividends through the year. Those dividends remain hedged in Australian dollars until paid.

Seed investments

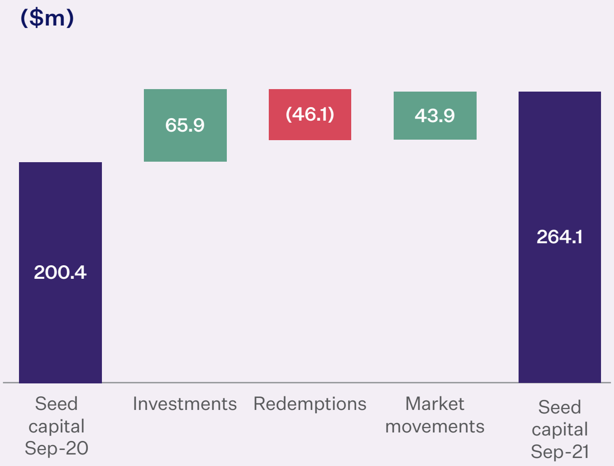
Seed investments are an important contributor to the Group's future growth. Investments are made into new fund vehicles, as they establish an investment performance track record, as well as existing funds to provide scale as they become marketable to clients.

At 30 September 2021, the seed portfolio was $264.1 million (2020: $200.4 million), benefiting from market growth and additional investments made during the year.

The seed portfolio is assessed regularly against targets related to investment performance and scale. Funds may be redeemed when fund size and maturity are achieved, or an investment strategy is closed.

In total, seed investments with a market value of $46.1 million were redeemed in the 2021 Financial Year.

Proceeds realised from redemptions were redeployed to support a number of new fund vehicles. They included four fund vehicles for the Regnan Global Equity Impact Solutions (RGEIS) strategy launched in the UK, European, Australian and US markets. Additionally the Regnan Sustainable Water and Waste fund was also seeded for the UK market.

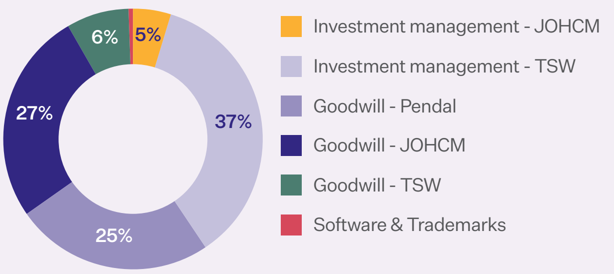


Intangibles

Pendal's intangible assets increased to $930.2 million at 30 September 2021 as goodwill, investment management contracts, and trademarks were recognised on the acquisition of TSW. These added to the goodwill and management rights associated with the acquisition of JOHCM in 2011 and goodwill arising from Pendal Group Limited's IPO in 2007.

There was no impairment to the carrying value of goodwill across the Group during the year. The goodwill values are attributed to an operating segment of the Group for impairment-testing purposes. While the Pendal Group Limited goodwill is attributed to the Australian segment, the goodwill associated with the JOHCM acquisition (completed in 2011) has been separately attributed to the US and EUKA (Europe, UK and Asia) regions, and the TSW goodwill to the US segment.

The investment management contracts associated with the acquisitions of JOHCM and TSW are amortised over their expected useful lives.



Shareholder equity

Pendal Group Limited's share capital increased significantly during the 2021 Financial Year, to $876.3 million at 30 September 2021 (2020: $471.2 million).

The acquisition of TSW was primarily funded through the issue of Pendal shares to new and existing shareholders under an institutional placement and a retail share purchase plan (SPP). The $190 million fully underwritten institutional placement in May 2021 was significantly oversubscribed, and approximately 27.9 million new fully-paid ordinary shares were issued. The SPP was completed in June 2021 and was strongly supported by retail shareholders with 10,118 eligible retail shareholders applying. Equity raised under the SPP totalled $190 million and approximately 27.9 million new fully-paid ordinary shares were issued. The successful capital raising represented a strong endorsement of the TSW acquisition.

Approximately 2.8 million new Pendal shares were also issued to TSW employee owners as part of the purchase consideration to acquire TSW.

TSW is a highly successful complementary business which expands the Group's growth potential in the US market and has created immediate value for the Group.

Liabilities and debt

Total liabilities were $337.4 million at 30 September 2021 (2020: $210.6 million).

The Group entered into a US$35.0 million ($48.6 million) syndicated debt facility agreement for a three-year term to partially fund the acquisition of TSW. The facility was fully drawn on completion of the acquisition in July 2021.

Pendal's other liabilities primarily consist of trade creditors and accruals, lease liabilities and employee benefits. Employee benefit liabilities increased, as variable employee remuneration has risen with higher profits earned in the 2021 Financial Year.

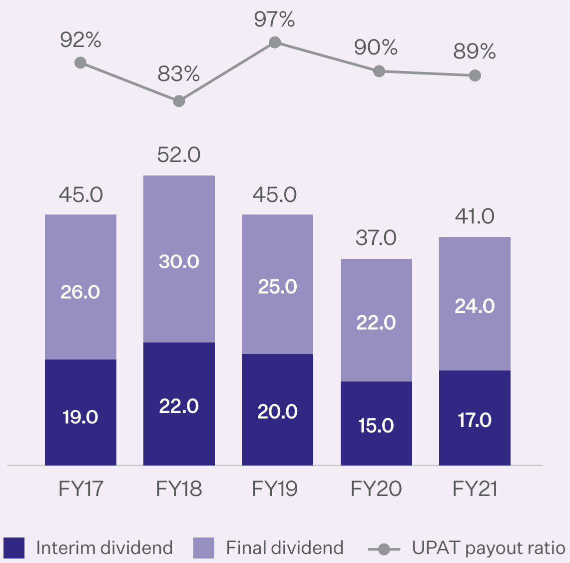
A $25.0 million multi-currency revolving loan facility is maintained and remained undrawn throughout the financial year.

Dividend

The Directors declared a final dividend of 24.0 cents per share (cps), bringing total dividends for the year to 41.0 cps, an 11 per cent increase on the prior year's dividend of 37.0 cps.

The total dividend represents a payout ratio of 89 per cent, which is within the Group's payout ratio target of 80 to 95 per cent of UPAT. The Dividend Reinvestment Plan was deactivated for the 2021 interim dividend and remains deactivated for the 2021 final dividend.

Dividends are franked to 10 per cent, reflecting the significant proportion of the Group's profit that is earned offshore. In accordance with the Company's capital management plan, and to the extent possible, retention of franking credits is minimised.



Risk Management

Our risk management framework provides a strong foundation from which we can successfully deliver our strategic priorities. The Group has a culture of effective risk management and risk aware decision making is embedded into our key processes. The Board approves the Group's risk management framework and sets the risk appetite. This guides management to proactively identify, monitor and manage the material and emerging risks that could impact the organisation.

Our approach to risk management

Overall accountability for risk management lies with the Pendal Group Board. The Group Audit & Risk Committee assists the Board in its oversight of risk management, financial and assurance matters. The Board annually reviews and approves the design of the risk management framework and sets the risk appetite. This process incorporates a review of key aspects of the strategy and assesses whether adjustments to the material risks, risk appetite and related tolerances (i.e. limits and capacity) need to be made as the Group's operating environment evolves.

The Board delegates responsibility for implementing the risk management framework, and managing the material risks within the appetite set, to the Group CEO. The Group Chief Risk Officer is responsible for designing and updating the Group risk framework and working with the local risk teams to support and challenge the identification, assessment, monitoring and reporting of risk exposures and their associated mitigants. Management are held to account for managing the material risks within the appetite, thus enabling the Group to make risk conscious decisions and generate appropriate returns, in a controlled and deliberate manner.

Managing risks associated with COVID-19

During FY21 in addition to the ongoing enhancement and embedding of the risk framework, the key area of continued focus was managing the risks resulting from the unprecedented COVID-19 pandemic. Separate COVID-19 risk registers have been maintained and operated 'live' to identify, monitor and manage the COVID-19 related risks. Areas of specific focus included staff wellbeing, culture, effective remote working, continued excellent client service, enhanced liquidity risk management, day-to-day management of portfolios, enhanced communication and maintaining operational resilience.

Managing risk to deliver our strategy

The Board endorsed an updated risk framework during 2021. The updates included the introduction of two new material risks. The first related to Environmental, Social and Governance (ESG) risk and the second, the longer-term risks relating to the COVID-19 pandemic.

The Board has a lower risk appetite in the management of critical areas such as investment performance, regulation and legislation particularly new ESG-related laws and regulations, behaviour and conduct and the risks associated with managing the COVID-19 pandemic, as they could have a significant impact on the Group's reputation and performance. The Group accepts a higher risk appetite, consistent with its strategic objectives, in relation to risks associated with business growth and change initiatives, including investing shareholder funds in the form of seed capital to support future growth.

With the completion of the acquisition of Thompson, Siegel & Walmsley (TSW) in Q4 FY21, the Board commenced, and will continue, its oversight of the integration of the TSW risk framework with the Pendal Group risk framework. Completion will occur in FY22.

Material risks

The Group actively manages a range of financial and non-financial business risks and uncertainties which can potentially have a material impact on the Group and its ability to achieve its stated objectives. While every effort is made to identify and manage material risks and emerging 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 in the following table.

Risk alignment with strategy

Investment capability · Distribution · People · Operating platform

Material risk	Risk description	Risk management
Strategic and business		
COVID-19 pandemic	The risk that the Group is unable to continue servicing clients and appropriately manage the health, safety and wellbeing of employees. The risk that the Group fails to effectively consider the future impacts resulting from the COVID-19 pandemic. Both risks can impact on the ability of the Group to continue operating and deliver the strategy.	• Business Continuity Planning (BCP) plans are tested and COVID-19 management teams are in place and meet regularly. • Successful and timely transition to 'Working from Home' in all jurisdictions. Technology and home equipment enhanced to support remote working, including cyber risk management. • Client service and portfolio management processes continued to operate and enhancements made where appropriate e.g. proactive and more frequent client communications and enhanced liquidity risk management. • Enhanced risk management processes with specific COVID-19 risk registers in place. • Additional oversight to ensure material suppliers and third-party providers continue to deliver on the agreed service levels. • Staff wellbeing seminars and increased leadership focus on communication and employee welfare, with regular staff surveys and feedback mechanisms in place. • Return to office plan implemented and enhanced approach to flexible working.
Strategic alignment and execution	The risk that the Group's strategy is not aligned to maximise shareholder and client value or we fail to effectively execute the Group's strategy. Both of which can impact on the ability of the Group to deliver on expected outcomes.	• Annual strategy and budget process, with outcomes and priorities approved by the Board. • Regular monitoring of strategic execution and strong reporting mechanisms to support effective Board oversight. • Clearly articulated objectives and Board governance structure. • Employee performance management process and remuneration aligned to delivery of strategic objectives. • Robust acquisition search, due diligence and integration processes, engaging subject matter experts and external consultants for support.
Business model	The risk that the business model does not respond effectively to external change which could result in loss or missed opportunity. This includes external factors such as the markets, geopolitical events and competition.	• Annual strategy and budget process. • Strategy and risk management processes to continuously monitor and manage external threats and opportunities. • Governance processes to support effective decision making. • Variable remuneration aligned to strategic objectives. • Post Brexit, Irish management company established, to allow the continued distribution of relevant products across Europe. • Continuing pipeline of new product with a thematic water and waste investment team joining in FY21. • US Mutual funds re-structured and in-house responsibilities and governance implemented.
People	The Group's performance is largely dependent on its ability to attract and retain talent. Loss of key personnel could adversely affect financial performance and business growth. There is also risk of concentration whereby a material proportion of the Group's revenue is delivered via a few strategies and therefore creates reliance on a few key investment personnel. The risk that our investors seek other investment products if we are unable to meet investment objectives.	• Successful transition during FY21 from longstanding Group CEO to new Group CEO through internal promotion. • Acquisition of TSW during FY21 increased our pool of talent and diversified investment strategies. • Competitive remuneration structures in the relevant employment markets to attract, motivate and retain talent, with alignment to client and shareholder outcomes. • A Global Head of Remuneration appointed during FY21 to oversee remuneration practices across the Group. • Long-term retention plans. • Succession planning to develop or attract talent for sustainable growth. • Maintenance of a strong reputation and culture which promotes an attractive workplace. • Employee engagement surveys to support retention. • Performance management processes to help develop and grow talent. • Board review of proposals for new team acquisitions to ensure areas such as cultural fit, product offering and financials are robustly considered. • Increased focus on Diversity, Equity and Inclusion (DEI). Global steering committee established.

Material risk	Risk description	Risk management
Environment, Social & Governance (ESG)	The risk that the Group fails to adequately progress on executing its ESG and Responsible Investing strategy. This includes the risk of not developing products to meet client needs in a timely manner or failing to adequately meet evolving ESG stakeholder expectations.	• Regular review and enhancement of the Group's ESG strategy. • Specific ESG-related products launched, following a robust new product development process. Including the Regnan Global Equity Impact Solutions strategy and the Regnan Sustainable Water and Waste Fund in the UK. • Ongoing monitoring of external market Insights and evolving client needs. • Internal and external training provided on specific ESG-related topics such as Modern Slavery. • Recruitment to build out specialist teams providing ESG support, oversight and governance. • Ongoing integration of ESG considerations into investment processes for relevant strategies. • Continued investment in processes and systems to enhance controls, improve efficiency and help meet ESG regulatory changes. • Ongoing evolution and enhancements in ESG practices within the Group's operations, including Modern Slavery and Climate Change. • Enhanced ESG related disclosure reports. This includes the Pendal Australia Responsible Investments statement, Human Rights statement, Pendal Group Sustainability Report, Pendal Group Corporate Governance Statement and J O Hambro Capital Management's Stewardship Code for 2020.
Behaviour and conduct	The risk of inappropriate, unethical or unlawful behaviour, by employees, which is not in line with the Group's core values. This includes the risk of senior management failing to set an appropriate cultural 'tone from the top', which may result in the delivery of detrimental or suboptimal outcomes for clients and shareholders.	• Comprehensive recruitment process to assess behaviour and conduct. • Remuneration and performance management processes supports good behaviour and conduct. • Clearly defined Code of Conduct which outlines the expected behaviour of all individuals. • Whistleblowing Framework in place. • Embedded Risk Management Framework, which incorporates conduct risk management. • Ongoing HR, Risk and Compliance training and confidential staff engagement surveys. • Internal audit program incorporating conduct assessment, where relevant. • In response to regulatory developments, senior management roles, responsibilities and accountabilities updated in J O Hambro Capital Management (UK and Singapore).
Transformation (change management)	Failure to effectively manage material change projects which could result in loss or missed opportunities. Such a risk could result from poor planning, ineffective project governance, insufficient resource (including human capital), ineffective execution and poor management of project interdependencies. Failure to effectively manage the material risks arising from our global transformational change program focused on enhancing operational infrastructure.	• Annual strategy and budget process, with transformation change priorities approved by the Board. • Dedicated change management team and effective approach and processes in place. • Risk management embedded within the change management process. • Appropriate governance processes in place to monitor, escalate and report on progress to the relevant Committees and Boards. • Internal audit providing independent oversight over Australian major change projects. • Continued monitoring of the global data transformation program, including how we buy data related technology; use data to improve the client experience and overall performance; and how we continue to protect data in line with regulation and legislation.
Product and performance		
Product and investment performance	The risk that the Group's products and solutions do not meet client preferences. This includes changing client needs, fee structures, and asset classes. The risk that portfolios will not meet their investment objectives or that there is a failure to achieve consistent long-term performance that delivers on the clients' expectations.	• Talent hiring and succession planning. • Clearly defined investment strategies and investment processes within stated risk parameters. • Regular independent investment risk reviews and analysis of portfolio risks across all asset classes and strategies (including market, liquidity and credit counterparty). • Regular client reporting and performance update. • Formal approach to product governance and innovation including management of the product lifecycle. • Ongoing external insights into how client preferences are changing. • Several new products were launched in FY21 to meet client demands, such as an ESG related impact fund and a thematic fund.

Material risk	Risk description	Risk management
Distribution	The risk that the design and execution of the distribution strategy is ineffective, resulting in a failure to positively identify, engage and support clients, which in turn results in a failure to deliver budgeted fund flows. In the current environment, failure to manage the negative impact on fund flows: • In the UK and Europe caused primarily by external factors, including Brexit and COVID-19. • In Australia, by the Banking Royal Commission and by our significant client Westpac as they execute their exit from wealth management.	• The acquisition of TSW increased the Group's FUM, provides future growth opportunities and a broader product offering to help meet client expectations. • Client engagement and distribution is a key part of the overall Pendal Group strategy. This was updated during the year and was approved by the local Governance Committees and the Pendal Group Board. • Progress updates on implementing the Distribution strategy is a key part of the regular CEO reports to the Pendal Board and to the local governance committees. • Ongoing acquisition of external insights into how client preferences and market requirements are developing. • Fees structures benchmarked and updated where required. • Daily monitoring of changes in FUM and the sales pipelines. Regular Board reporting and discussions on market trends and material changes in FUM. • Operational restructure and recruitment to expand distribution capability largely completed in Australia, in progress in the US with the acquisition of TSW, and underway in Europe. • Implementation of technology solutions and data related enhancements underway to better service clients.
Operational		
Regulation and legislation	There is a risk that the Group will not be able to respond effectively to regulatory change or comply with relevant laws and regulations in multiple jurisdictions. Failure to effectively manage these risks could result in sanctions, fines and reputational damage. The volume of regulatory and legislative change remains challenging. Examples of this include: • The Financial Conduct Authority (UK)'s Senior Managers and Certification Regime which is being replicated by other national regulators. • The expansion of The UK Stewardship Code. • The implementation of the European Sustainable Finance Disclosure Regulation (SFDR) and similar global regulatory initiatives. • Legislation and regulation on modern slavery and new financial product design and distribution obligations in Australia. As a result, there is a risk of failing to meet the new standards or account for the increasingly higher costs of compliance.	• Clearly defined compliance framework to meet compliance obligations. • Establishing policies and procedures supporting the risk and compliance framework. • Experienced and appropriate level of legal, risk, tax and compliance resources to manage obligations. • Regular and constructive engagement with regulators including participation in industry bodies. • Ongoing monitoring, reporting and review of regulatory obligations, including new and proposed legislation. Several projects are underway to implement regulatory changes. • External advisors used where necessary to complement in-house knowledge. • Independent non-executive directors appointed to subsidiary UK regulated entities. • Tax management framework to identify, manage and communicate key tax risks. • Projects underway to enhance processes and systems such as substantial shareholder reporting and compliance employee reporting requirements.
Technology and data (including cyber)	The risk that the Group does not optimise the use of data and digital technology. This may negatively impact the Group's ability to meet external demands and deliver growth. Coupled with the risk that the existing technology operating platform is inadequate and may suffer disruptions such as, system failures, faults, illegal unauthorised use of data and cybercrime.	• Multi-year global technology and data management projects underway to enhance processes and systems. • Recruitment of dedicated data specialists continues. • Technological and information security enhancements made where appropriate, to support remote working as part of managing the COVID-19 pandemic. • Global Data Council in place to provide robust governance and oversight over key technology related transformation projects. • Participation in external forums to share good practices and enhance internal processes and systems. • Independent internal audit and other assurance reviews carried out over the design and effectiveness of technological, cyber and data systems of internal controls. • Range of technology and data related polices in place, these are periodically updated, approved and communicated to colleagues. • Regular review and testing of Disaster Recovery and Business Continuity Plans. • Periodic information security training. • Ongoing penetration testing and consultation with cyber security specialists.

Material risk	Risk description	Risk management
Supplier management (including outsourcing)	The risk of loss or reputation damage arising from inadequate supplier selection and oversight processes. Failure to manage the business's exposure to heightened supplier risks as it introduces and transitions to new infrastructure suppliers, e.g. back office providers.	• Periodic review of operating model includes consideration of the areas where we want to use third party suppliers. • Supplier management due diligence process. Enhancements implemented as part of the Modern Slavery regulatory change in Australia. • Supplier management governance framework, policies and procedures. • Regular monitoring and review of service level agreements and performance standards in place. • Independent annual assurance review of the design and effectiveness of internal controls. • Ongoing monitoring and reporting. • Regular communication/meetings with key outsource providers. • Major project underway, following a disciplined change methodology, to plan for the transition to new back/front office supplier/s.
Market financial and treasury	The Group's fee income is derived from the assets managed on behalf of clients and the associated fee rates. The assets under management face a variety of risks arising from the unpredictability of financial markets, including movements in equity markets, interest rates and foreign exchange rates. The Group also invests its own capital alongside clients when establishing new financial products and building them to scale. This exposes the Group to the same potential loss of capital as clients. There is also the risk of the failure of the Group to maintain appropriate working capital and reserves to respond to unexpected adverse events.	• Diversification across asset classes, investment styles and geographies. • Budgeting and financial forecast management. • Ongoing monitoring and review of strategy. • Conservative approach to leverage and the use of debt. US$35m ($45m) term debt facility with full repayment targeted over a three year term. An additional undrawn A$25m working capital loan facility in place as a risk management measure. • Monthly offshore earnings hedged into Australian dollars. • Capital management policy in place with limits, including a seed capital policy. • Ongoing monitoring and annual board review of seed capital portfolio performance. • Capital requirements regularly monitored and stress tested.

2021 Directors' Report and Financial Report

Contents

Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2021

The Directors present their report and the annual financial report for Pendal Group Limited (the Company) and its consolidated subsidiaries (together referred to as the Pendal Group or the Group) for the 2021 Financial Year.

Board of Directors

The Directors of the Company during the 2021 Financial Year and up to the date of this report are:

Director	Date of Appointment	Period
James Evans	Appointed to the Board on 2 June 2010 Appointed Chairman on 6 December 2013	Full-year
Emilio Gonzalez	Appointed Managing Director & Chief Executive Officer on 22 January 2010	1 October 2020 to 31 March 2021
Nick Good	Appointed Managing Director & Chief Executive Officer on 1 April 2021	1 April 2021 to 30 September 2021
Sally Collier	2 July 2018	Full-year
Andrew Fay	1 October 2011	Full-year
Christopher Jones	8 November 2018	Full-year
Kathryn Matthews	1 December 2016	Full-year
Deborah Page AM	7 April 2014	Full-year

Details of the qualifications, experience and responsibilities of the current Directors are set out below:

James Evans
BEc CA F Fin FAICD

Independent Non-executive Chairman

Board Committees: Nil

James Evans, who is based in Australia, brings to the Board over 40 years of corporate leadership experience in finance, risk management and business development and operations. James' corporate experience spans accounting, capital markets, corporate finance, mergers and acquisitions, insurance, joint venture arrangements, strategy and technology for companies including the Commonwealth Bank, Lendlease Group, GEC Australia and Grace Bros.

James has significant experience as a company director across ASX-listed, private and regulated entities and accordingly, brings to the Board both executive and company director skills in financial and risk management, strategy and corporate governance and compliance Specifically, he has sector experience and expertise in banking and financial services, including funds management, superannuation and financial services technology, property investment, lease financing and life and general insurance.

James is currently Chairman of J O Hambro Capital Management Holdings Limited and a Non-executive Director of AutoSports Group Limited.

Directorships of other listed entities over the past three years: Nil

Nick Good
MA (Oxon)

Group CEO & Managing Director

Board Committees: Nil

Nick Good joined Pendal Group as Chief Executive Officer, JOHCM USA in December 2019.

Nick has over 24 years' industry experience across the US and Asia. Most recently, Nick served as Executive Vice President, Chief Growth and Strategy Officer at State Street Corporation, based in Boston. In this role, he was responsible for setting overall business strategy and leading corporate development at State Street.

Previously, he was co-head of State Street Global Advisors' Global ETF business, with primary responsibility for North America and Latin America. During his tenure, the Global ETF business grew assets under management by 50 per cent, including the launch of the SPDR Portfolio ETFs in the US.

Prior to joining State Street, Nick worked at BlackRock (initially Barclays Global Investors) in San Francisco and Hong Kong, including five years as head of the iShares ETF business in Asia-Pacific, which enjoyed rapid growth under his leadership. Nick also worked at the Boston Consulting Group in San Francisco and at the Kalchas Group in New York and London.

Nick has a Bachelor of Arts and a Master of Arts in Biochemistry from the University of Oxford. He previously served on the Security & Futures Commission Product Advisory Committee in Hong Kong and on the Executive Committee of the Hong Kong Investment Funds Association.

Directorships of other listed entities over the past three years: Nil

Sally Collier

BEc GAICD

Independent Non-executive Director

Board Committees:
Member of the Audit & Risk Committee and the Remuneration & Nominations Committee

Sally Collier, who is based in Australia, brings to the board 20 years of investment banking experience and 10 years of asset management executive experience. Most of Sally's executive career was spent in the USA (two years), London (23 years) and Hong Kong (four years). Prior to returning to Australia, Sally was a partner at the international private equity and infrastructure investment firm, Pantheon, where she held leadership roles in business and product development, investor relations, and marketing and communications. This followed nearly 20 years in investment banking, mostly at HSBC Investment Bank in the UK, where she was engaged in a broad range of transactions including mergers and acquisitions, capital markets (both debt and equity) and initial public offerings, before joining the Management Committee as an Executive Director.

Since returning to Australia in 2013, Sally has held non-executive positions in the financial services sector covering funds management and financial services technology, across ASX listed, private and regulated entities.

Sally brings to the Board, through her executive and non-executive experience, skills in merger and acquisitions, strategic development, international markets, stakeholder engagement, and capital markets.

Sally is currently a Non-executive Director of J O Hambro Capital Management Holdings Limited, Indue Ltd, The Tasmanian Public Finance Corporation, Utilities Trust of Australia and the Clayton Utz Foundation.

Directorships of other listed entities over the past three years: Nil

Andrew Fay

BAgEc (Hons) A Fin

Independent Non-executive Director

Board Committees:
Chair of the Remuneration & Nominations Committee

Andrew Fay, who is based in Australia, brings to the Board over 30 years' experience in funds and investment management. Andrew's significant experience includes Chief Executive Officer and Chief Investment Officer roles at Deutsche Asset Management (Australia) Limited. He also held a number of other senior investment roles at Deutsche Asset Management and previously at AMP Capital. From 1998 to 2006, he was a member of the Investment Board Committee of the Financial Services Council.

Andrew has experience as a company director across ASX listed, private and regulated entities and accordingly brings to the Board skills in financial and risk management, capital markets, executive remuneration frameworks, strategy, investment and corporate governance. Specifically, he has sector experience and expertise in financial services, including investment, funds, property and infrastructure management.

Andrew is currently a Non-executive Director of J O Hambro Capital Management Holdings Limited, Spark Infrastructure RE Limited and National Cardiac Pty Limited.

Andrew has previously served as the Chairman of Deutsche Asset Management (Australia) Limited, Deutsche Managed Investments Limited and Tasman Lifestyle Continuum Limited.

Directorships of other listed entities over the past three years:

Cromwell Property Group

Christopher Jones

MA (Cantab) CFA

Independent Non-executive Director

Board Committees:
Member of Audit & Risk Committee

Christopher Jones, who is based in New York City, has over 35 years' experience in the financial services industry. He has significant experience in investment management as both a Chief Investment Officer and Portfolio Manager in the US.

Most recently, Christopher was Principal of CMVJ Capital LLC, a private investor and adviser in the financial services, asset management and technology industries. In the two years prior to 2016, Christopher was Head of Blackrock's US Global Fundamental Equity and Co-head of Global Active Equity. Previously, he spent 32 years in a range of roles at Robert Fleming and Co and JP Morgan Asset Management, including being Managing Director and Chief Investment Officer, Growth and Small Cap Equities for a period of 10 years.

Christopher brings to the Board skills in financial and risk management, financial services technology, strategy and investment governance. Specifically, he has sector experience and expertise in international financial services, including investment and funds management.

Christopher is currently a Non-executive Director of J O Hambro Capital Management Holdings Limited. Christopher is Chair of the Investment Committee of Acorns Grow, an American financial technology and financial services company that specialises in micro-investing and robo-investing. Christopher is also Chair of the Advisory Committee of Zoe Financial, an American financial technology company which operates a digital marketplace that enables consumers to find and engage qualified financial advisors.

Directorships of other listed entities over the past three years: Nil

Kathryn Matthews

BSc BEc

Independent Non-executive Director

Board Committees:
Member of the Remuneration & Nominations Committee

Kathryn Matthews, who is based in the United Kingdom, brings to the Board nearly 40 years' experience in funds and investment management. She has extensive experience in global investment management businesses in the UK and Hong Kong, including as Chief Investment Officer, Asia Pacific ex Japan at Fidelity International based in Hong Kong. She commenced her career at Baring Asset Management, holding a broad range of roles over 16 years as a global equity portfolio manager and latterly as the Head of Institutional Business, Europe and UK.

Kathryn has experience as a company director across listed, private and regulated entities and accordingly brings to the Board skills in financial and risk management, strategy, marketing and distribution, investment and corporate governance. Specifically, she has sector experience and expertise in financial services, including banking, funds and investment management.

Kathryn is currently Chair of Barclays Investment Solutions Limited, a Non-executive Director of J O Hambro Capital Management Holdings Limited as well as the following UK-based companies: Barclays Bank UK Plc and VinaCapital Vietnam Opportunity Fund Limited.

Kathryn is also a member of the Council and Chairman of Pension Trustees for the Duchy of Lancaster, the private estate of the British sovereign.

Directorships of other listed entities over the past three years:

Rathbones Plc, JPMorgan Chinese Investment Trust (Both listed on LSE).

Deborah Page AM

BEc FCA FAICD

Independent
Non-executive Director

Board Committees:
Chair of the Audit & Risk Committee

Deborah Page, who is based in Australia, brings to the Board extensive financial expertise from her time at Touche Ross/ KPMG including as a Partner, and subsequently from senior finance and operating executive roles with the Lend Lease Group, Allen, Allen & Hemsley and the Commonwealth Bank. She has specific experience in corporate finance, accounting, audit, mergers & acquisitions, capital markets, insurance and joint venture arrangements.

Deborah is a member of Chief Executive Women and has extensive experience as a company director gained across ASX listed, private, public sector and regulated entities since 2001. Her relevant sector experience includes funds management, life and general insurance, superannuation and financial services technology. Deborah's experience includes Board leadership, governance and compliance, risk management, remuneration practices, technology, investor relations and health, safety and environment.

Deborah is currently a Non-executive Director of Brickworks Limited, Growthpoint Properties Australia Limited, J O Hambro Capital Management Holdings Limited and Service Stream Limited.

Directorships of other listed entities over the past three years:

GBST Holdings Limited (2016 - 2019 retired as entity delisted in November 2019).

Group Company Secretary & Head of Corporate Governance

Joanne Hawkins

BCom LLB Grad Dip CSP
FGIA FCG GAICD

Joanne Hawkins is responsible for Company Secretarial and Corporate Governance functions for all entities across the Group.

Joanne has extensive experience in corporate governance within the funds management industry. Joanne started her career as a solicitor at a major law firm and then held in-house and legal roles in New Zealand and Solomon Islands. Prior to joining Pendal Group in 2017, Joanne held the role of Company Secretary at Perpetual Limited, which included responsibility for the Legal, Compliance and Company Secretariat functions across the Perpetual group of companies.

The number of meetings of the Board and of each Board Committee held during the 2021 Financial Year and the number of meetings attended by each Director during that year are set out in the following table.

Name	Board		Audit & Risk Committee		Remuneration & Nominations Committee	
	A	B	A	B	A	B
James Evans	19	19	-	-	-	-
Emilio Gonzalez	8	8	-	-	-	-
Nick Good	11	11	-	-	-	-
Sally Collier	19	19	6	6	8	8
Andrew Fay	19	19	-	-	8	8
Christopher Jones	19	19	6	6	-	-
Kathryn Matthews	19	19	-	-	8	8
Deborah Page AM	19	19	6	6	-	-

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

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

A Due Diligence Committee was formed in respect of the acquisition of TSW. The members of the Committee were Deborah Page (Chair), Andrew Fay and Chris Jones. The Committee met 9 times and all members of the Committee attended each meeting.

Global Executive Committee

In May 2016, the Company established a Global Executive Committee. The current members of Global Executive Committee are:

Name of Group Executive	Position	Joined the Pendal Group	Appointed to current position
Nick Good	Group Chief Executive Officer	2019	2021
Alexandra Altinger	Chief Executive Officer, JOHCM UK, Europe & Asia	2019	2019
Richard Brandweiner	Chief Executive Officer, Pendal Australia	2018	2018
John Reifsnider	Chief Executive Officer, Pendal USA	2021	2021
Bindesh Savjani	Group Chief Risk Officer	2019	2019
Cameron Williamson	Group Chief Financial Officer	2008	2016

Details of the qualifications, experience and responsibilities of the members of the Global Executive Committee are set out below:

Nick Good

MA (Oxon)

Group Chief Executive Officer

Refer to Directors' biographies.

Alexandra Altinger

BA MA CFA

Chief Executive Officer, JOHCM UK, Europe and Asia

Alexandra was appointed Chief Executive Officer, JOHCM UK, Europe and Asia in July 2019 and commenced employment in September 2019.

Alexandra has 28 years' experience in the wealth and asset management industry across Europe, Asia and the US. She previously spent four years as CEO of Sandaire Investment Office, a UK multi-family office, where she led the business integration process after Sandaire acquired Lord North Street Private Office.

Prior to Sandaire, Alexandra worked within the executive team of Lansdowne Partners International, helping to lead the firm's repositioning efforts for its long-only products in global institutional markets. Previously she was at Wellington Management International where she held a number of senior roles including European Head of Sub Advisory and Distribution. Alexandra has also served as an Equity Research Analyst at John Hancock in Boston and has worked in Japanese equities research sales for Goldman Sachs in Tokyo and London. She started her financial career as a Proprietary Trader with Banque Nationale de Paris (Securities) in Tokyo.

Alexandra has a Bachelor of Sciences and a Master of Sciences in International Economics from Université de Dauphine, Paris and is a CFA Charterholder and member of the CFA UK Advisory Council. She is a founding member of the Advisory Committee of The Diversity Project, an ambitious initiative to promote diversity in all its forms across the UK asset management sector. Alexandra is also the current Chair of the Investment Association's Business Forum.

Richard Brandweiner

BEc CFA

Chief Executive Officer, Pendal Australia

Richard Brandweiner was appointed Chief Executive Officer, Pendal Australia in February 2018.

Richard has 25 years' experience in investment management and is responsible for the Australian arm of Pendal Group, including asset management, operations, sales and marketing. Before joining the Company, Richard was Chief Investment Officer at Aware Super (formerly First State Super), one of Australia's largest pension funds. Prior to that, Richard was Group Executive at Perpetual Investments.

Richard is a CFA Charterholder and holds a Bachelor of Economics from the University of New South Wales. Richard is currently Chair of the Australian Advisory Board on Impact Investing and is a member of the NSW Government Social Impact Investment Expert Advisory Group. He is a former President of the CFA Society of Sydney.

John Reifsnider
BBA
Chief Executive Officer, Pendal USA

John Reifsnider joined Pendal Group as Chief Executive Officer, Pendal USA in July 2021 following the acquisition of Thompson, Siegel & Walmsley LLC (TSW).

John has over 30 years' experience in investment management, specifically in business development, strategy, and leadership.

John has been with TSW in Richmond, Virginia for over 16 years. He was appointed Co-President of TSW in September 2018 and Chief Executive Officer in 2020. He is responsible for the day-to-day management of Pendal USA.

Before joining TSW in 2005, he was a Founding Member of Atlantic Capital Management, LLC, responsible for business development and client service. John started his career in the investment industry in 1990.

John has a Bachelor of Business Administration from the University of Toledo and is registered as an Investment Adviser Representative.

Bindesh Savjani
BA (Hons) FCCA
Group Chief Risk Officer

Bindesh Savjani joined Pendal Group as the Group Chief Risk Officer in March 2019. He is a qualified accountant and has over 20 years' experience in investment management.

Bindesh has extensive experience in risk management, compliance and internal audit from his time as a consultant at Ernst & Young and thereafter for several asset managers. Prior to joining Pendal Group, Bindesh was the Global Chief Risk Officer for Intermediate Capital Group (ICG) where he developed ICG's risk framework and was responsible for Risk, Compliance and Legal. Earlier in his career, Bindesh established the risk management function at Morley Fund Management. He then moved to Scottish Widows Investment Management (SWIP) as the Director of Risk, Legal and Compliance. He was a core member of the executive team that sold SWIP to Aberdeen Asset Management and thereafter worked to integrate the two businesses.

Bindesh has a Bachelor of Arts from the University of Westminster and is a Fellow Chartered Certified Accountant.

Cameron Williamson
BAcc CA
Group Chief Financial Officer

Cameron Williamson was appointed Chief Financial Officer in February 2010, having joined the Company in 2008. He was appointed Group Chief Financial Officer and a member of the Global Executive Committee on its establishment, on 1 May 2016.

With more than 20 years' experience in financial markets, Cameron is responsible for Pendal Group's overall financial operations and reporting, business planning, taxation and investor relations.

Cameron is Chairman of PFSL, PIL and a director of Pendal UK Limited.

Prior to joining the Company, Cameron held Chief Financial Officer and Company Secretary responsibilities at Clairvest Group, a mid-market private equity group in Toronto. His previous positions also included senior finance roles with Franklin Templeton and CIBC World Markets in Toronto, UBS in the UK and KPMG in Australia.

Cameron has a Bachelor of Arts in Accounting from the University of South Australia and is a qualified Australian Chartered Accountant.

Principal activities

The principal activity of Pendal Group during the 2021 Financial Year was the provision of investment management services. There has been no significant change in the nature of this activity during the year ended 30 September 2021.

Operating and Financial Review

The Operating and Financial Review (OFR) containing information on the operations and financial position of Pendal Group is set out in the Chairman's Letter, Group CEO's Report and Global Operating Review on pages 2 to 20 of this Annual Report. These pages also describe the Group's business strategy, how the Group has executed against its strategy in the last year and areas of focus for the coming 12 months.

Business Review

The 2021 Financial Year was a significant one for the business. Nick Good was appointed as Group Chief Executive Officer in April 2021, succeeding Emilio Gonzalez after eleven years in the role. The Group acquired Thompson Siegel and Walmsley LLC (TSW), a value-oriented investment management firm based in Virginia, USA during the second half of the year, increasing the Group's presence in the largest equity market in the world. Additionally, global equity markets experienced the strongest 12-month period of growth in more than 30 years, significantly increasing the Group's funds under management (FUM) and associated revenue.

The net profit after tax (Statutory NPAT) of the Group for the year was $164.7 million (2020: $116.4 million), an increase of 41.5 per cent on the prior corresponding period (pcp). The increase was largely the result of favourable mark-to-market movements on the Group's seed investments together with the growth in fee revenue on increased FUM. The Group's preferred measure of business performance, underlying profit after tax (UPAT), also increased during the year to $165.3 million (2020: $132.6 million), up 24.7 per cent and underlying earnings per share rose to 48.2 cents per share, a 17.3 per cent increase.

During the year the Group's FUM increased 50.7 per cent to $139.2 billion (2020: $92.4 billion). This uplift in FUM was primarily the result of the acquisition of TSW, which added $32.4 billion, while higher markets and investment performance supported a further increase of $16.0 billion. FUM was also assisted by favourable currency movements of $2.1 billion offset by net outflows of $3.7 billion through the year.

For the 12 months to 30 September 2021, the MSCI ACWI Index in local currency terms returned 27.2 per cent as the S&P 500 (+28.0 per cent), All Ordinaries Index (+27.0 per cent) and the FTSE 100 (+20.8 per cent) all returned substantial gains.

Net inflows of $1.5 billion were received in the US pooled funds in which global equities continued to attract strong client demand and there was a record year of inflows in the Australian wholesale channel (+$0.8 billion) where Australian equities and fixed income funds were well supported. However, there were significant redemptions from the OEICs (-$1.6 billion) where UK and European equity strategies were in outflow and the Westpac book saw redemptions in lower-margin cash of $1.4 billion. There were additional outflows of $2.9 billion in the institutional and sub-advised channels across the Group as a number of clients took the opportunity to rebalance portfolios and take profits.

The Group's operating revenue increased by 22.6 per cent to $581.9 million (2020: $474.8 million). Base management fees for the financial year were $522.8 million, a 14.1 per cent increase on the prior year due to higher average FUM levels (+13.8 per cent) while fee margins remained steady at 48 basis points (bps) (2020: 48 bps). Performance fees increased significantly to $57.5 million (2020: $13.4 million), with notable contributions from the JOHCM International Select and Global Select strategies as well as the Pendal Microcap and Focus strategies.

Total operating expenses increased 23.1 per cent to $377.8 million (2020: $306.9 million), largely due to an uplift in variable employee expenses as a result of higher performance fees, base management fees and profit growth. Additionally, the investment program as outlined in 2020 continued through the period, with significant progress made on the strategic priorities centred around global distribution, product diversification and enhancing the global operating platform.

New employees have been added to progress these initiatives and excluding TSW, fixed costs (+9.6 per cent) and the overall compensation ratio of 47 per cent were in line with the guidance that was provided in 2020. During the year, a number of one-off global projects were carried out enhancing the Group's operating platform which totalled approximately $5 million. These are expected to deliver a meaningful recurring uplift to operating profit before tax of approximately $5 million, effective the 2022 Financial Year.

Strategic priorities

Consistent with the Group's strategy to further develop its presence in the US and to accelerate growth in the region, the Group acquired TSW in the second half of the financial year. The TSW acquisition brings scale and diversification benefits to Pendal across investment strategies and distribution channels which are expected to strengthen the diversity of the Group's earnings and enhance shareholder returns.

Funding for the acquisition was predominantly through shareholder equity, with Pendal shares issued under an institutional placement and share purchase plan raising approximately $380 million. A three-year term debt facility for US$35 million ($48.6 million) was also taken out with a banking syndicate and fully drawn on completion to deliver the acquisition funding. The debt facility is expected to be fully repaid over its three-year term.

Following the completion of the acquisition in July 2021, the chief executive of TSW, John Reifsnider, was appointed CEO of Pendal's combined US business and became a member of the Group Executive team.

The Group continued to expand its ESG / RI product offering to clients. During the year, the Regnan Global Equity Impact Solutions strategy (RGEIS) was launched and is now available to clients in the UK, Europe, Australia and US. There has been encouraging early client support with assets of approximately $400 million raised in the 12 months to 30 September 2021. Additionally, the Group appointed a UK-based investment team to run a global equities strategy with a focus on the water and waste sector. The team's first product, the Regnan Sustainable Water and Waste strategy, was rolled out to UK clients in September 2021 with a new fund vehicle for European clients expected to be available in the December quarter.

The Group has continued to invest in its global distribution capabilities during the year. This has included appointing a new Head of Sales and Distribution for the EUKA region with a focus on developing further into the continental European market. The Group is currently enhancing its EU licence, which will enable a broadening of European client reach as well as establishing on the ground sales presence in Europe. Additionally, new institutional sales roles have been added in Australia and the US to strengthen distribution in that channel.

Significant progress has been made on the global operating platform during the year. This has included the appointment of Northern Trust to become the global custodian for the Group with a transition plan established for the Australian and EUKA regions over the coming two years (the US business is already utilising Northern Trust). This year saw the Group reorganise its US mutual fund offering into a proprietary umbrella investment trust, which enhances administrative efficiencies and results in lower costs for investors. Pendal Australia also transitioned its fund registry during the year to Mainstream, which continues to progress the transition away from a number of Westpac support services.

COVID-19

The COVID-19 pandemic continued to impact individuals, businesses and society during the year, as the spread of further strains of the virus was met with national vaccination programs together with localised community lockdowns and social restrictions. Fiscal stimulus measures have largely been wound back as many countries have seen indicators of economic recovery. Pendal Group's global workforce has adapted to working remotely as and when required. The Group continued its focus on the health and safety of employees, and maintaining quality service to clients while managing their portfolios.

During the financial year, there have not been any significant adverse operational or financial impacts on the Group as a result of COVID-19. The Group has not participated in any COVID-19-related government programs or support beyond those that are generally available or automatically applied, such as the Singapore Job Support Scheme ($26,487 received by the Group during the year (2020: $67,781)).

Reconciliation of Statutory NPAT to UPAT[1]	2021 $'000	2020 $'000
Statutory NPAT	164,702	116,386
Amortisation and impairment of intangibles[1]	12,104	6,140
Net (gains)/losses on financial assets held at fair value through profit or loss (FVTPL)[2]	(38,743)	14,316
Transaction and integration costs[3]	16,002	-
Adjust for tax effect	11,236	(4,247)
Underlying profit after tax (UPAT)	165,301	132,595

[1] Amortisation and impairment of intangibles relates to fund and investment management contracts and trademarks.
[2] Net gains or losses on financial assets held at FVTPL primarily relate to seed investments in pooled funds managed by Pendal Group.
[3] Transaction and integration costs relate to the acquisition of TSW during the financial year.

Dividends

The Directors have resolved to pay a final dividend of 24 cents (10 per cent franked[4]) per share (2020: 22.0 cents per share 10 per cent franked) on ordinary shares. The amount of dividend, which has not been recognised as a liability at 30 September 2021, is $89.1 million (2020: $68.6 million). The Company paid an interim dividend of 17.0 cents per share ($53.1 million) on 1 July 2021.

Equity dividends on ordinary shares		2021 $'000	2020 $'000
(a)	**Dividends declared and paid during the financial year**		
	Final 10 per cent franked[5] dividend for the 2020 Financial Year: 22.0 cents per share (2019 Financial Year: 25.0 cents per share 10 per cent franked)	68,532	82,571
	Interim 10 per cent franked[5] dividend for the 2021 Financial Year: 17.0 cents per share (2020 Financial Year: 15.0 cents per share 10 per cent franked)	53,122	46,782
		121,654	**129,353**
(b)	**Dividends proposed to be paid subsequent to the end of the financial year and not recognised as a liability**		
	Final dividend for the 2021 Financial Year 24 cents (10 per cent franked[5]) per share (2020 Financial Year: 22.0 cents per share 10 per cent franked)	89,053	68,612

Significant changes in the state of affairs

On 22 July 2021, Pendal Group acquired 100 per cent of the equity interests in Thompson Siegel & Walmsley LLC (TSW), a value-oriented investment management firm based in Virginia, USA. The acquisition was funded by the issue of 55,882,288 ordinary shares in the Company to new and existing shareholders under an institutional share placement and a share purchase plan, and a new syndicated term debt facility. The Company issued 2,825,073 ordinary shares to TSW employee owners as part of the consideration for the acquisition.

There have been no other significant changes in the state of affairs of Pendal Group during the 2021 Financial Year.

Matters subsequent to the end of the financial year

There are no matters or circumstances which are not otherwise reflected in this Financial Report that have arisen subsequent to the balance date, which have significantly affected or may significantly affect the operations of Pendal Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

Likely developments and expected results of operations

The OFR[5] sets out the information on the business strategies and prospects for future financial years. Information in the OFR is provided to enable shareholders to make an informed assessment about the business strategies and prospects for future financial years of Pendal Group.

Environmental regulations

The operations of Pendal Group are not subject to any particular or significant environmental regulation under any law of the Commonwealth of Australia or of any state or territory thereof.

The Group has not incurred any liability (including rectification costs) under any environmental legislation.

Indemnities and insurance

In accordance with the provisions of the *Corporations Act 2001 (Cth)*, Pendal Group has insurance policies covering directors' and officers' liabilities. Under the terms of the policies, disclosure of the amount of cover and premiums paid is prohibited.

[4] The whole of the unfranked amount of the dividend will be Conduit Foreign Income, as defined in the *Income Tax Assessment Act 1997 (Cth)*.
[5] Refer to the Chairman's Letter, Group CEO's Report and Global Operating Review on pages 2 to 20 of the Annual Report accompanying this Directors' Report.

A message from the Chair of the Remuneration & Nominations Committee

On behalf of the Board, I present the Pendal Group Remuneration Report for the 2021 Financial Year. Our Remuneration Report is designed to demonstrate the link between strategy, performance and remuneration outcomes for Key Management Personnel and Non-Executive Directors. We also provide an overview of our remuneration approach for key employee groups, namely our sales teams and investment managers given their significant role in our business.

Our vision is to be a global asset management business that delivers exceptional investment returns to clients by attracting and retaining superior investment talent. The acquisition of TSW builds on this vision with a remuneration framework in place that is market related, supports our business model, vision and values; while meeting the expectations of our shareholders.

Whilst governments globally assisted employers through various support programs related to COVID-19, Pendal Group's businesses did not participate in any COVID-19-related government programs or support beyond those that are generally available or automatically applied, such as the Singapore Job Support Scheme ($26,487 received by the Group during the year (2020: $67,781)).

In March, Group Executive Officer (CEO) and Managing Director Mr Emilio Gonzalez announced his resignation. Under Mr. Gonzalez's strong leadership and contribution for over a decade, Pendal Group has transformed into a global asset manager. The Group's robust succession plan enabled the Board to appoint Nick Good as the new Group Chief Executive Officer and Managing Director. Prior to the appointment, Mr Good was CEO of our J O Hambro Capital Management (JOHCM USA) operations in the US. TSW's Chief Executive Officer, John Reifsnider was appointed as the CEO of Pendal Group's combined USA business, succeeding Mr. Good. Mr. Gonzalez served out his notice period through to 30 September 2021.

Pendal Group continued to adhere to its policy of maintaining the alignment between its employees and shareholders in the 2021 Financial Year. The Group's overall performance has been reflected in remuneration outcomes for the Executive team.

With the exception of Mr. Good who received an increase related to his promotion to Group CEO and Managing Director, no fixed remuneration increases were awarded to Executive team members in the 2021 Financial Year.

As Mr Gonzalez remained with the Group for the full year, his Short Term Incentive (STI) award measured his performance against his KPIs for the full year. Mr Good's STI award was determined by measuring his performance against his original KPIs for the first six months of the year and the Group CEO and Managing Director KPIs for the second half of the year.

2021 STI awards for the Executive team were higher than the previous year reflecting an improved year for the business with an average outcome of 127% of target and 70% of maximum opportunity. The Group CEO and Managing Director received 136% of target and 70% of maximum opportunity and took into account Nick Good's previous role as CEO, JOHCM USA and his mid-year appointment as Group CEO.

The Board believes the outcomes for the 2021 Financial Year appropriately reflect the balance between employee and shareholder interests. The alignment with shareholder returns is also incorporated in remuneration outcomes through the deferral of up to 50 per cent of the STI in Pendal Group shares, vesting over five years with movements in the share price impacting the value of shares issued in prior STI payments. Further, as the Cash Earnings Per Share and the Total Shareholder Return hurdles in the 2018 Long Term Incentive (LTI), due to vest in 2021, did not meet their targets, Pendal Group executives forfeited 100 per cent of their original 2018 LTI grants. Mr. Good received a pro-rated LTI outcome in the 2021 Financial Year, based on Rights granted to him in October 2019 when in his role of CEO, JOHCM USA. The Board determined to pro-rata the original grant by 50%, reducing the measurement period from four to two years and test it against the three equally weighted performance hurdles specific to the USA business, they being (USA Client Revenue, JOHCM (USA) Inc Operating Profit and Net New Money raised from nominated strategies. The outcome is reflected in Table 1b and represents 33% of the original grant. This adjustment was made as Mr. Good will be remunerated on the Group based LTI program from 1 October 2021.

The Group's Global Reward Framework is made up of three key principles that are directly aligned to our business strategy. Firstly, remuneration is weighted towards medium and long-term share rewards because we want our employees to be aligned to our shareholders and have an ownership mindset. Secondly, recruiting exceptional talent relies on market benchmarking, paying fairly for skills, ability and responsibility. The third principle is performance accountability which includes delivering annual business results within the risk appetite set by the Board. The Board applies these principles to attract and retain the talent necessary to deliver for our clients and create long-term value for our shareholders.

During the year, we carried out the following actions to maintain a relevant remuneration framework:

- Recommended to the Board the appointment and remuneration arrangements for the incoming Group CEO and Managing Director, and the CEO, Pendal USA;
- Conducted a review of TSW's existing remuneration structure prior to the TSW acquisition and approved new remuneration schemes aligned with our business model;
- Reviewed our remuneration practices in jurisdictions where regulatory changes required the adoption of new standards;
- Approved conversion and issuance of new offer letters under the Fund Linked Equity Scheme;
- Updated the performance reward scheme guidelines of Pendal and JOHCM to include Underlying Profit After Tax (UPAT) as Pendal's alternative profit measure;

- Reviewed the Group Remuneration and Nominations Committee Charter to reflect organisational changes and to maintain alignment with the ASX Principles; and
- Received independent remuneration benchmarking from an external consultant for the Key Management Personnel and Non-Executive Directors.

Pendal is a talent business with people being at the heart of our value proposition. We will continue to refine our remuneration arrangements to ensure they deliver on our goals, accounting for the ever-changing business environment, legislative reform and to reflect your feedback.

Andrew Fay

Chair of the Remuneration & Nominations Committee

Introduction to the 2021 Remuneration Report

The Directors are pleased to present the Remuneration Report for the year ended 30 September 2021. The Remuneration Report includes remuneration information for the Company's Key Management Personnel (KMP) and insights into how fund managers, sales teams and other corporate employees are rewarded.

Report structure

The Remuneration Report is structured in the following sections:

1. Key Management Personnel

KMP are defined as those persons who have authority and responsibility for planning, directing and controlling the activities of the Pendal Group. The Global Executive Committee holds such authority within the Pendal Group and are the reportable Executives for the 2021 Financial Year. From 1 October 2020 to 30 September 2021, the KMP for the Pendal Group were the Non-Executive Directors (NED) of the Company and the members of the Global Executive Committee.

Following the announcement in March 2021 that Emilio Gonzalez would be stepping down from the role of Group CEO and Managing Director, Nick Good was promoted to the role of CEO and Managing Director of Pendal Group as of 1 April 2021. In July 2021, John Reifsnider was appointed to the role of Chief Executive Officer of Pendal's combined US business, taking over the role of CEO, JOHCM USA from Mr. Good.

Non-Executive Directors during the 2021 Financial Year

Name	Position	Term as KMP
James Evans	Chairman	Full year
Sally Collier	Director	Full year
Andrew Fay	Director	Full year
Christopher Jones	Director	Full year
Kathryn Matthews	Director	Full year
Deborah Page	Director	Full year

Global Executive Committee during the 2021 Financial Year

Name	Position	Term as KMP
Emilio Gonzalez[1]	Group Chief Executive Officer	Until 31 March 2021
Nick Good[2]	Group Chief Executive Officer	Effective from 1 April 2021
Alexandra Altinger	Chief Executive Officer, JOHCM UK/Europe and Asia	Full year
Richard Brandweiner	Chief Executive Officer, Australia	Full year
John Reifsnider[3]	Chief Executive Officer, Pendal USA	Effective from 23 July 2021
Bindesh Savjani	Group Chief Risk Officer	Full year
Cameron Williamson	Group Chief Financial Officer	Full year

Notes:

1 After stepping down from the Group CEO position effective from 1 April 2021, Mr. Gonzalez served out his notice period through to 30 September 2021.

2 Nick Good changed roles during the year, commencing as the Group CEO on 1 April 2021. Prior to that, Mr. Good was the CEO for JOHCM USA since 2 December 2019.

3 John Reifsnider joined Pendal Group as the CEO of Pendal USA, effective from 23 July 2021 and became a member of the Global Executive Committee. The disclosures in this report are from that date onwards.

2. Global Reward Framework

Pendal Group's remuneration approach is directly aligned to our Corporate Vision and Strategic Priorities. The success of our reward framework is evidenced by our long-term business growth and the attraction and retention track record of our investment talent and corporate employees. Below is further detail of our framework and how it links to the Company's strategy. Further in the Remuneration Report there are illustrations of our historical results for Total Shareholder Return (TSR) and Earnings Per Share performance. The hurdles in our LTI Plan continue to align our Executives to our shareholders at a time of significant change in the industry and through periods of extreme market volatility.

Pendal Group Corporate Vision

To be a global asset management business that delivers exceptional investment returns to clients by attracting and retaining superior investment talent.

Pendal Group Strategic Priorities

- Attract and retain investment talent that creates a portfolio of complementary strategies
- Preserve investment performance through disciplined capacity management
- Develop extension strategies and new products in line with evolving client needs
- Build out and leverage our global distribution network to drive new client relationships
- Develop world class Environmental, Social and Governance/Responsible Investment capability
- Invest in technology to provide for future long-term growth, drive efficiencies and better serve our clients

Pendal Reward Framework

A Global Total Reward Framework aligns our Corporate Vision and Strategy to deliver a balance between short-term achievement and long-term performance. Our remuneration policies are framed by three principles and weighted towards longer term rewards encouraging share ownership that aligns our employees' interests to our shareholders.

Fixed Remuneration

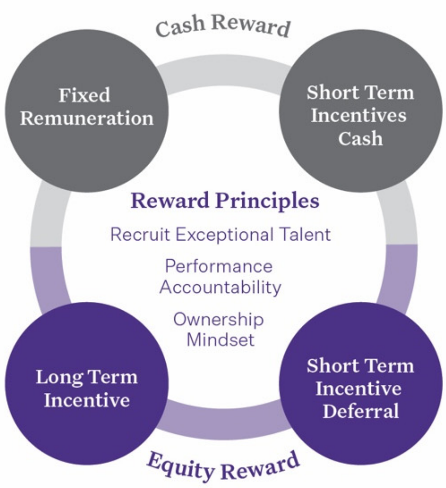
- Set to attract exceptional talent
- Benchmarked to market and rewards individuals for the skills, attributes and accountabilities in the role and includes salary, benefits and any statutory entitlements

Considerations

- Scope of individual's role, level of knowledge, skills and expertise
- Individual performance
- Market benchmarking
- Internal relativities

Long Term Incentive (LTI) – Performance Reward Scheme (PRS)

- Further detail to be found in Section 5
- On invitation basis only
- Performance Share Rights are issued for no consideration
- Long term targets
- Two equally weighted performance hurdles;
  - one measured against the S&P/ASX 200 Accumulation Index; and
  - the other measured on Underlying EPS[1] growth
- Both performance hurdles are measured over three years



Short Term Incentives (STI) Cash

- Board sets annual performance expectations for payment of bonuses and determines bonus pools
- Payments are funded by business performance
- Individual STI target range is determined by role

Performance Conditions

- Objectives are set to deliver annual operating plans and progress against strategy. They are clearly defined, measurable and are agreed at the beginning of the year. Measures include:
  - Group UPAT or Divisional Operating Profit
  - Base Management Fee Revenue
  - Progress against growth strategy objectives
  - Progress towards business development objectives
  - Investment Performance
  - Risk Management and Operational Effectiveness

Short Term Incentives (STI) Deferral

- Aligned to Executive ownership and shareholder alignment. Subject to quantum up to 50% of the annual STI is delivered in Pendal Group shares with vesting periods of up to five years
- This element of reward represents a significant deferral of annual remuneration and it is designed to foster sustainable growth and sound financial, operational and risk management practices

Performance Conditions

- Time based and encourages long-term decision-making

1. Previously Cash EPS was used. Further details in relation to replacing Cash EPS with Underlying EPS is provided on page 49 of this report.

Risk management is a fundamental consideration for Pendal Group when determining variable remuneration outcomes. The Pendal Group risk management culture is supported by its reward framework with sound risk management practices incorporated into variable remuneration arrangements including:

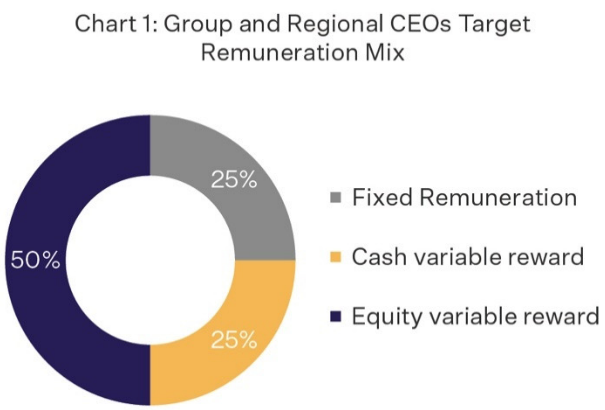
- Employees being ineligible for a variable remuneration payment if they exhibit poor risk behaviours;
- Incorporating risk management performance measures in all Global Group Executive scorecards;
- Reviewing the alignment between remuneration outcomes and performance achievement for incentive plans on an annual basis;
- Deferring a significant portion of variable remuneration in Pendal Performance Share Rights and restricted shares to align employee remuneration with shareholders;
- Assessing outcomes with longer term Company performance;
- An ability for the Board to adjust incentive payments, if required;
- A provision for the Board to lapse variable remuneration (Pendal Performance Share Rights and restricted shares) in certain circumstances;
- Continuous monitoring of remuneration outcomes by the Board, to ensure that results are promoting behaviours that support Pendal Group's long-term financial position and the desired culture; and
- Ongoing review of existing reward frameworks across different employee groups, businesses and jurisdictions with a view to encourage responsible business conduct and to support prudent risk taking.

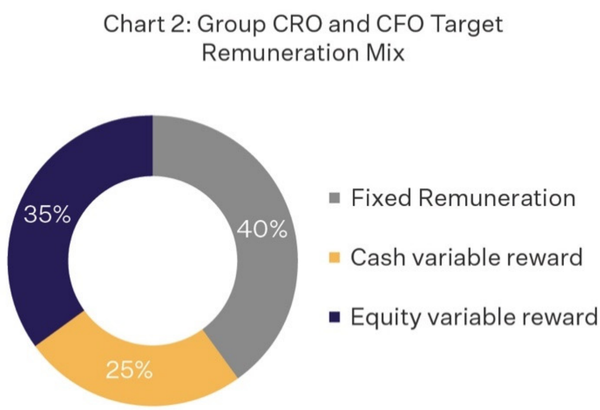
Target remuneration mix

The Remuneration & Nominations Committee sets a target remuneration mix. The elements are set referring to market benchmarking and are designed to attract and retain the calibre of executives required to drive Pendal Group's strategic outcomes.

Charts 1 and 2 below outline the target remuneration mix. Fixed remuneration represents the sum of annual base salary, superannuation guarantee payments (for executives based in Australia), and pension/retirement benefits (for executives outside Australia). Actual variable remuneration outcomes will depend on achievement against performance measures of both short-term and long-term incentives. The cash portion of STI awards are paid to members of the Global Group Executive Committee in December each year. Any year-on-year changes to the charts below reflect changes to Group Executives or their remuneration.

Charts 1 and 2: Global Executive Committee – target remuneration mix





3. Remuneration Structure

Group CEO Remuneration

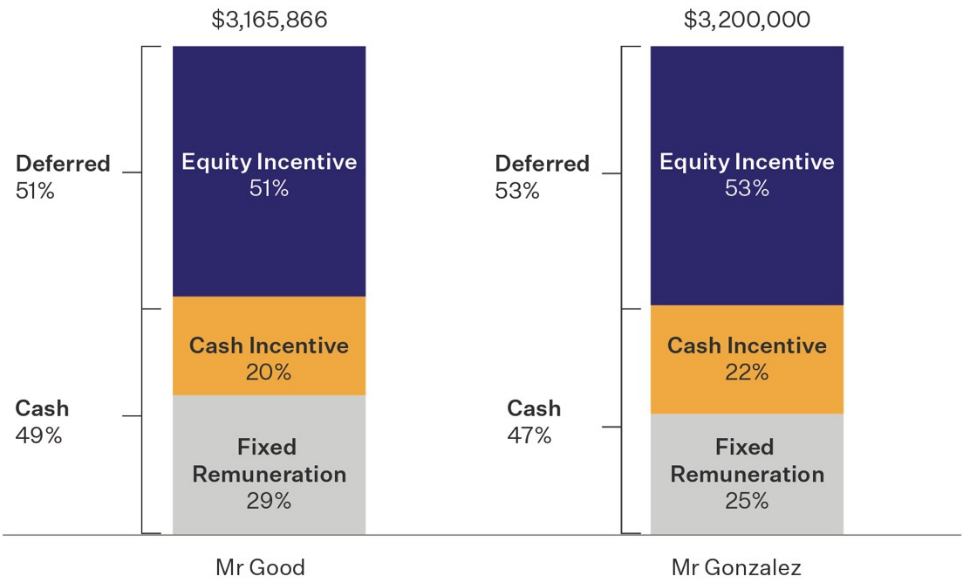
Following the resignation of Group CEO Emilio Gonzalez on 31 March 2021, Nick Good was appointed as the new Group Chief Executive Officer and Managing Director for Pendal Group on 1 April 2021.

Details of the Mr Good's remuneration package is summarised in this section:

- Base Cash Salary of US Dollars 600,000*;
- Target STI of US Dollars 950,000 with a STI floor of US Dollars 0 and a maximum range of US Dollars 1.9 million for performance that exceeds aggregate Key Performance Indicators; and
- LTI opportunity of US Dollars 750,000.

The graph below provides a comparison of Mr. Good's and Mr. Gonzalez's respective target remuneration mixes. Mr. Good's total package value is subject to change due to fluctuations in A$/USD exchange rate.

Graph 1: Comparison of target remuneration mix - current and former Group CEOs

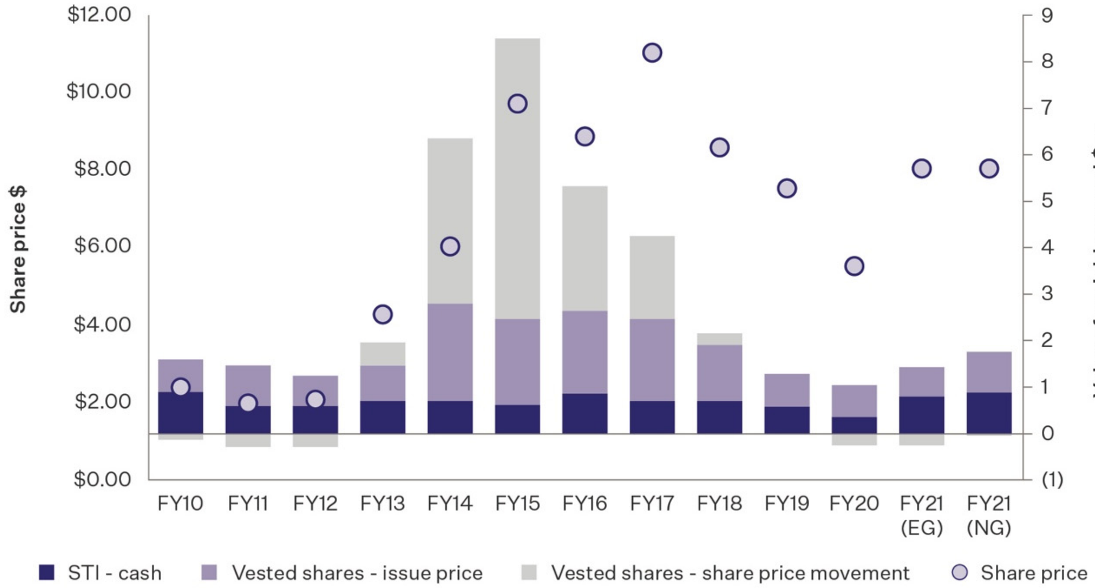


* Graph 1 is using an A$/US Dollars exchange rate of 0.7519. In addition to his base salary, Mr. Good is also eligible for 401K contributions and non-monetary benefits including health and other employment related insurance benefits.

The actual outcome of variable pay reflects the Board's assessment against clearly specified performance indicators. Performance indicators are designed to create sustainable shareholder value and are scaled to reflect profit outcomes. Mr. Good's LTI (and the component of STI deferred into equity) provides a direct link to real earnings and shareholder value creation in the medium to long term. Pendal is committed to providing LTI only where justified by Company performance.

A significant proportion of the Group CEO's variable reward – the (STI deferral) and the vesting or forfeiture of the LTI component of his remuneration - are impacted by increases and decreases in the share price over time. Pendal determines the value of underlying shares for both STI deferral and LTI grants at the time of allocation, not at the time of vesting. Therefore, the Group CEO continues to carry exposure to share price movements during the vesting period for both types of awards.

Graph 2: Group CEO's Variable Reward over time



1 FY21 EG – Represents Emilio Gonzalez's (EG) actual remuneration.

2 FY21 NG - Represents Nick Good's (NG) actual remuneration (excluding payments for deferred remuneration forgone following the commencement of his employment) for FY21 pro-rata to take into account his change in role on 1 April 2021.

Mr Gonzalez's remuneration arrangements

After stepping down from the Group CEO position effective from 1 April 2021, Mr. Gonzalez served out his notice period through to 30 September 2021. Mr. Gonzalez's fixed remuneration remained unchanged in the 2021 Financial Year. He received fixed remuneration and an STI outcome reflecting a full year contribution to the Group as per the Board's discretion. His 2018 LTI lapsed as LTI performance targets were not met for the 2018 LTI grant.

Mr. Gonzalez's existing STI deferred equity awards will remain on-foot after cessation of his employment and will vest in the normal course. His LTI awards have been prorated to reflect the period of employment up to 30 September 2021 and will vest in the normal course subject to meeting performance hurdles.

The table below outlines the Group CEO's remuneration structure.

Remuneration component	Description
Fixed Remuneration	Nick Good is located in the USA and is remunerated in US Dollars. His base salary is US Dollars 600,000. Mr. Good is also eligible for 401K contributions and non-monetary benefits including health and other employment related benefits.
Target STI	The Group CEO's target STI opportunity is determined annually by the Board with reference to external market benchmarking. The Group CEO's target STI is US Dollars 950,000 with a STI floor of US Dollars 0 and a maximum range of US Dollars 1.9 million subject to Pendal's performance and the executive's performance during the 2021 Financial year. The Board has the discretion to vary the Group CEO's awarded STI outcome (up or down) with consideration to Pendal Group's financial performance and the Group CEO's overall performance. The Group CEO's awarded STI outcome is approved annually by the Board. Fifty per cent of the awarded STI is delivered as cash, with the remaining 50 per cent deferred into restricted shares that vest equally over five years. This provides long-term exposure to the share price movement in addition to the separate LTI award. For the 2021 Financial Year, the Group CEO's key performance indicators included the following. **Financial**: Underlying Profit after Tax (UPAT); Base Management Fee Revenue (targets previously agreed with Board) **Execute on growth strategy**: Progress against Strategic objectives that strengthens the business model including the implementation of the Regnan business model; identifying potential acquisitions; review of efficiencies and investment performance; and the execution and implementation of the Group governance plan. **Business development**: Progress towards the development of new business opportunities, enhancement of the distribution strategy and strengthening of succession plans. **Investment performance**: Delivering exceptional investment performance and developing plans for improving investment performance in underperforming strategies. **Risk management and operational effectiveness**: Effective risk management and operational risk framework that embeds a quality risk culture to ensure the business operates within the agreed Risk Appetite framework with sound outcomes, and a robust operational platform is utilised with the right governance structures, processes and resources to support the business model and strategy including Brexit developments. The Group CEO's performance against these KPIs is outlined in Section 5 of this Report.

Remuneration component	Description
LTI grant	As a part of his Group CEO package, Mr. Good, subject to approval by shareholders at the 2021 AGM will receive an initial award of restricted PDL Performance Share Rights ("PSRs") for no consideration, with a value of US Dollars 750,000. This amount represents the maximum incentive opportunity under the award and is determined with reference to market benchmarking. The number of PSRs to be offered will be determined by dividing the value of the award in Australian Dollar equivalent by the 5-day volume weighted average price ("VWAP") of one ordinary share of Pendal Group Limited immediately prior to the start of the performance period. The award is subject to two equally weighted hurdles, measured over three years: a) 50 per cent subject to relative Total Shareholder Return (TSR) performance; and b) 50 per cent subject to Underlying EPS growth. Hurdles are designed to be reasonably stable over the cycle.

TSR Rights performance hurdle

The TSR portion of awards vests as follows, subject to relative performance against the constituents of the S&P/ASX 200 Index on the date of the award.

TSR performance	Percentage of TSR award to vest
Below the median of the S&P/ASX200	Nil
At median of the S&P/ASX200	50%
Between median and the 75th Percentile	Vesting occurs on a straight-line basis from 50% to 100%
At or above the 75th Percentile	100%

Underlying EPS Rights performance hurdle

The Underlying EPS portion of awards vests as follows, based on compounded annual growth rate (CAGR) performance.

Underlying EPS over the performance period	Percentage of underlying EPS award to vest
Less than or equal to 5%	Nil
At 5%	50%
More than 5% but less than 10%	Vesting occurs on a straight-line basis from 50% to 100%
At or above 10%	100%

Details of equity based remuneration

Details of the various equity-based reward plans are noted in the table below. As at 30 September 2021, approximately 10.6 per cent of the share register represents employee interests. From a governance and administration perspective, external Trustees are responsible for managing the employee equity plan trusts which the Company uses to facilitate the acquisition and holding of shares for employee incentive arrangements.

In accordance with the disclosure requirements under ASX Listing Rule 4.10.22, during the 2021 Financial Year, it should be noted that the Trustee of the Pendal Group Employee Benefit Trust acquired a total of 4,570,572 PDL shares at an average price of $6.45 totaling $29.5million. These securities were acquired to satisfy the Pendal Group's obligations under various employee equity plans.

The number of shares allocated to the employee at grant date is based on the value of the equity award they received as part of their variable reward outcome, divided by the average price that the equity was acquired at. Price risk on the purchase of the equity award an individual employee receives is borne by the employee. Pendal estimates that for the next 12 months its share purchase requirements will be $60 million which will be acquired via on market purchasing and employee share sales throughout the year, with the exception of Fund Linked Equity (FLE) shares which are issued.

Equity-based employee reward schemes/plans

Variable Reward Scheme/Plan	Description	Participants
Pendal Australia Corporate Variable Reward (VR) Scheme, CEO, Pendal Australia VR Plan, JOHCM Senior Staff Bonus Scheme and General Staff Bonus Scheme and TSW VR Plan	The schemes are designed to reward performance specifically for senior and general employees (including the CEO, Pendal Australia, CEO, JOHCM UK/Europe and Asia and CEO, Pendal USA) who work within the Group's businesses and who do not participate in a revenue share arrangement. The variable component for each individual employee is set annually and is based on regular analysis of competitor market data for each role. The schemes are linked to the performance of the regional businesses through the creation of variable reward (VR) pools from which employees are paid their variable reward outcomes. The size of the variable reward pool considers individual performance and performance against financial objectives. With the exception of the General Staff Bonus Scheme, these plans apply compulsory deferral into PDL equity subject to bonus levels. The TSW schemes were introduced from July 2021 post the completion of the acquisition of the TSW business by Pendal Group on 23 July 2021.	General staff and corporate roles including Global Executive Committee members and investment teams not covered by the Boutique VR Scheme
Sales Incentive Plans	The Sales Incentive Plans are designed to reward performance specifically for business development managers who work within the Pendal Australia, JOHCM and TSW sales teams. Awards are determined based on a range of factors, including client retention, actual sales performance, cross-selling, and other team behaviours. Compulsory variable reward deferral applies to these plans.	Sales roles
Pendal Australia and JOHCM Performance Reward Schemes (PRS)	The PRS was implemented in 2012 and is a broad-based LTI program which provides all eligible corporate employees with an amount of equity in the form of Performance Share Rights, aimed at rewarding success. Vesting of PRS awards is contingent on Underlying EPS and TSR performance hurdles being met at the end of a three-year performance period. PRS awards granted in 2018 were tested against performance hurdles at the end of the 2021 Financial Year. Vesting outcomes for 2018 PRS awards are set out in Graphs 5a and 5b.	Corporate roles including the Group CEO and other Global Executive Committee members and investment teams not covered by the Pendal Australia Boutique VR Scheme
Pendal Australia Boutique Variable Reward (VR) Scheme	The Boutique VR Scheme seeks to reward performance specifically for investment employees who are in boutiques on a revenue share arrangement. For the 2021 Financial Year, the Equity Strategies, Bond, Income & Defensive Strategies and Global Equities boutiques operated under their own arrangements, as per the Boutique VR Scheme. The VR pool for each boutique is based on an agreed formula that accounts for profit share directly attributable to the boutique. Compulsory deferral in to PDL equity applies to these plans. Some funds attract performance fees. In the event an investment strategy exceeds a pre-determined performance hurdle for a specific fund over the measurement period (generally for the 12 month period ending 30 June) a performance fee is paid by the client. The performance fee is shared between the fund management team and the Company.	Fund managers
JOHCM Fund Manager Remuneration Schemes (FMRS)	The FMRS are designed to recognise and reward fund managers for growth in the strategies they manage and asset/client retention. The FMRS caters for two plans; a legacy plan and the FLE Scheme. Fund managers managing more established funds receive a variable reward opportunity as part of a revenue share arrangement, with a portion of the variable reward deferred into PDL equity with a vesting period of up to five years. Fund managers managing new funds are eligible to participate in the FLE Scheme that rewards for business building outcomes measured through funds under management (FUM). Fund managers can also choose not to participate in the FLE Scheme. Some funds attract performance fees. In the event an investment strategy exceeds a pre-determined performance hurdle for a specific fund in the calendar year, a performance fee is paid by the client. The performance fee is shared between the fund management team and the Company. Further detail on the FLE Scheme is outlined in the fund manager remuneration section.	Fund managers
TSW Fund Manager Remuneration Scheme	In line with the principles of rewarding fund managers on a revenue share arrangement the TSW Fund Manager Reward Scheme is a pool of funds based on a revenue share for retaining clients and a revenue share rewarding for growth. This creates a bonus pool that is then distributed amongst the investment team based on the individual performance and contribution to the overall success of the business. Compulsory deferral into PDL equity applies to this plan.	Fund managers
JOHCM Long-Term Retention Equity	The LTI plan provides for long-term retention of certain fund managers linked to individual performance. Part of the LTI plan is time-based where a portion of the variable reward is issued as equity and vests over a period up to six years. Selected employees are also issued retention equity which vests over a specified holding period or after cessation of employment, provided certain conditions have been satisfied.	Fund managers

Fund manager remuneration

This section describes our approach to fund manager remuneration to provide shareholders with further insight into our business model.

Fund managers are provided fixed remuneration at market competitive rates, approved at the beginning of the financial year by the relevant CEO.

In Australia, variable remuneration is based on a profit share approach. Our funds management teams are not awarded a set percentage of profits. Each team negotiates an arrangement with the CEO upon joining the Pendal Group. Our bespoke approach makes sure that the variable reward delivered to teams and Fund Managers reflects the value each team adds to the Group and its shareholders.

Where revenue is directly attributable to the skill and efforts of the funds management team (e.g. performance fees) this will generally attract a greater profit share percentage.

Outside Australia, the revenue share arrangements with fund managers within the JOHCM Group and TSW are based on a different formula and may differ between more established funds and newer investment strategies. Performance fees similarly attract a greater revenue share and so fund manager total remuneration will vary over time, depending on the source of funds and performance.

How fund managers earn equity in the business

Pendal Group seeks to align fund manager remuneration with longer term shareholder interests through equity ownership in the business without compromising client outcomes. Equity in the Group is earned by fund managers through a revenue share program or the FLE scheme. The fund manager remuneration scheme that a team participates in may vary depending on the lifecycle of their fund, the complexity of the team structure and the market in which they operate.

For teams managing funds in the early phase of their development, the business offers a FLE program where remuneration arrangements have a greater focus on rewarding business building outcomes, such as growth in recurring investment management fees. Once teams are rewarded for the development phase of their strategy through the FLE scheme, and the strategy becomes more established, the program may transition to a long term scheme that rewards for retention and growth of FUM. This scheme is in line with the revenue share principles of the organisation and is designed to retain talent that has delivered investment performance. The introduction of a long-term approach supports our ability to retain talent for delivering investment performance that has resulted in FUM growth.

Fund managers can participate in a number of plans as outlined below.

JOHCM Fund Linked Equity (FLE) Scheme

To attract new teams and reward for value in newly created strategies, JOHCM operates an FLE Scheme that rewards fund managers with PDL equity as a result of growing recurring investment management fees.

The FLE Scheme was introduced in the 2009 Financial Year, prior to JOHCM becoming part of the Pendal Group. The FLE Scheme runs for seven years from product launch. Participating fund managers have the right to partly convert the revenue generated by the investment strategy into PDL equity over time, with full conversion required by the end of the seven year period. The conversion formula takes revenue generated by the FUM linked to the strategy, applies an after-tax operating margin and then applies a multiple to determine an implied market value of the investment strategy. This capitalised value is shared between the fund managers and the Pendal Group and is delivered to fund managers in the form of PDL equity. The benefit of the model for shareholders is that no equity is granted until FUM and revenue is generated by the strategy. During the 2021 Financial Year, the Company issued 400,178 ordinary shares under the FLE Scheme.

When the FLE is exercised, generally PDL shares are issued to satisfy the FLE conversion. The cost to the business impacts Underlying EPS over a period of years as the equity issued is amortised over time. The shares are subject to time vesting restrictions of up to five years as a retention mechanism. In return, the revenue share to which the fund managers are entitled to decreases which has a positive contribution to PDL revenue. The amount of FUM or firm revenue retained post the issuance of shares and the percentage share of revenue to the firm will have an impact on Underlying EPS. As the PDL equity is considered to have been earned, it is not subject to further performance hurdles and attracts dividends and voting rights from the time of issuance.

Variable reward in PDL shares

For teams managing established funds, a portion of the variable reward is mandatorily deferred into PDL equity and vests over five years. The deferred shares are not subject to any additional performance conditions, beyond continued employment. Participants receive dividends and voting rights from the time of grant.

The table below summarises the operation of the FLE scheme and how it interacts with fund manager remuneration and key Pendal Group metrics.

Operation of plan – JOHCM FLE scheme

	Year 0 through to year 3	Year 3 through to year 7
Funds under management	FUM growth over time.	Revenue from FUM raised in the investment strategy is used as the basis to determine rights to PDL equity (i.e. through the conversion ratio).
Revenue share	Fund managers remunerated through a revenue-share arrangement, based on a pre-determined percentage.	On election by fund managers, a proportion of revenue share can be taken in the form of PDL equity (with vesting restrictions over a period of five years). Conversion into PDL equity reduces the fund manager's revenue share percentage. Full conversion is required by the end of year seven.
Equity	PDL equity granted during the period as the revenue share is delivered in cash.	Equity awarded on FLE conversion approximates the market value for the FLE based on revenue generated by the fund (and other market factors). The award of equity results in the decrease in revenue share percentage for the fund manager and the Group retains a higher proportion of the fund's revenue. Note that restricted PDL shares issued on conversion vest equally over a period of five years.
Underlying EPS	Reflected in earnings as a result of growth in FUM.	The amount of FUM or firm revenue retained post the issuance of shares and the percentage share of revenue to the firm impacts Underlying EPS.

Participation in the FLE Scheme

During the 2021 Financial Year 400,178 PDL shares were issued to satisfy the remaining conversion of the FLE scheme.

Investment strategies participating in the FLE Scheme represents FUM of $2.6 billion as at 30 September 2021. Based on the FUM as at 30 September 2021, the value of PDL equity that may be granted to participants in the FLE Scheme is approximately $13.7 million over future years. The value of PDL equity to be granted under the FLE Scheme will vary from year to year based on market movements, FUM growth, management fee margins, foreign currency, and new teams participating in the FLE Scheme.

If shares are issued to meet the delivery of the $13.7 million in PDL equity, this would equate to 1.6 million newly issued shares based on a theoretical PDL share price of $8.54 in accordance with the FLE Scheme rules. The 1.6 million shares would increase the fully diluted share count by 0.4 per cent.

Assuming other remaining FLE rights are converted into PDL equity at the end of year seven, the estimated number of PDL shares to be issued over the coming years is outlined in the table below.

Investment strategies participating in the FLE scheme

Financial years	2022	2023	2024	2025+
Estimated number of shares to be issued (m)	0.9	-	-	0.7

Notwithstanding the share issuance under the FLE, shareholders' portion of revenue from the investment strategies increases (as fund manager share of revenue is reduced). The amount of FUM or firm revenue retained post the issuance of shares and the percentage share of revenue to the firm impacts on Underlying EPS.

For employee incentive arrangements other than the FLE, PDL equity has been delivered by either purchasing shares on market and or accessing shares from employees selling post restrictions. In the case of the FLE Scheme, significant equity requirements are planned to be delivered by way of new shares.

Our business model is designed to provide 'the best of both worlds' where fund managers operate in an environment that is investment-led with independence, where they share in economic value created, have creative independence and an absence of bureaucratic structures combined with the strengths of a significant institution providing a strong operational platform covering brand, distribution, risk, compliance, back-office.

The result for funds management teams is that their income each year is a direct function of the financial success of their own efforts while their longer term wealth is driven by the success of the overall Group.

As a result of our approach, our senior fund managers have a significant shareholding in Pendal Group which produces strong alignment between the interests of fund managers and shareholders. Consequently, fund managers also have a keen interest in Pendal Group dividends and EPS performance.

By providing equity in a listed entity (i.e. Pendal Group Limited), equity value can be tracked on a daily basis and value can be realised over time. We believe this approach has cultivated a performance oriented and stable environment that has aligned fund managers to the business, therefore promoting a desirable business for our clients when choosing a suitable fund manager.

The FLE scheme is a long-term scheme designed to attract investment management talent to the business and reward for value in newly created strategies. As the FLE scheme tapers off through the vesting of equity, those fund managers coming off the FLE scheme may transition to a long term scheme in line with those managing established funds. The scheme is aligned with the revenue share principles of the organisation and is designed to retain talented employees who have delivered investment performance. A material component of the revenue share is deferred into PDL equity and into the fund strategies managed by the fund manager, with vesting periods up to five years. This aligns the interests of the fund manager with both the Company and clients and continues to reward them in line with historical levels. As fund managers transition from one scheme to another, there is an upfront cost to the business as it is implemented, however the initial investment will improve the long-term sustainability of the Company's revenue stream as it mitigates the loss of key talent and any resulting in decline in FUM and revenue.

Sales remuneration

Business development managers within our retail and institutional sales teams are provided market competitive fixed and variable remuneration. Consistent with other employee groups, fixed remuneration is reviewed at the beginning of each financial year.

Variable remuneration has continued to evolve in order to reflect the changing needs of our business and our clients while balancing regional differences in approach to remuneration. Generally, awards are now derived by balancing actual sales performance with additional indicators of success, such as client retention, cross-selling, and other team behaviours.

The formula may vary between the institutional sales channel versus the wholesale channels. In line with greater regulatory scrutiny on sales practices in the UK and Australia there has been reduced emphasis on direct sales commission. Consistent with fund managers and other employees, sales employees are required to take a portion of their variable remuneration in the form of deferred equity, vesting between three and five years.

The time horizon of payments for the sales incentive plans varies between one to three years. Typically, payment outcomes are provided over shorter time horizons to reinforce the link between revenue generation and reward.

4. Oversight and governance

The Board, through its Remuneration & Nominations Committee and its subsidiary JOHCM Holdings Limited Remuneration Committee (together, the Remuneration Committees), provides oversight of remuneration and incentive policies. This includes specific recommendations on remuneration packages and other terms of employment for Non-Executive Directors (NEDs), senior executives, and fund managers.

In summary, the Remuneration Committees are responsible for the following functions and responsibilities:

- Review and make recommendations to the Board in relation to remuneration arrangements and policies for the Group CEO, other Global Group Executive members and other Senior Executives and appointments;
- Approve Group equity allocations and Group VR pools;
- Significant changes in remuneration policy and structure, including employee equity plans and benefits;
- Review and make recommendations to the Board in relation to the succession plans for the Group CEO and review succession plans for other Global Group Executives;
- Provide oversight over the Company’s strategic human resource initiatives, including diversity, culture and leadership;
- Assess the collective skills required to effectively discharge the Board’s duties, having regard to the Company’s performance, financial position, strategic direction and performance of NEDs;
- Review the composition, functions, responsibilities, size of the Board and Director tenure; and
- Consider the suitability of candidates and make recommendations to the Board for the appointment of directors, director appointment criteria and succession planning.

During the 2021 Financial Year, the Board and Remuneration Committees actioned the following significant items in relation to remuneration arrangements in the table below.

Significant matters considered during the 2021 Financial Year

Reviewed corporate remuneration arrangements	Ongoing evaluation of the impact of Investment Firm Directive/Investment Firm Prudential Scheme (IFD/IFPR) in the UK. Conducted a review of TSW's existing remuneration structure prior to the acquisition of TSW.
Recommended the appointment and remuneration of executives	Appointment of the Chair of the Board and independent directors of JOHCM Funds (UK) Limited, and appointment of Directors to the Regnan European UCITS Board. Recommended to the Board the appointment and remuneration arrangements for the CEO, Pendal USA and the incoming Pendal Group CEO.
Update of the existing performance reward schemes	Updated the performance reward scheme guidelines of Pendal and JOHCM to reflect the change to Pendal's alternative profit measure from Cash Net Profit After Tax (Cash NPAT) to Underlying Profit After Tax (UPAT).
Approved various scheme awards	Approved conversion for and issuance of new offer letters under the Fund Linked Equity Scheme.
Ongoing review and update of the Group Remuneration and Nominations Committee Charter	Ongoing review to reflect organisational changes and to maintain alignment with the ASX Principles.
Received independent remuneration benchmarking from an external consultant for the Key Management Personnel and Non-Executive Directors.	Reviewed KMPs and NED remuneration against benchmark data from ASX listed and UK and US peer financial groups.

Engagement of remuneration consultants

The Remuneration & Nominations Committee has a Charter in place that acknowledges its obligations under the *Corporations Act 2001* (Cth) in respect of remuneration advice or remuneration recommendations for KMP. This includes:

- Committee approval is required to appoint any remuneration consultant to advise in relation to KMP remuneration;
- Any advice from the remuneration consultant must be provided directly to the Chair of the Committee and not to management; and
- Dialogue between KMP to whom the advice relates and the remuneration consultant is precluded. The consultant must provide a declaration of their independence from the KMP to whom their recommendations relate. Confirmation that the Remuneration & Nominations Committee's conditions of engagement have been observed is also required.

By observing these requirements, the Remuneration & Nominations Committee receives assurance that the remuneration advice and recommendations provided by remuneration consultants are independent from management.

Independent Board advice and services

Guerdon Associates continued to act as the Remuneration & Nominations Committee's appointed remuneration advisor. No consultants were engaged to provide recommendations to the Remuneration & Nominations Committee in relation to KMP remuneration that fit within the definition of a 'remuneration recommendation' under the Corporations Amendment (Improving Accountability on Directors and Executive Remuneration) Act 2011 (Cth).

Services provided to management and the Committee

The following organisations provided management with remuneration benchmarking data for employees:

- Financial Institutions Remuneration Group (FIRG)
- Aon McLagan

The following organisations provided management with assistance on assessing regulatory impacts on remuneration arrangements:

- Tapestry Global Compliance Partners
- Ernst & Young (EY); EY also provided management updates on legislative and regulatory developments in the financial services industry

5. Link between remuneration outcomes and group performance

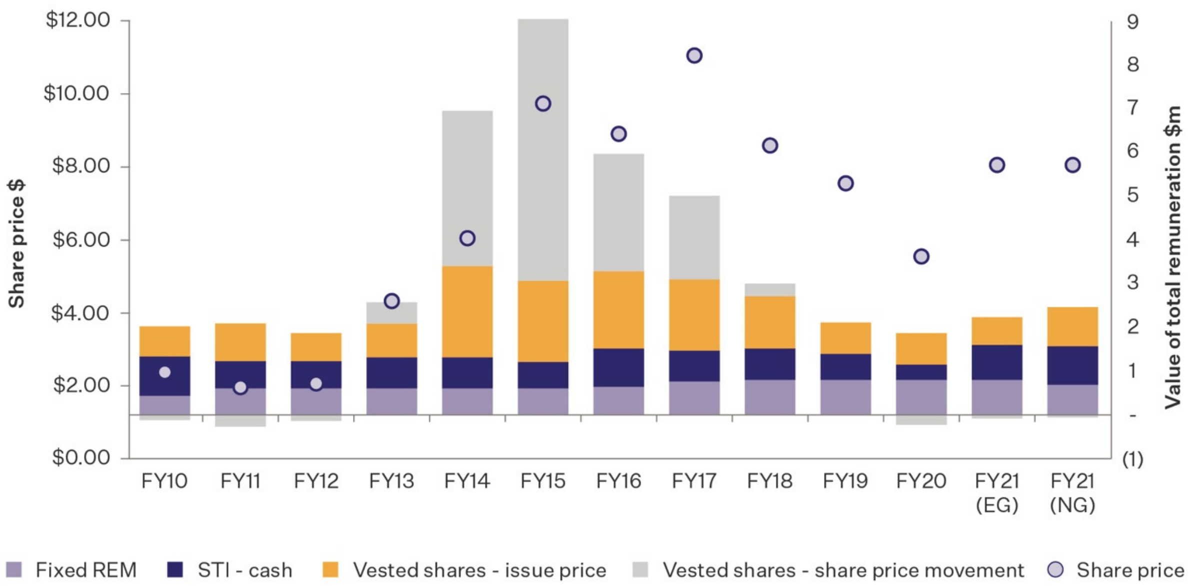
Pendal Group's position against peer groups

Graph 3 below outlines Mr. Gonzalez's annual total remuneration since he joined the organisation relative to share price growth. It bears noting that the Company did not have a LTI scheme for Mr. Gonzalez until the 2012 Financial Year, when it was introduced in response to shareholder feedback. The introduction of the Group CEO LTI required alignment with the intent of both short and long-term incentives and with shareholder outcomes. On this basis, the STI component decreased, with the result that Mr. Gonzalez's remuneration opportunity reduced for three years until the first LTI vesting in 2014. Under both STI deferral and the LTI program, the number of underlying shares are determined at grant, ensuring his exposure to share price movements during the vesting period.

Except for some minor adjustments to reflect changes in Australian Superannuation Guarantee legislation, the fixed remuneration element for the Group CEO remained unchanged since his commencement in 2010 until 1 January 2017, when it was increased as per the 2017 Remuneration Report. On 1 April 2021, Mr. Good took over as Group CEO and Managing Director from Mr. Gonzalez. While Mr. Good's benefits are reflective of his peers located in the United States, his short and long term incentives as well as the cash and deferred component of his target pay mix maintain the close alignment between the group performance and his remuneration outcomes. Graph 1 in this report presents a comparison of Mr. Good's and Mr. Gonzalez's respective target pay mix.

As can be seen from Graph 3 the Group CEO's total remuneration is closely aligned with the movement of the share price. In periods where the share price has performed well, total remuneration is higher due to the increase value in vested shares issued in previous years. In periods where the share price is lower total remuneration has declined and in some cases the value of vested shares is less than at the time of grant. The alignment of the Group CEO's variable remuneration with shareholders is evident.

Graph 3: Group CEO's Total Remuneration over time



1 FY21 EG – Represents Emilio Gonzalez's (EG) actual remuneration.

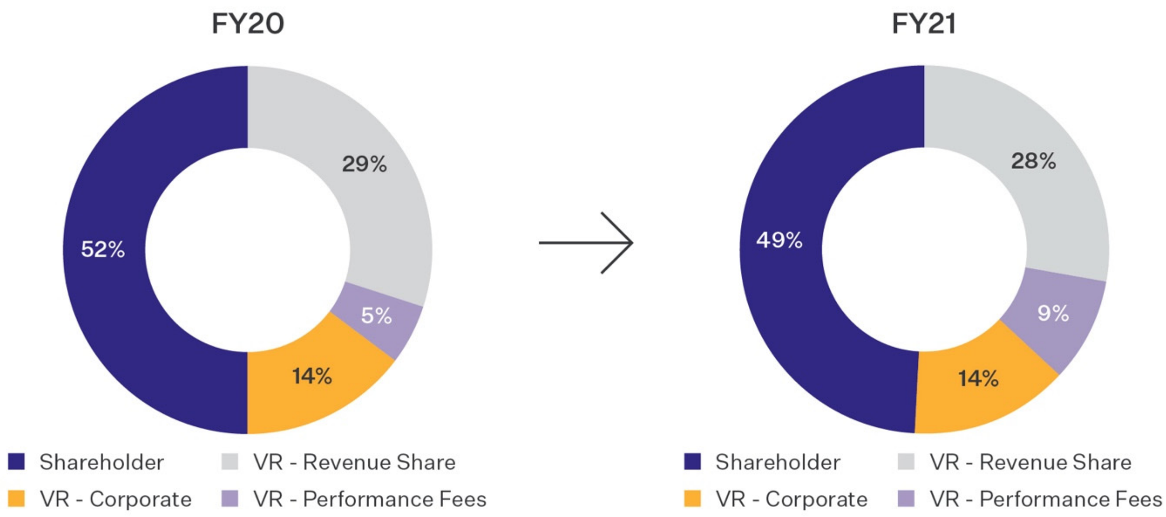
2 FY21 NG - Represents Nick Good's (NG) actual remuneration (excluding payments for deferred remuneration forgone following the commencement of his employment) for FY21 pro-rata to take into account his change in role on 1 April 2021.

How the share of reward is divided

As part of Pendal Group's remuneration philosophy, our business model involves sharing revenue amongst fund managers, generated by the efforts and skill of the funds management teams with the support of corporate employees, and between shareholders and employees via the variable reward schemes. These schemes vary for different groups of employees to reward outcomes and behaviours appropriate to their roles and responsibilities.

The remuneration to employees and the profits attributed to shareholders is outlined in Chart 3. This is calculated by taking into account total variable remuneration paid to employees and profits post tax attributed to shareholders. It reflects how employees and shareholders are rewarded . The increase in the employee share of reward in the 2021 Financial Year compared to 2020 Financial Year reflects a higher performance fee earned (where the revenue share to fund managers is higher) in the 2021 Financial Year.

Chart 3: Share of reward [1]



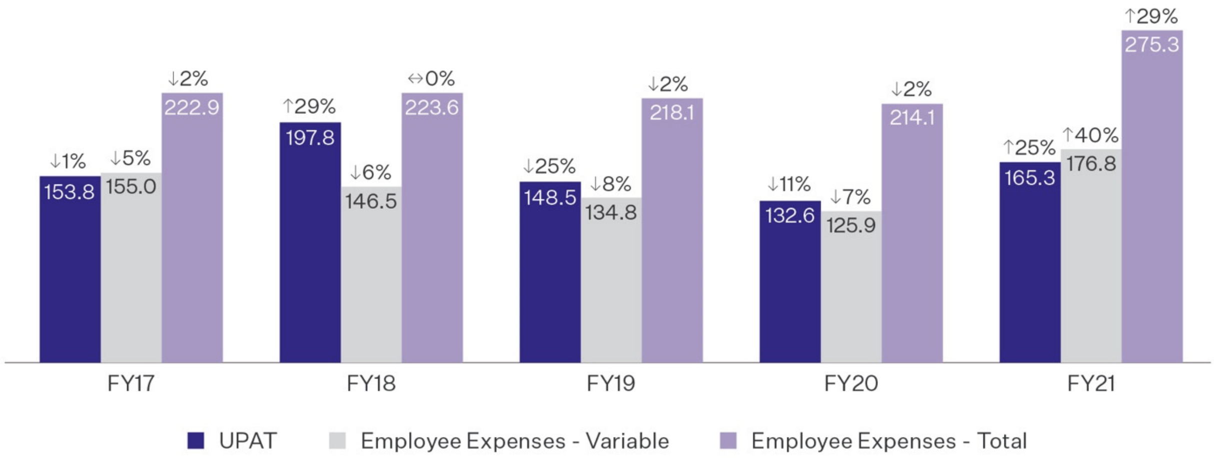
1. Share of reward reflects total employee remuneration and Underlying profit after tax (UPAT) attributed to shareholders.

Graph 4 demonstrates the linkage between Pendal Group performance (i.e. profitability) and overall remuneration outcomes (i.e. variable reward and total employee expenses) over the last five years.

Remuneration outcomes and Pendal Group's performance is linked primarily via the contracted revenue scheme for the fund managers and the variable reward schemes for corporate employees including the Group CEO and other members of the Global Executive Committee. The schemes link variable remuneration to either a change in revenue (as is the case for the fund managers under a revenue sharing agreement) or a change in Company profitability (in the case of corporate employees).

The increase in 2021 Financial Year variable and total employee expenses reflects a year where overall business revenue and profits were higher, including an improved year of performance fees where the fund managers get a larger share of the revenue. Total employee expenses includes both variable and fixed expenses and the pro-rata employee expenses of the TSW business since completion of the acquisition in July 2021. This was also higher as a result of an increase in full-time equivalent employees supporting the multi year business growth program as outlined to shareholders in the 2020 AGM and the transitioning of fund manager incentive schemes.

Graph 4: VR outcomes compared to Company performance over the last five years



Vesting of LTI grants

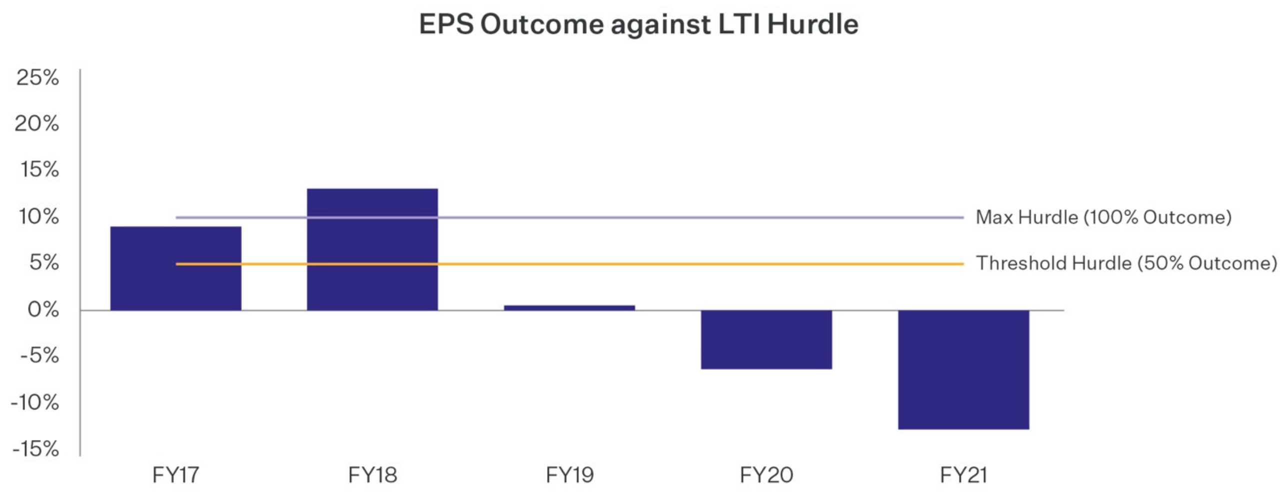
The 2018 Financial Year LTI grants awarded to Emilio Gonzalez and other Global Executive Committee members under the Performance Reward Scheme have not vested. The number of underlying shares for the awards were determined at grant, ensuring that participants were aligned to shareholders during the vesting period. The LTI grants were subject to two performance hurdles, TSR and fully diluted Cash EPS. The performance of the hurdles during the three year period was as follows:

1. Fully Diluted Cash EPS growth: 50 per cent of award. Target range of greater than 5 per cent to 10 per cent annual compound growth. Cash EPS over the three year performance period was below 5 per cent, therefore the Cash EPS portion of the award did not vest.
2. TSR: 50 per cent of award. Target range of ASX 200 median to the top quartile. Pendal Group's TSR over the three-year performance period was in the third quartile of the ASX 200 comparator group and so the relative TSR portion of the award did not vest.

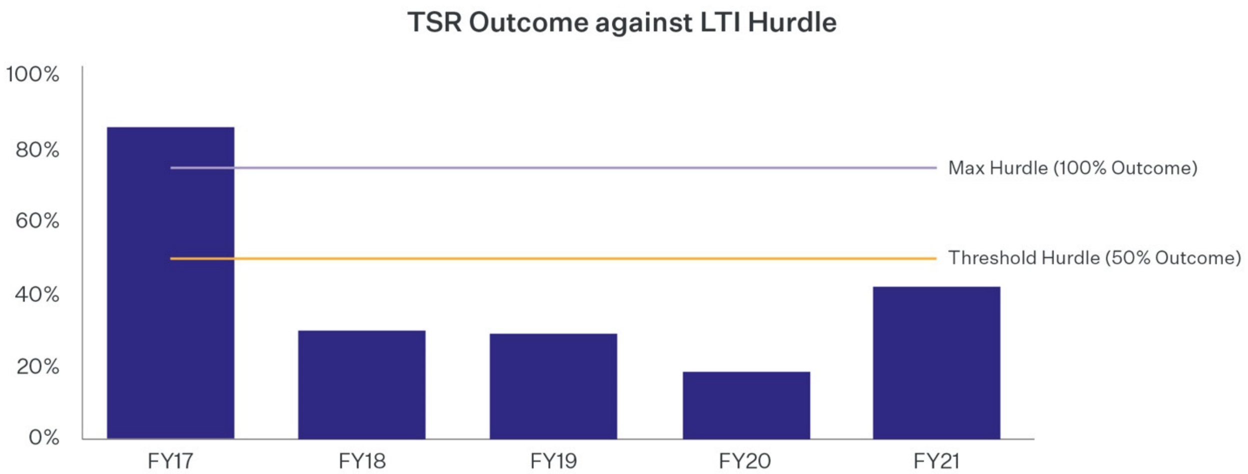
Mr. Good received a pro-rated LTI outcome in the 2021 Financial Year, based on rights granted to him in October 2019 when in his role of CEO, JOHCM USA. The Board determined to pro-rata the original grant by 50%, reducing the measurement period from four to two years and test it against the three equally weighted performance hurdles specific to the USA business, they being USA Client Revenue, JOHCM (USA) Inc Operating Profit and Net New Money raised from nominated strategies. The outcome is reflected in Table 1b and represents 33% of the original grant. The adjustment was made as Mr. Good will be remunerated on the Group based LTI program from 1 October 2021.

Graphs 5a and 5b illustrate the performance against LTI hurdles over time under the Performance Reward Scheme at the end of each three year performance period. Effective from the 2021 Financial Year, Pendal replaced cash EPS with Underlying EPS.

Graph 5a: Performance Reward Scheme – Cash EPS outcome achieved at the end of each performance period against the LTI hurdle for the last five years



Graph 5b: Performance Reward Scheme – TSR % outcome achieved at the end of each performance period against the LTI hurdle for the last five years



Vesting of LTI grants and link to Pendal Group's Performance

Why relative TSR and Underlying EPS hurdles?

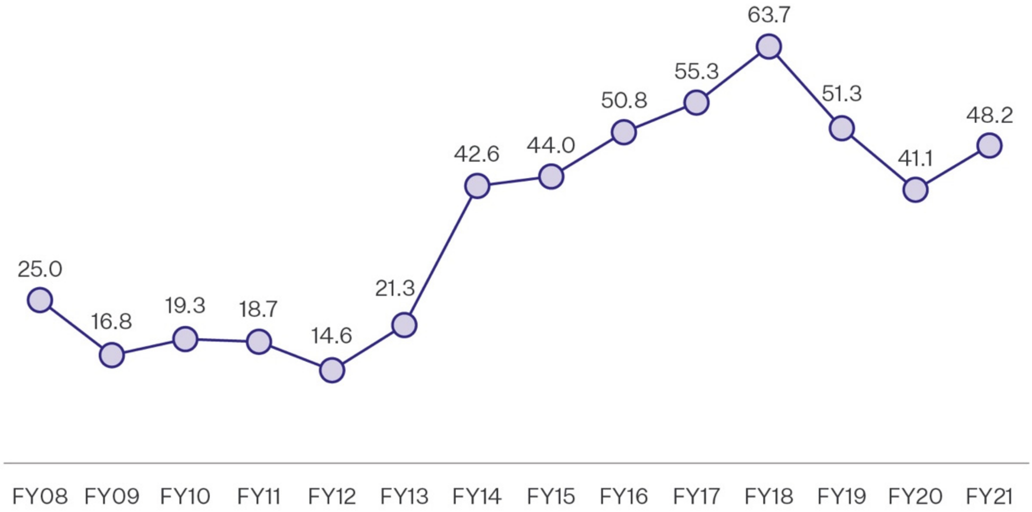
The TSR hurdle of 50-100% is aligned with common market practice to ensure an equitable reward for executives to peer executives assessed on a similar basis. The TSR ASX 200 peer group represents the primary investable universe from which shareholders can choose to invest. Vesting based on Pendal results relative to the ASX 200 provides strong alignment between Pendal Executives and shareholders in terms of where investor capital may be allocated. There is no change to the TSR hurdle.

Since the Company was listed in 2007, Cash Net Profit After Tax (Cash NPAT) has been used as the alternative profit measure in announcing the performance of the business. Cash NPAT will continue to be used when assessing the performance outcome of the 2018 and 2019 LTIs as it constituted one of the applicable LTI hurdles when those awards were approved and granted. Following a review, Pendal replaced Cash EPS with Underlying EPS as the preferred alternative profit measure effective from the 2021 Financial Year. Accordingly, for LTI grants issued in December 2020 onwards, Underlying EPS replaced Cash EPS. We believe this change is more aligned with market practice and the preferred approach of proxy advisors. It simplifies reporting and the treatment of employee expenses in line with statutory accounts.

Under Cash NPAT, the variable employee expense is fully expensed as a cash item in the year the revenue is earned, whereas under UPAT the variable employee expense is amortised over time. UPAT excludes items not considered as a part of the underlying earnings of the business (such as gains or losses on the firm's seed portfolio).

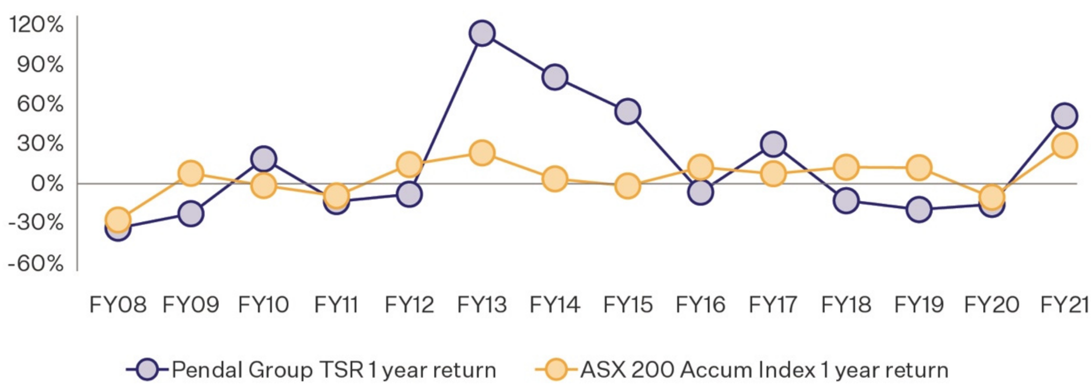
The EPS hurdles of 5-10% have been set by the Board to encourage management to build a business that is sustainable through various economic cycles, irrespective of whether markets rise or fall. The Board set the 5-10% band for Cash and Underlying EPS vesting by considering the evidence and expectations for reasonable long-term earnings growth. The goal is to maintain a consistent hurdle across the market cycle so that the goals are very clear for management and shareholders, to be realistically achievable but not easy, and to represent a result that would produce a healthy return for shareholders. Graphs 6a and 6b below provides a historical overview of Pendal Group's Cash and Underlying EPS and TSR relative performance against the S&P/ASX 200 Accumulation Index.

Graph 6a: Pendal Group EPS (cents per share) over time



* For the period FY08 – FY19 EPS reflects Cash EPS. Underlying EPS was used from FY20 onward.

Graph 6b: Pendal yearly TSR and yearly S&P/ASX200 Accumulation Index over time



Group CEO and other Global Executive Committee members' performance outcomes in the 2021 Financial Year

Group CEO performance and short term incentive outcome

During the year the Group underwent a change in CEO. Emilio Gonzalez announced his resignation in March 2021 and Nick Good took over the role of Group CEO and Managing Director from 1 April 2021. The 2021 Financial Year short term incentive outcome for both Mr. Gonzalez and Mr. Good reflects the Board's assessment of Mr. Gonzalez's and Mr. Good's performance against the key performance indicators including the financial and non-financial measures as outlined below.

Mr. Good's STI outcome was determined by measuring against his original KPIs for the first six months of the year and the Group CEO KPIs for the second half of the year. After stepping down from the Group CEO position effective from 1 April 2021, Mr. Gonzalez served out his notice period through to 30 September 2021. As such, Mr Gonzalez's STI performance was measured against his KPIs for the full year. His 2018 LTI lapsed as LTI performance targets were not met for the 2018 LTI grant.

	Description of key performance indicators and performance			
	Performance Measure	**Key Performance Indicators (KPIs)**	**Weighting**	**FY21 Performance Against KPIs**
Short-Term Incentive	**Financial**	Underlying Profit After Tax Base management fee revenue.	30%	Overall profit was up during the year on the back of higher base management fees and performance fees. Base management fees benefited from positive flows from the wholesale channel, particularly the US and higher equity markets. • Average FUM +14% • Base management fee revenue + 14% • Underlying Profit +25% • Underlying earnings per share +17% *Overall above target*
	Execute on growth strategy	Progress against Strategic Objectives that strengthen the business model including the implementation of the Regnan business model; identifying potential acquisitions; review of efficiencies and investment performance; and the execution and implementation of the Group governance plan.	20%	Acquisition of TSW asset management in the US completed to provide growth and diversification. Key planks for growth strategy agreed and in place including on-boarding of new teams, new products, continued roll-out of specialist ESG firm Regnan, opening of new offices in Europe, product and distribution priorities. Improved efficiencies as a result of globalising operating platform and significant progress in reducing the number of global custody service providers. Progress made in simplifying the Company's structure Smooth transition of Group CEO and good progress on establishing the global governance structure. *Overall above target*
	Business development	Progress towards the development of new business opportunities, enhancement of the product and distribution strategy and strengthening of succession plans.	30%	Identified key products of focus and clear mapping of channels with positive contribution to fund flows, particularly in the US and Australia. Launched the Regnan Water and Waste investment strategy as part of building out the specialists ESG capability with cross selling opportunities across geographies. Substantial progress in Europe on ESG credentials and integration of ESG into product design. Recruited senior sales personnel to drive sales in Europe and the , Institutional market in Australia and expanded the distribution network in the US with the TSW acquisition. *Overall slightly above target*
	Investment performance	Delivering exceptional investment performance and developing plans for improving investment performance in underperforming strategies.	10%	Key investment strategies outperforming with 61% of FUM over three years above benchmarks and 74% over five years above benchmarks. Formal review of investment strategies where performance has been weak completed with changes made to improve performance and in some cases strategies were closed. *Overall below target*

	Risk management & operational effectiveness	Effective risk management and operational risk framework that embeds quality risk culture to ensure the business operates within agreed Risk Appetite framework with sound outcomes, and a robust operational platform is utilised with the right governance structures, processes and resources to support business model and strategy including Brexit developments.	10%	Continued an outstanding response to handling the ongoing Global pandemic with effective work from home environment across the Group and tested in periods of "lock-down". Uninterrupted service to clients with no significant issues. Updated risk framework and rolled out across the Group with key risks (including non-financial risks) effectively identified. Business operated within the agreed risk appetite and was consistent with the risk framework. Embedded quality risk culture within the Group with individuals held accountable. Operated an effective Internal audit process with control improvements addressed in a timely manner. *Overall above target*

	Description of Long-Term Incentive Award performance hurdles and outcome
Long-term incentive award	For Mr. Gonzalez LTI award for which performance was measured over three years from 1 October 2018 to 30 September 2021, the TSR and Cash EPS performance hurdles were tested. Neither the TSR nor the Cash EPS met their minimum hurdles resulting in 0% vesting and a zero award for the LTI award that was issued in the 2018 Financial Year. Mr. Good did not participate in the 2018 LTI award.

Other Global Executive Committee members' performance

Each year the Group CEO, taking into account market data and the scope of the role, considers the appropriate variable reward target for each member of the Global Executive Committee. The recommendations are presented to the Remuneration & Nominations Committee who discuss and approve the remuneration package for each individual. Company profitability is an important determinant in senior executive variable reward outcomes along with non-financial factors, including risk management. Financial performance indicators considered include profitability, expense management and sales performance.

The Group CEO determined a set of priorities and key deliverables for the Global Executives that align with the strategic goals of the business. The Group CEO undertakes a review with each Global Executive and conducts a formal discussion with them about their key achievements during the performance year, and identifies areas for improvement. The non-financial measures that are incorporated differ from one Global Executive to the next depending on the role. These measures are made up of business critical objectives such as: business strategy; people management; quality and delivery of project work; client satisfaction; support to the investment teams; ability to resolve issues; and risk management.

Once the objectives are agreed, the Group CEO meets regularly with his direct reports to assess progress and adjust or change priorities depending on the needs of the business. A more formal review of achievements and an assessment against objectives is carried out twice per year. The Group CEO reviews the performance of the Global Executive Committee members annually with the Remuneration & Nominations Committee.

6. Details of the Global Executive Committee remuneration outcomes

The following section contains both statutory (in accordance with applicable accounting standards and regulations) and voluntary disclosures of awarded remuneration for KMP.

Table 1a Short Term Incentive (STI) outcomes for the Global Executive Committee in the 2021 and 2020 Financial Years

The table below sets out the Global Executive Committee's (KMP) STI outcomes for the 2021 and 2020 Financial Years. STI outcomes are awarded in both cash and Pendal shares with deferred vesting on the shares. The total STI represents the actual cost to the Company and is charged to Cash NPAT for the 2020 Financial Year. Pendal has commenced using Underlying Profit After Tax (UPAT) as its alternative profit measure effective from the 2021 Financial Year.

The number of shares granted to each KMP is subject to the STI outcome with a portion paid in deferred PDL shares which are purchased by the Company on behalf of employees and acquired by the Pendal Group Employee Benefit Trust through a combination of on-market and off-market purchases. The shares vest over a 5 year period providing alignment between executives and shareholders.

Current KMP	FY	Cash STI ($)	STI deferred into Equity [1,2] ($)	Total STI ($)	Total STI as % STI Maximum
Nick Good[3, 4]	21	881,267	426,420	1,307,687	70%
	20	788,000	-	788,000	59%
Alexandra Altinger[5]	21	571,952	381,301	953,253	68%
	20	458,920	196,680	655,600	45%
Richard Brandweiner	21	413,810	413,810	827,620	69%
	20	303,000	303,000	606,000	51%
John Reifsnider[6]	21	102,144	102,144	204,288	67%
	20	-	-	-	-
Bindesh Savjani[5]	21	447,119	191,623	638,742	88%
	20	477,330	204,570	681,900	91%
Cameron Williamson	21	358,193	193,115	551,308	69%
	20	187,513	62,487	250,000	31%
Former KMP					
Emilio Gonzalez[7]	21	800,000	800,000	1,600,000	57%
	20	350,000	350,000	700,000	25%
Total	21	**3,574,485**	**2,508,413**	**6,082,898**	
	20	**2,564,763**	**1,116,737**	**3,681,500**	

Notes to Table 1a

1 Equity-based remuneration represents the actual short term equity awarded for performance for the 2021 Financial Year. These projected amounts may change following the completion of Board approved performance reviews, and final approval of the relative proportions of cash and equity as part of the annual remuneration review cycle.

2 Actual number of shares allocated for the 2021 Financial Year award will be determined closer to the allocation date on 3 December 2021.

3 Nick Good is remunerated in US Dollars. An average exchange rate of 0.7519 (2020: 0.6789) has been applied to convert his total STI to Australian dollars for the 2021 Financial Year.

4 Nick Good was appointed as the Group CEO, effective from 1 April 2021. His STI outcome for the 2021 Financial Year has been apportioned between the terms of his employment as Group CEO and the previous terms of his employment as CEO, JOHCM USA (i.e. the CEO JOHCM USA in the first six months of the 2021 Financial Year and as the Group CEO in the second half of the year).

5 Alexandra Altinger and Bindesh Savjani are remunerated in Pound Sterling. An average exchange rate of 0.5493 (2020: 0.5323) has been applied to convert their total STI to Australian dollars for the 2021 Financial Year.

6 John Reifsnider commenced his employment as the CEO of Pendal USA on 23 July 2021, following the acquisition of TSW, and his STI for the 2021 Financial Year is that applicable to the period that he was employed by the Group. Mr. Reifsnider is remunerated in US Dollars, and an average exchange rate of 0.7519 has been applied to convert his total STI to Australian dollars.

7 Emilio Gonzalez ceased his position as Group CEO on 31 March 2021 and served his 6-months' notice period between 1 April and 30 September 2021. His remuneration outcome for the 2021 Financial Year reflects the full year.

Table 1b: Global Executive Committee remuneration – actual or realised remuneration received in the 2021 and 2020 Financial Years

This table shows the actual remuneration paid to, and the equity which vested for, each Global Executive Committee member (KMP) in the 2021 and 2020 Financial Years. This includes:

- Fixed remuneration received during the year;
- The cash component of STI awarded in 2021 and 2020;
- Deferred STI equity awarded in prior years that vested in 2021 and 2020;
- LTI equity awarded in prior years that vested in 2021 and 2020; and
- Other payments.

	FY	Fixed Remuneration ($)	Cash component of STI[4] ($)	Vesting of prior years STI awards[5] ($)	Vesting of prior years LTI awards[6,7] ($)	Dividends paid on deferred shares and hurdled LTI equity[8] ($)	Other[9] ($)	Total ($)
Current KMP								
Nick Good[1,2]	21	694,906	881,267	614,849	844,067	31,483	508,046	3,574,618
	20	429,617	788,000	140,201	-	20,589	1,026,661	2,405,068
Alexandra Altinger[1,3]	21	567,996	571,952	44,082	-	10,677	-	1,194,707
	20	586,686	458,920	-	-	-	-	1,045,606
Richard Brandweiner[3]	21	550,766	413,810	160,211	-	32,479	-	1,157,266
	20	552,116	303,000	63,527	-	21,029	-	939,672
John Reifsnider[1,10]	21	101,133	102,144	-	-	-	-	203,277
	20	-	-	-	-	-	-	
Bindesh Savjani[1,3]	21	640,816	447,119	282,857	-	31,056	-	1,401,848
	20	661,281	477,330	209,476	-	22,084	-	1,370,171
Cameron Williamson[3]	21	450,553	358,193	85,797	-	12,691	-	907,234
	20	451,731	187,513	66,541	-	14,342	-	720,127
Former KMP								
Emilio Gonzalez[3,11]	21	800,984	800,000	554,243	-	75,644	-	2,230,871
	20	803,077	350,000	432,314	-	89,311	-	1,674,702
Total Global Executive Committee Remuneration	**21**	**3,807,154**	**3,574,485**	**1,742,039**	**844,067**	**194,030**	**508,046**	**10,669,821**
	20	**3,484,508**	**2,564,763**	**912,059**	**-**	**167,355**	**1,026,661**	**8,155,346**

Notes to Table 1b

1 Nick Good and John Reifsnider are remunerated in US Dollars. An average exchange rate of 0.7519 (2020: 0.6789) has been applied to convert their remuneration to Australian dollars for the 2021 Financial Year. Alexandra Altinger and Bindesh Savjani, are remunerated in Pounds Sterling. An average exchange rate of 0. 5493 (2020: 0. 5323) has been applied to convert their remuneration to Australian dollars for the 2021 Financial Year.

2 Nick Good's remuneration outcome for the 2021 Financial Year represents the sum of his remuneration packages (i.e. as the CEO JOHCM USA in the first six months of the 2021 Financial Year and as the Group CEO in the second half of the year). His total fixed remuneration for the 2019 Financial Year reflects the period that he worked from his employment start date of 2 December 2019.

3 The 2021 Financial Year fixed remuneration for Emilio Gonzalez, Richard Brandweiner and Cameron Williamson did not increase from the 2020 Financial Year. The difference is attributable to changes to the Australian superannuation guarantee contributions, effective from 1 July 2021. The 2021 Financial Year fixed remuneration for Alexandra Altinger and Bindesh Savjani did not increase from the 2020 Financial Year. The difference is attributable to changes in the exchange rate.

4 The cash component of STI represents the award for performance during the Financial Year and paid in December. The FY21 amounts were determined after performance reviews were completed, and were approved by the Board. It should be noted there may be changes to FY21 amounts following final approval of the relative proportions of cash and equity as part of the annual remuneration review cycle.

5 The equity awards that vested on 1 October 2021 are treated as vesting in the 2021 Financial Year. The equity value has been calculated as the number of securities that vested during the year ended 30 September 2021, multiplied by the closing PDL share price on the date of vesting.

6 The LTI granted in the 2018 Financial Year did not vest in 2021 as it did not meet the minimum performance hurdles for TSR and Cash EPS. The LTI granted in the 2017 Financial Year did not vest in 2020 as it did not meet the minimum performance hurdles for TSR or Cash EPS.

7 The LTI award granted to Nick Good on commencement of employment in 2019 was pro-rated for a two year term following his appointment as Group CEO from 1 April 2021, and measured on 1 October 2021. The portion of LTI awards for which performance hurdles were met as of 1 October 2021 has been treated as vesting in the 2021 Financial Year.

8 Dividend payments are dividends paid on STI shares granted in previous years' rewards that have been deferred in accordance with the Equity Plan Rules. There were no dividend equivalent payments made in 2021 and 2020 in relation to Performance Share Right LTI awards because they did not vest.

9 Other payments to Nick Good represent 2021 Financial Year cash payments for deferred remuneration foregone following the commencement of his employment. Future payments for deferred remuneration foregone are scheduled to be paid in diminishing instalments over the next two financial years as a retention mechanism, subject to employment conditions.

10 John Reifsnider commenced employment with Pendal Group on 23 July 2021, following the acquisition of TSW, and his remuneration for the 2021 Financial Year is that applicable to the period that he was employed by the Group.

11 Emilio Gonzalez ceased his position as Group CEO on 31 March 2021 and served out his notice period through to 30 September 2021.

Table 1c: Statutory remuneration for the Global Executive Committee in the 2021 and 2020 Financial Years

The table below details the statutory accounting expense of all remuneration-related items for the Global Executive Committee (KMP) in relation to both the 2021 and 2020 Financial Years.

Table 1c shows the remuneration based on accrual accounting amounts determined in accordance with the Australian Accounting Standards (refer to the footnotes to the table below). It is different from Table 1b's actual remuneration outcomes which the Directors believe is more informative as to what was actually realised for senior executives in the period. Please see footnote 8 to Table 1c for greater clarification.

		Short term benefits			Post-employment benefits	Other long-term benefits	Equity based payments				
	FY	Salary & fees ($)	Cash component of STI[4] ($)	Non-monetary benefits[5] ($)	Super-annuation ($)	Long service leave[6] ($)	STI Equity[7] ($)	LTI Equity[8] ($)	Dividends paid on deferred shares and hurdled LTI equity[9] ($)	Other[10] ($)	Total ($)
Current KMP											
Nick Good[1,2,10]	21	631,733	881,267	49,962	63,173	-	513,148	493,811	31,483	508,046	3,172,623
	20	429,617	788,000	27,612	-	-	726,804	692,531	20,589	1,026,661	3,711,814
Alexandra Altinger[1,3]	21	564,355	571,952	9,078	3,641	-	164,801	622,860	10,677	-	1,947,364
	20	582,698	458,920	8,298	3,988	-	65,284	293,222	-	-	1,412,410
Richard Brandweiner[3]	21	525,141	413,810	-	25,625	8,111	305,737	273,404	32,479	-	1,584,307
	20	527,116	303,000	-	25,000	7,615	203,851	273,854	21,029	-	1,361,465
John Reifsnider[1,11]	21	101,133	102,144	4,175	-	-	31,773	-	-	-	239,225
	20	-	-	-	-	-	-	-	-	-	-
Bindesh Savjani[1,3]	21	582,560	447,119	12,822	58,256	-	263,044	124,002	31,056	-	1,518,859
	20	601,165	477,330	18,576	60,116	-	364,800	161,001	22,084	-	1,705,072
Cameron Williamson[3]	21	424,928	358,193	-	25,625	8,095	116,042	136,702	12,691	-	1,082,276
	20	426,731	187,513	2,100	25,000	(8,303)	83,844	108,181	14,342	-	839,408
Former KMP											
Emilio Gonzalez[3,12]	21	775,984	800,000	11,219	25,000	13,877	1,543,551	461,207	75,644	-	3,706,482
	20	778,077	350,000	9,647	25,000	12,333	606,815	390,548	89,311	-	2,261,731
Total Global Executive Committee Remuneration	21	3,605,834	3,574,485	87,256	201,320	30,083	2,938,096	2,111,986	194,030	508,046	13,251,136
	20	3,345,404	2,564,763	66,233	139,104	11,645	2,051,398	1,919,337	167,355	1,026,661	11,291,900

Notes to Table 1c:

1 Nick Good and John Reifsnider are remunerated in US Dollars. An average exchange rate of 0.7519 (2020:0.6789) has been applied to convert their remuneration to Australian dollars for the 2021 Financial Year. Alexandra Altinger and Bindesh Savjani are remunerated in Pounds Sterling. An average exchange rate of 0.5493 (2020:0.5323) has been applied to convert their remuneration to Australian dollars for the 2021 Financial Year.

2 Nick Good's remuneration outcome for the 2021 Financial Year represents the sum of his remuneration packages (i.e. as the CEO JOHCM USA in the first six months of the 2021 Financial Year and as the Group CEO in the second half of the year). His total fixed remuneration for the 2020 Financial Year reflects the period that he worked from his employment start date of 2 December 2019.

3 The 2021 Financial Year fixed remuneration for Emilio Gonzalez, Richard Brandweiner and Cameron Williamson did not increase from the 2020 Financial Year. The difference is attributable to changes to Australian superannuation guarantee contributions, effective from 1 July 2021. The 2021 Financial Year fixed remuneration for Alexandra Altinger and Bindesh Savjani did not increase from the 2020 Financial Year. The difference is attributable to changes in the exchange rate.

4 The cash component of STI represents the award for performance during the Financial Year and paid in December. The FY21 amounts were determined after performance reviews were completed, and were approved by the Board. It should be noted there may be changes to the FY21 amounts following final approval of the relative proportions of cash and equity as part of the annual remuneration review cycle.

5 The non-monetary benefit for Emilio Gonzalez, Richard Brandweiner and Cameron Williamson is a salary sacrifice benefit which is accessible to all employees and includes but is not limited to car parking, novated leases and/or computers, etc. The non-monetary benefits provided to Alexandra Altinger, Nick Good, John Reifsnider and Bindesh Savjani includes insurance for healthcare, life and long-term disability cover.

6 Although long service leave benefits continue to accumulate, the amount recognised in the financial statements for such benefits has been re-valued in accordance with actuarial-based valuation methodologies.

7 STI Equity-based remuneration represents the amortisation of the 'fair value' at grant date over the vesting period of all grants. 'Fair value' is determined as required by accounting standards as 'the amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged'.

8 LTI does not represent what has vested during the Financial Year but is the amortisation expense for the Financial Year in relation to LTI grants that have been awarded. The actual value of the 2018 LTI grant measured in 2021, is zero. The values in Table 1c above have been determined independently by an external valuation expert using valuation based methodologies which take into account the performance hurdles relevant to the issue of the LTI equity instruments. The equity based payment is the amount expensed for the year in relation to all LTI grants that have been awarded (as outlined in Table 4) and includes adjustments to reflect the expectation as at 30 September 2021 of the likely level of vesting of the EPS hurdled LTI. For the 2018 EPS hurdled LTI grant which has not vested, 100 per cent of the amortisation expense has been reversed. For grants with market conditions such as TSR, the number of shares expected to vest is included in the estimated fair value of securities at grant date. This does not allow for adjustments during the performance period or at testing if performance hurdles are not met. For the 2018 TSR hurdled LTI grant, which has not vested, the amortisation expense has not been reversed. The accounting treatment of EPS and TSR hurdled LTI equity is in accordance with Accounting Standards.

9 Dividend payments are dividends paid on STI shares granted from previous years' rewards that have been deferred in accordance with the Equity Plan Rules. There were no dividend equivalent payments made in 2021 and 2020 in relation to Performance Share Rights.

10 Other payments to Nick Good represent 2021 Financial Year cash payments for deferred remuneration foregone following the commencement of his employment. Future payments for deferred remuneration foregone are scheduled to be paid in diminishing instalments over the next two financial years as a retention mechanism, subject to employment conditions.

11 John Reifsnider commenced employment with Pendal Group on 23 July 2021, following the acquisition of TSW, and his remuneration for the 2021 Financial Year is that applicable to the period that he was employed by the Group.

12 Emilio Gonzalez ceased his position as Group CEO on 31 March 2021 and served out his notice period through to 30 September 2021.

Table 2 illustrates the relative proportions of fixed, cash based variable remuneration and equity remuneration in the relevant financial year (calculated based on statutory accounting disclosures; i.e. Table 1(c)) as a percentage of total remuneration. Table 2 differs to Charts 1 and 2 which are based on the target equity-based remuneration.

Table 2: Global Executive Committee 2021 and 2020 Financial Years' fixed and variable remuneration as a proportion of total remuneration

	Fixed remuneration as a percentage of total remuneration[1]		Cash VR as a percentage of total remuneration		Equity as a percentage of total remuneration[2]	
Current KMP	2021 (%)	2020 (%)	2021 (%)	2020 (%)	2021 (%)	2020 (%)
Nick Good	39	40	28	21	33	39
Alexandra Altinger	30	42	30	32	40	26
Richard Brandweiner	35	41	26	22	39	37
John Reifsnider	44	n/a	43	n/a	13	n/a
Bindesh Savjani	43	40	29	28	28	32
Cameron Williamson	42	53	33	22	25	25
Former KMP						
Emilio Gonzalez	22	36	22	15	56	49

Notes to Table 2:

1 Non-monetary benefits and long service leave have been included in the fixed remuneration calculation, if applicable.

2 The equity component represented in this table includes the equity-based remuneration awarded for the 2021 and 2020 Financial Years and long-term incentives.

Share based-payments

Details of the shares in Pendal granted as compensation to the previous and the new Group CEO and other Global Executive Committee Members under the Employee Equity Plan during the reporting period are set out below.

Table 3: Group CEO and other Global Executive Committee members' short-term equity allocations

	Date of grant	Number of shares granted (#)	Value of award at grant ($ per award)	Number of shares vested[1] 1 Oct 2021 (#)	Proportion of award vested (%)	Proportion of award forfeited (%)
Group CEO						
Nick Good	31-Dec-19	137,263	8.59	81,452	78	-
Other Global Executive Committee Members						
Alexandra Altinger	3-Dec-20	27,238	7.02	5,476	20	-
Richard Brandweiner	6-Dec-18	23,813	8.18	4,763	60	-
	5-Dec-19	33,522	8.06	6,704	40	-
	3-Dec 20	42,175	7.02	8,435	20	-
Bindesh Savjani	15-Mar-19	66,275	8.94	25,359	86	-
	5-Dec-19	20,261	8.06	4,052	40	-
	3-Dec 20	28,476	7.02	5,695	20	-
Cameron Williamson	8-Dec-16	7,688	10.82	1,536	100	-
	7-Dec-17	11,712	10.69	2,342	80	-
	6-Dec-18	12,696	8.18	2,539	60	-
	5-Dec-19	12,507	8.06	2,501	40	-
	3-Dec 20	8,697	7.02	1.740	20	-
Former Group CEO						
Emilio Gonzalez	8-Dec-16	81,714	10.82	16,342	100	-
	7-Dec-17	68,347	10.69	13,669	80	-
	6-Dec-18	74,085	8.18	14,817	60	-
	5-Dec-19	71,389	8.06	14,278	40	-
	3-Dec 20	48,718	7.02	9,744	20	-

Notes to Table 3:

1 The shares allocated for deferred VR and retention vest over five years with vesting dates of 1 October each year in most cases.

Pendal Group's remuneration policy focuses on driving performance and creating shareholder alignment in the longer term. We do this by providing our Global Executive Committee members with LTI awards in the form of Performance Share Rights with three year vesting periods.

Table 4 below provides an overview of the Group CEO and other Global Executives' current LTI awards which have not yet vested.

Table 4: Group CEO and other Global Executive Committee members' long-term incentive awards

	Commencement of Test Period for Grant[3]	Award vehicle[2]	Award granted (#)	Value of award at grant TSR Hurdle[1] ($)	Value of award at grant Non TSR Hurdle[1] ($)	Date of vesting	Vested during the year (#)	Lapsed during the year (#)	Balance as at 1 Oct 2021 (#)
Nick Good	1-Oct-19	Performance Share Rights	60,491	6.72	8.93	1-Oct-22	-	-	60,491
	1-Oct-19	Performance Share Rights [4]	157,280	-	6.80	1-Oct-21	-	52,427	104,853
	1-Oct-20	Performance Share Rights	76,285	5.10	7.02	1-Oct-23	-	-	76,285
Alexandra Atlinger	1-Oct-19	Performance Share Rights	123,984	5.86	8.33	1-Oct-22	-	-	123,984
	1-Oct-20	Performance Share Rights	163,187	5,10	7.02	1-Oct-23	-	-	163,187
Richard Brandweiner	1-Oct-18	Performance Share Rights	68,932	5.33	8.70	1-Oct-21	-	68,932	-
	1-Oct-19	Performance Share Rights	81,651	5.86	8.33	1-Oct-22	-	-	81,651
	1-Oct-20	Performance Share Rights	108,448	5.10	7.02	1-Oct-23	-	-	108,448
Bindesh Savjani	1-Oct-18	Performance Share Rights	31,224	5.33	8.70	1-Oct-21	-	31,224	-
	1-Oct-19	Performance Share Rights	37,195	5.86	8.33	1-Oct-22	-	-	37,195
	1-Oct-20	Performance Share Rights	48,956	5.10	7.02	1-Oct-23	-	-	48,956
Cameron Williamson	1-Oct-18	Performance Share Rights	34,466	5.33	8.70	1-Oct-21	-	34,466	-
	1-Oct-19	Performance Share Rights	40,825	5.86	8.33	1-Oct-22	-	-	40,825
	1-Oct-20	Performance Share Rights	54,224	5.10	7.02	1-Oct-23	-	-	54,224
Emilio Gonzalez [5]	1-Oct-18	Performance Share Rights	114,887	5.33	8.70	1-Oct-21	-	114,887	-
	1-Oct-19	Performance Share Rights	90,723	6.75	8.76	1-Oct-22	-	-	90,723
	1-Oct-20	Performance Share Rights	60,249	4.61	6.70	1-Oct-23	-	-	60,249

Notes to Table 4:

1 The fair value of the Performance Share Rights is based on Australian Accounting Standards and has been independently calculated using Binomial/Monte-Carlo simulation models. For further details on the fair value methodology, refer to Note D2 within the financial statements.

2 The LTIs awards are subject to performance hurdles which are tested at the end of three years.

3 The Performance Share Rights allocated to the Global Executives with a test period commencement date of 1 October 2018 did not meet the performance hurdles and accordingly are shown as not vested in this table.

4 Nick Good's performance share rights granted in 2019 were pro-rated by 50% and the measurement period reduced from four to two years in line with his new remuneration arrangements. The performance share rights that did not meet the performance hurdles are shown as not vesting in this table.

5 Emilio Gonzalez's LTI awards have been prorated to reflect his period of employment up to 30 September 2021.

Table 5: Equity components of variable remuneration

The table below outlines STI deferred equity and Performance Share Rights awarded to the previous and current Group CEO and other Global Executive Committee members with an associated vesting schedule for the 2021 Financial Year. The equity grants vest over a period of up to five years, provided that the vesting conditions are met. No equity grants will vest if the vesting conditions are not satisfied and the minimum value of the equity grant yet to vest is nil. The face value represents the cost of the equity grants to the Company at the time of allocation.

The maximum value of the equity grants yet to vest has been determined in accordance with accounting standards and represents the fair value of the equity grants at allocation date.

					Maximum fair value of equity grants allocated by the company that may vest in future years[1]				
Global Executive Committee	FY of grant	Face value of the equity grants ($)	Fair value of equity grants at grant ($)	Minimum total value of grant yet to vest ($)	FY22 ($)	FY23 ($)	FY24 ($)	FY25 ($)	FY26 onwards ($)
Nick Good	2020	1,116,024	1,179,089	Nil	262,734	83,512	-	-	-
	2020	444,510	473,341	Nil	-	473,341	-	-	-
	2020	1,327,629	1,069,501	Nil	713,000	-	-	-	-
	2021	422,060	462,288	Nil	-	-	462,288	-	-
Alexandra Altinger	2020	911,079	879,666	Nil	-	879,666	-	-	-
	2021	196,694	192,194	Nil	38,442	38,442	38,442	38,442	38,426
	2021	902,853	988,914	Nil	-	-	988,914	-	-
Richard Brandweiner	2019	225,000	194,790	Nil	38,961	38,953	38,954	-	-
	2020	270,000	270,187	Nil	54,034	54,034	54,034	54,051	-
	2020	600,000	579,313	Nil	-	579,313	-	-	-
	2021	303,000	296,069	Nil	59,214	59,214	59,214	59,214	59,213
	2021	600,000	657,195	Nil	-	-	657,195	-	-
Bindesh Savjani	2019	576,887	592,499	Nil	85,727	-	-	-	-
	2020	163,191	163,304	Nil	32,659	32,659	32,659	32,660	-
	2020	273,324	263,900	Nil	-	263,900	-	-	-
	2021	204,584	199,902	Nil	39,979	39,979	39,979	39,979	39,986
	2021	270,856	296,673	Nil	-	-	296,673	-	-
Cameron Williamson	2017	79,971	83,184	Nil	16,620	-	-	-	-
	2018	119,960	125,201	Nil	25,036	25,036	-	-	-
	2019	119,960	103,853	Nil	20,769	20,769	20,769	-	-
	2020	100,472	100,806	Nil	20,158	20,158	20,158	20,174	-
	2020	300,000	289,655	Nil	-	289,655	-	-	-
	2021	62,487	61,053	Nil	12,215	12,215	12,208	12,208	12,207
	2021	300,000	328,597	Nil	-	-	328,597	-	-
Former Executive									
Emilio Gonzalez	2017	849,997	884,145	Nil	176,820	-	-	-	-
	2018	700,000	730,629	Nil	146,122	146,122	-	-	-
	2019	700,000	606,015	Nil	121,203	121,203	121,203	-	-
	2020	575,000	575,395	Nil	115,081	115,081	115,080	115,072	-
	2020	666,667	703,560	Nil	-	703,560	-	-	-
	2021	350,000	342,000	Nil	68,403	68,403	68,403	68,396	68,395
	2021	333,333	340,706	Nil	-	-	340,706	-	-

Notes to Table 5:

1 The equity grants comprise shares and Performance Share Rights. The equity grants issued vest over three or five years with vesting dates of 1 October each year in most cases.

7. Global Executive Committee members' employment agreements

Remuneration and other terms of employment for the Group CEO and other Global Executive Committee members are also formalised in employment agreements. Each of these agreements takes into consideration the provision of fixed remuneration (which is reviewed annually), performance-based cash incentives, other benefits, and participation, when eligible, in relevant equity-based plans. The employment agreements for the Group CEO and other Global Executive Committee members are currently open-ended, permanent, full time, common law employment agreements. Other significant provisions of the agreements relating to remuneration are set out below.

Summary of notice periods

Name	Notice period
Nick Good	6 months
Alexandra Altinger	6 months
Richard Brandweiner	6 months
John Reifsnider	6 months
Bindesh Savjani	6 months
Cameron Williamson	3 months

Summary of termination entitlements

Term	Who	Conditions
Termination with notice	Nick Good	Any amount payable on the termination of employment will be made up of the following components: • accrued but unpaid base salary as at the Termination Date; • any accrued but unused annual leave and cost to the Company of providing company benefits; • any vested entitlement of equity grants which have been allocated as at the Termination Date will be released in accordance with the relevant Equity Plan Rules; • any unvested equity grants which have been allocated as at the Termination Date will be subject to the relevant Equity Plan Rules; • any payment of a variable reward in the year of termination, including cash and/or equity, will be determined by the Board at its discretion; and • Pendal Group retains the right to bring the employment to an immediate end and pay an amount in lieu of notice, equal to the fixed remuneration that would have applied during the notice period.
	Alexandra Altinger	Any amount payable on the termination of employment will be made up of the following components: • accrued but unpaid base salary as at the Termination Date; • any accrued but unused annual leave and cost to the Company of providing company benefits; • any vested entitlement of equity grants which have been allocated as at the Termination Date will be released in accordance with the relevant Equity Plan Rules; • any unvested equity grants which have been allocated as at the Termination Date will be subject to the relevant Equity Plan Rules; • any payment of a variable reward in the year of termination, including cash and/or equity, will be determined by the Board at its discretion; and • Pendal Group retains the right to bring the employment to an immediate end and pay an amount in lieu of notice, equal to the fixed remuneration that would have applied during the notice period.
	Richard Brandweiner	Any amount payable on the termination of employment will be made up of the following components: • accrued but unpaid fixed remuneration as at the Termination Date; • accrued but unused annual leave and long service leave as at the Termination Date; • any vested portion of Equity Grants will be released in accordance with the relevant Equity Plan Rules; • all unvested shares will be determined by the Board at its discretion; • any payment of a variable reward in the year of termination, including cash and/or equity, will be determined by the Board in its discretion; and • Pendal Group retains the right to bring the employment to an immediate end and pay an amount in lieu of notice, equal to the fixed remuneration that would have applied during the notice period.

Term	Who	Conditions
	John Reifsnider	Any amount payable on the termination of employment will be made up of the following components: • accrued but unpaid base salary as at the Termination Date; • accrued but unused annual leave and cost to the Company of providing company benefits; • any vested portion of any Equity Grants, will be released in accordance with the Equity Plan Rules; • all unvested shares will be determined by the Board at its discretion; • any payment of variable reward in the year of termination, including cash and/or equity, will be determined by the Board at its discretion; and • Pendal Group retains the right to bring the employment to an immediate end and pay an amount in lieu of notice, equal to the fixed remuneration that would have applied during the notice period.
	Bindesh Savjani	Any amount payable on the termination of employment will be made up of the following components: • accrued but unpaid base salary as at the Termination Date; • any accrued but unused annual leave and cost to the Company of providing company benefits; • any vested entitlement of equity grants which have been allocated as at the Termination Date will be released in accordance with the relevant Equity Plan Rules; • any unvested equity grants which have been allocated as at the Termination Date will be subject to the relevant Equity Plan Rules; • any payment of a variable reward in the year of termination, including cash and/or equity, will be determined by the Board at its discretion; and • Pendal Group retains the right to bring the employment to an immediate end and pay an amount in lieu of notice, equal to the fixed remuneration that would have applied during the notice period.
	Cameron Williamson	Any amount payable on the termination of employment will be made up of the following components: • accrued but unpaid fixed remuneration package as at the Termination Date; • accrued but unused annual leave and long service leave as at the Termination Date; • any vested portion of any Equity Grants, will be released in accordance with the Equity Plan Rules; • all unvested shares will be determined by the Board at its discretion; • any payment of variable reward in the year of termination, including cash and/or equity, will be determined by the Board at its discretion; and • Pendal Group retains the right to bring the employment to an immediate end and pay an amount in lieu of notice, equal to the fixed remuneration that would have applied during the notice period.

Term	Who	Conditions
Termination for cause	Nick Good	Any amount payable on the termination of employment will be made up of the following components: • accrued but unpaid base salary package as at the Termination Date; • accrued but unused annual leave as at the Termination Date; • any vested entitlement of equity grants which have been allocated as at the Termination Date will be released in accordance with the relevant Equity Plan Rules; and • no entitlement to any variable reward for the year in which termination occurs or to any unvested equity grants.
	Alexandra Altinger	Any amount payable on the termination of employment will be made up of the following components: • accrued but unpaid base salary package as at the Termination Date; • accrued but unused annual leave as at the Termination Date; • any vested entitlement of equity grants which have been allocated as at the Termination Date will be released in accordance with the relevant Equity Plan Rules; and • no entitlement to any variable reward for the year in which termination occurs or to any unvested equity grants.
	Richard Brandweiner	Any amount payable on the termination of employment will be made up of the following components: • accrued but unpaid fixed remuneration package as at the date of the Termination Date; • accrued but unused annual leave and long service leave as at the Termination Date; • any vested portion of any Equity Grants, will be released in accordance with the Equity Plan Rules; and • no entitlement to any variable reward for the year in which termination occurs or to any unvested equity grants.
	John Reifsnider	Any amount payable on the termination of employment will be made up of the following components: • accrued but unpaid base salary package as at the Termination Date; • accrued but unused annual leave as at the Termination Date; • any vested portion of any Equity Grants, will be released in accordance with the Equity Plan Rules; and • no entitlement to any variable reward for the year in which termination occurs or to any unvested equity grants.
	Bindesh Savjani	Any amount payable on the termination of employment will be made up of the following components: • accrued but unpaid base salary package as at the Termination Date; • accrued but unused annual leave as at the Termination Date; • any vested entitlement of equity grants which have been allocated as at the Termination Date will be released in accordance with the relevant Equity Plan Rules; and • no entitlement to any variable reward for the year in which termination occurs or to any unvested equity grants.
	Cameron Williamson	Any amount payable on the termination of employment will be made up of the following components: • accrued but unpaid fixed remuneration package as at the Termination Date; • accrued but unused annual leave and long service leave as at the Termination Date; • any vested portion of any Equity Grants, will be released in accordance with the Equity Plan Rules; and • no entitlement to any variable reward for the year in which termination occurs or to any unvested equity grants.

Make Good payments[1]

Where Global Executive Committee member employment agreements include a make good payment in the form of cash and/or equity and their employment is terminated with notice before the payment has been fulfilled, the payment will generally continue to be made in the amounts and at the times agreed, unless the Pendal Board in its sole discretion decides otherwise. If the termination is for cause, then make good cash payments will be subject to repayment conditions and the unvested equity awards will be forfeited, in accordance with the Pendal Equity Plan Rules.

Post-employment restraint

Employment agreements for the Group CEO and other Global Executive Committee members include a post-employment restraint clause which prohibits the solicitation of employees or clients of the Company for a period of six months following cessation of employment. The exception is Cameron Williamson, Group CFO who has a three month post-employment restraint period.

[1] Payments made to offset deferred remuneration foregone due to a change in employment

8. Non-Executive Director remuneration

NED remuneration in the 2021 Financial Year

NED annual fee pool

For the 2021 Financial Year, $1.53 million (96 per cent) of the shareholder approved NED annual fee pool was used.

The NED annual fee pool has remained unchanged since 2015, when it was approved at a cap of $1.6 million. The proposal is to increase this by $400,000 to a maximum aggregate amount of $2 million per annum, with effect from 1 January 2022, subject to approval of shareholders at the 2021 AGM.

The rationale for the proposed increase is to support the Group's key strategic objective, which is to grow the business across new and existing markets and meet the increased scale and complexity of Pendal's global footprint. The increased fee pool will provide the flexibility to appoint additional NEDs to the board who have knowledge and experience in off-shore markets, continue to attract and retain NEDs of the highest calibre, allow existing NEDs to be appointed to subsidiary boards within the Group and allow the size of the Board to be expanded as part of an active Board renewal and succession planning process.

NED fees

NEDs are paid a fixed fee for their service on the Board. NEDs (with the exception of the Chairman of the Board) also receive additional fees for their service on the Board's committees, although no additional fee is paid for their UK based J O Hambro Capital Management Holding Limited Board membership. In addition to these fixed fees, NEDs receive superannuation contributions that are made in accordance with legislative requirements. NEDs do not receive performance-based remuneration and are not eligible to participate in any Pendal Group share plan or other incentive arrangements.

No NED Board nor Committee fee increases are proposed for the next financial year.

A summary of the annual fees payable to NEDs during the 2021 Financial Year are set out in the table below.

Non-Executive Director fees

Pendal Group Board fees	Fee policy (AUD'000s)	Fee Policy (GBP'000s)	Fee Policy (USD'000s)
Board Chairman	400		
Other Non-Executive Directors	160	110	144
Pendal Group Board Committee fees	**Fee policy ($'000s)**		
Audit & Risk Committee – Chair	40		
Audit & Risk Committee – Member	20	15	20
Remuneration & Nominations Committee – Chair	40		
Remuneration & Nominations Committee – Member	20	15	20

Retirement allowances

No allowance is payable on the retirement of NEDs. Superannuation payments are made in line with legislative requirements. Pendal's Australian based NEDs fees have increased as a result of the legislated increase to the superannuation guarantee contribution rate from 9.5% to 10%, effective from July 2021.

NED Director shareholdings

NEDs (including the Chairman) are expected to hold a minimum number of shares in the Company that is equal to the value of the Director's annual base fee. Newly appointed NEDs are expected to reach the minimum shareholding within three years of their appointment to the Board.

The number of Pendal Group shares held by each NED is set out in Table 6.

NED employment agreements

On appointment to the Board, all NEDs enter into an employment agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies in relation to tenure, remuneration and other matters relevant to the office of the NED.

Remuneration for NEDs

The fees paid to NEDs in the 2021 and 2020 Financial Years are shown in Table 6 below.

Table 6: 2021 and 2020Financial Years' Non-Executive Director remuneration

2021 Financial Year		Fees[1] ($)	Superannuation ($)	Total ($)
Current NEDs				
James Evans[2]	21	400,000	25,625	425,625
	20	400,301	25,000	425,301
Sally Collier[2]	21	200,000	19,269	219,269
	20	200,151	19,014	219,165
Christopher Jones[3]	21	218,114	-	218,114
	20	241,567	-	241,567
Andrew Fay[2]	21	200,000	19,269	219,269
	20	200,151	19,014	219,165
Kathryn Matthews[4]	21	227,562	-	227,562
	20	234,830	-	234,830
Deborah Page[2]	21	200,000	19,269	219,269
	20	200,151	19,014	219,165
Total	**21**	**1,445,676**	**83,432**	**1,529,108**
	20	**1,477,151**	**82,042**	**1,559,193**

Notes to Table 6:

1 The NED fees took effect from 1 January 2017. No adjustments to the base fees were made in the 2021 Financial Year.

2 The increase in the 2021 Financial Year total remuneration for James Evans, Sally Collier, Andrew Fay and Deborah Page is attributable to changes to the Australian superannuation guarantee contributions, effective from 1 July 2021.

3 Christopher Jones is remunerated in US Dollars and an average exchange rate of 0.7519 for 2021 (2020: 0.6789) has been applied to convert his annual fees to Australian dollars.

4 Kathryn Matthews is remunerated in Pound Sterling. An average exchange rate of 0.5493 for 2021 (2020: 0.5323) has been applied to convert her annual fees to Australian dollars.

9. Director and Global Executive holdings

The table below outlines all holdings, including holdings not yet vested of NEDs and Global Exeutive Committee members. For the vesting of Global Executive Committee equity grants, refer to Table 5.

Table 7: Director and Global Executives' holdings

			In the 2021 Financial Year:			
	Type of holding	Equity held at 1 Oct 2020	Number of securities acquired	Number of securities granted as remuneration	Net change other[1]	Equity held at 30 Sep 2021
Non-Executive Directors						
James Evans	Ordinary	50,000	21,912	-	-	71,912
Sally Collier	Ordinary	24,000	4,412	-	-	28,412
Andrew Fay	Ordinary	63,609	13,236	-	-	76,845
Christopher Jones	Ordinary	22,000	10,000	-	-	32,000
Kathryn Matthews[2]	Ordinary	25,000	-	-	-	25,000
Deborah Page[3]	Ordinary	39,993	8,824	-	-	48,817
Total for Non-Executive Directors		**224,602**	**58,384**	**-**	**-**	**282,986**
Global Executive Committee						
Nick Good	Ordinary	137,263	-	-	(25,307)	111,956
	Performance share rights	60,491	-	390,844	-	451,335
Alexandra Altinger	Ordinary	-	-	27,378	-	27,378
	Performance share rights	123,984	-	163,187	-	287,171
Richard Brandweiner	Ordinary	52,572	-	42,175	(11,467)	83,280
	Performance share rights	182,274	-	108,448	(31,691)	259,031
John Reifsnider[4]	Ordinary	-	265,727	-	-	265,727
Bindesh Savjani	Ordinary	70,536	-	28,476	(12,500)	86,512
	Performance share rights	68,419	-	48,956	-	117,375
Cameron Williamson	Ordinary	77,747	4,412	8,697	(40,000)	50,856
	Performance share rights	102,455	-	54,224	(27,164)	129,515
Former Executive						
Emilio Gonzalez	Ordinary	1,755,604	4,412	48,718	(300,000)	1,508,734
	Performance share rights	341,518	-	180,746	(90,546)	431,718
Total for Global Executive Committee		**2,972,863**	**274,551**	**1,101,849**	**(538,675)**	**3,810,588**

Notes to Table 7:

1 Net change other relates to the conversion of Performance Share Rights to ordinary shares, sale of shares and shares forfeited.

2 Kathryn Matthews holds 42,733.252 units in the J O Hambro UK Equity Income Fund.

3 Deborah Page and related parties own the following units in registered schemes for which Pendal Fund Services Limited is the Responsible Entity: 86,493.68 units in Pendal Concentrated Global Share Fund; 56,195.56 units in Pendal Monthly Income Plus Fund and 22,552.15 units in Pendal Focus Australian Share Fund.

4 Ordinary shares awarded to John Reifsnider were granted in exchange for his shares in TSW at the time of the acquisition.

10. Other Disclosure Details

Loans to KMP and their related parties

No loans were provided to KMP or their related parties during the year or as at the date of this Remuneration Report.

Rounding of amounts

Amounts in this report and the accompanying Financial Report have been rounded to the nearest thousand dollars, in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise stated.

Loans to Directors and Senior Executives

There were no loans made to, nor are there any outstanding loans with, Directors or Senior Executives.

2021 Corporate Governance Statement

Pendal Group's 2021 Corporate Governance Statement can be viewed on the Group's website at pend.al/CGS-2021.

Audit and non-audit services

Details of the amounts paid or payable to the external auditor, PricewaterhouseCoopers (PwC), for audit and non-audit services during the financial year are set out in Note F4 to the financial statements.

PwC was appointed as auditor of the Company in September 2007 and Andrew Wilson has served as the lead audit partner for the past three years ended 30 September 2021.

The Directors are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit & Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

The auditor's independence declaration for the financial year, as required under section 307C of the *Corporations Act 2001,* is on page 66.

This Directors' Report is made in accordance with a resolution of Directors.

James Evans
Chairman
5 November 2021

Nicholas Good
Managing Director and Group Chief Executive Officer
5 November 2021

Auditor's Independence Declaration

As lead auditor for the audit of Pendal Group Limited for the year ended 30 September 2021, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Pendal Group Limited and the entities it controlled during the period.

Andrew Wilson
Partner
PricewaterhouseCoopers

Sydney
5 November 2021

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2021

	Notes	2021 $'000	2020 $'000
Revenue			
Investment management fees		524,400	461,339
Performance fees		57,508	13,417
Total revenue	**B2**	**581,908**	**474,756**
Other income	**B2**	**45,508**	**(8,600)**
Expenses			
Employee expenses			
Salaries and related expenses		216,159	175,688
Amortisation of employee equity grants	D2	44,196	35,192
Amortisation of employee deferred remuneration		14,978	3,270
Professional services		33,136	8,118
Information, technology and data		25,556	27,114
Fund administration		20,409	19,770
Depreciation, amortisation and impairment		22,040	16,098
General office and administration		13,544	10,106
Business development and promotion		11,210	10,404
Occupancy		3,496	4,064
Investment management		3,071	3,418
Finance costs		1,737	1,515
Total expenses		**409,532**	**314,757**
Profit before income tax		**217,884**	**151,399**
Income tax expense	B5	53,182	35,013
Profit after tax attributable to shareholders		**164,702**	**116,386**
Earnings per share for profit attributable to shareholders		**Cents**	**Cents**
Basic earnings per share	B4	52.0	39.8
Diluted earnings per share	B4	50.6	38.6
		$'000	**$'000**
Profit after tax for the financial year		**164,702**	**116,386**
Other comprehensive income for the financial year			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	C3	22,414	(1,995)
Gain / (loss) on derivative hedging instruments	C3	(1,396)	3,147
Other comprehensive income, net of tax		**21,018**	**1,152**
Total comprehensive income for the financial year attributable to shareholders		**185,720**	**117,538**

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying Notes.

Consolidated Statement of Financial Position

AS AT 30 SEPTEMBER 2021

	Notes	2021 $'000	2020 $'000
Current assets			
Cash and cash equivalents	B6	297,742	207,485
Trade and other receivables		96,520	66,969
Current tax assets		7,141	6,923
Derivatives		659	78
Prepayments		9,430	7,102
Total current assets		**411,492**	**288,557**
Non-current assets			
Property, plant and equipment		10,639	8,665
Right-of-use assets	F2	39,898	36,927
Financial assets held at fair value through profit or loss (FVTPL)	C5	287,214	211,171
Deferred tax assets	B5	42,134	28,931
Intangible assets	F1	930,220	532,103
Total non-current assets		**1,310,105**	**817,797**
Total assets		**1,721,597**	**1,106,354**
Current liabilities			
Trade and other payables		57,002	41,660
Employee benefits	D1	139,836	96,019
Lease liabilities	F2	8,234	7,356
Borrowings	C6	–	–
Current tax liabilities		28,707	20,235
Total current liabilities		**233,779**	**165,270**
Non-current liabilities			
Employee benefits	D1	7,979	1,974
Lease liabilities	F2	35,774	33,204
Borrowings	C6	48,570	–
Deferred tax liabilities	B5	11,263	10,148
Total non-current liabilities		**103,586**	**45,326**
Total liabilities		**337,365**	**210,596**
Net assets		**1,384,232**	**895,758**
Equity			
Contributed equity	C2	876,333	471,249
Reserves	C3	245,682	205,340
Retained earnings		262,217	219,169
Total equity		**1,384,232**	**895,758**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying Notes.

Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2021

	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 October 2020		**471,249**	**205,340**	**219,169**	**895,758**
Profit for the financial year		–	–	164,702	164,702
Other comprehensive income for the financial year		–	21,018	–	21,018
Total comprehensive income for the financial year		–	**21,018**	**164,702**	**185,720**
Transactions with owners in their capacity as owners:					
Shares issued (net of costs after tax)	C2	397,978	–	–	397,978
Treasury shares acquired	C2	(29,467)	–	–	(29,467)
Treasury shares released	C2	31,218	(31,218)	–	–
Share-based payments	C3	–	50,542	–	50,542
Dividend reinvestment plan		5,355	–	–	5,355
Dividends paid	C4	–	–	(121,654)	(121,654)
Balance at 30 September 2021		**876,333**	**245,682**	**262,217**	**1,384,232**

	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 October 2019		**419,431**	**258,319**	**232,136**	**909,886**
Profit for the financial year		–	–	116,386	116,386
Other comprehensive income for the financial year		–	1,152	–	1,152
Total comprehensive income for the financial year		–	**1,152**	**116,386**	**117,538**
Transactions with owners in their capacity as owners:					
Treasury shares acquired	C2	(37,532)	–	–	(37,532)
Treasury shares released	C2	89,350	(89,350)	–	–
Share-based payments	C3	–	35,219	–	35,219
Dividends paid	C4	–	–	(129,353)	(129,353)
Balance at 30 September 2020		**471,249**	**205,340**	**219,169**	**895,758**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying Notes.

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2021

	Notes	2021 $'000	2020 $'000
Cash flows from operating activities			
Fees and other income received		591,720	496,854
Interest received		2	163
Distributions from unit trusts		389	895
Expenses paid		(315,075)	(285,303)
Fund application settlement amounts paid		(1,466)	(443)
Income tax paid		(46,765)	(35,084)
Net cash inflows from operating activities	**B6**	**228,805**	**177,082**
Cash flows from investing activities			
Payments for acquisition of subsidiary, net of cash acquired	E2	(379,024)	–
Payments for property, plant and equipment		(1,910)	(1,927)
Payments for financial assets held at FVTPL		(84,437)	(80,142)
Proceeds from sales of financial assets held at FVTPL		57,233	140,539
Payments for IT development		(360)	(997)
Proceeds from / (payments for) derivative hedging instruments		(3,445)	1,837
Net cash inflows/ (outflows) from investing activities		**(411,943)**	**59,310**
Cash flows from financing activities			
Proceeds from share issue (net of costs)	E2	375,264	–
Proceeds from borrowings	C6	47,958	–
Payments for purchase of treasury shares		(29,467)	(37,532)
Interest and other financing costs		(444)	(59)
Payments for leases		(8,809)	(9,797)
Fund application settlement amounts received		1,466	443
Dividends paid		(116,291)	(129,353)
Net cash inflows / (outflows) from financing activities		**269,677**	**(176,298)**
Net increase/ (decrease) in cash and cash equivalents		**86,539**	**60,094**
Cash and cash equivalents at the beginning of the financial year		207,485	150,071
Effects of exchange rate changes on cash and cash equivalents		3,718	(2,680)
Cash and cash equivalents at the end of the financial year		**297,742**	**207,485**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying Notes.

A. About this report

This is the financial report of Pendal Group Limited (the Company) and its consolidated subsidiaries (together referred to as Pendal Group or the Group). The Company is domiciled in Australia and Pendal Group is a for-profit entity for the purpose of preparing financial statements.

A1. Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

A2. Basis of preparation

The Financial Report is presented in Australian dollars, which is the Company's functional and presentation currency, with all values rounded to the nearest thousand ($'000), in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise stated. The Financial Report has been prepared on a historical cost basis, except for the revaluation of financial assets and liabilities at fair value through profit or loss.

Significant accounting policies

The principal accounting policies adopted in the preparation of the Financial Report are contained within the notes to which they relate. These policies have been consistently applied to all the years presented, unless otherwise stated.

Critical accounting assumptions and estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Pendal Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are outlined below.

Accounting assumptions and estimates	Note
Share-based payments	D2
Deferred tax on share-based payments	D2
Subsidiaries and controlled entities	E3
Intangibles	F1

Coronavirus (COVID-19)

The COVID-19 pandemic and measures implemented in response to the health emergency continue to affect the economic environment in the financial markets in which Pendal Group operates, including Australia, the UK, Europe, the United States and Singapore. The Group has considered the impact of COVID-19 and related response measures in preparing its financial statements and in the exercise of critical accounting assumptions and estimates, including impacts occurring during the reporting period and the uncertainty of future effects of the pandemic.

A3. New and amended accounting standards

New and amended accounting standards adopted by Pendal Group

Pendal Group has adopted all of the mandatory new and amended standards and interpretations issued by the AASB that are relevant to its operations and effective for the current reporting period. The mandatory new and amended standards adopted by the Pendal Group for the year ended 30 September 2021 have not had a significant impact on the current period or any prior period and are not likely to have a significant impact in future periods.

New and amended accounting standards not yet adopted by Pendal Group

Certain new accounting standards and interpretations have been published that are not mandatory for 30 September 2021 reporting periods and have not been early adopted by the Pendal Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

B. Results for the year

This section provides information that is most relevant to understanding the financial performance of Pendal Group.

B1. Segment information

Description of segments

Operating segments have been reported in a manner consistent with internal management reporting provided to the chief operating decision-maker (CODM) for assessing performance and in determining the allocation of resources. The CODM consists of the Group Chief Executive Officer and other members of the Global Executive Committee.

Pendal Group's business revenues are predominantly derived from a single activity, being the provision of investment management services globally. The CODM assesses the performance of the business across geographic locations. Pendal Group has determined that it has three operating segments:

- Pendal Australia, the Group's investment management business operating in Australia;
- Pendal EUKA the Group's investment management business operating in Europe, UK and Asia; and
- Pendal US, the Group's investment management business operating in the United States of America.

The Pendal US operating segment includes the business operations and earnings of JOHCM (USA) Inc. for the full financial year, and also includes the business operations and earnings of Thompson Siegel & Walmsley LLC (TSW) from the date of its acquisition into the Group on 22 July 2021.

(a) Segment information provided to the CODM:

The CODM assesses the performance of each operating segment based on operating profit before tax. This measure excludes items not considered relevant in evaluating segment performance, including the amortisation and impairment of intangible assets, transaction and integration costs associated with mergers and acquisitions and non-operating items such as gains and losses on seed investments, interest income and expense, foreign exchange gains and losses and tax.

	Pendal Australia		Pendal EUKA		Pendal US		Total Group	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Revenue	160,209	151,715	177,580	152,650	244,119	170,407	581,908	474,772
Inter-segment revenue	(4,803)	(4,366)	130,150	107,603	(125,347)	(103,237)	–	–
Total segment revenue	**155,406**	**147,349**	**307,730**	**260,253**	**118,772**	**67,170**	**581,908**	**474,772**
Operating expenses	(140,970)	(127,440)	(191,127)	(150,253)	(45,736)	(29,162)	(377,833)	(306,855)
Inter-segment expense	8,568	6,618	(1,952)	(1,892)	(6,616)	(4,726)	–	–
Total segment expenses	**(132,402)**	**(120,822)**	**(193,079)**	**(152,145)**	**(52,352)**	**(33,888)**	**(377,833)**	**(306,855)**
Operating profit before income tax	**23,004**	**26,527**	**114,651**	**108,108**	**66,420**	**33,282**	**204,075**	**167,917**

Inter-segment revenue comprises investment management fees paid by Pendal Group entities in one operating segment to Group entities in another operating segment for portfolio management and distribution services provided. Inter-segment expenses comprise fees paid between segments for management, operational and administrative support services provided. Fees for inter-segment services are determined using arm's length pricing methodologies and benchmarked commercial rates.

The CODM assesses the performance of the total consolidated Pendal Group using a measure of underlying profit after tax. UPAT is the Group's operating profit before tax adjusted to include interest income and expense, foreign exchange gains and losses and tax.

Total assets and liabilities are reviewed at a consolidated Pendal Group level, and segment assets and liabilities are not regularly reviewed by the CODM.

(b) Reconciliation of total operating profit before income tax to Statutory profit before tax:

	2021 $'000	2020 $'000
Operating profit before income tax	204,075	167,917
Amortisation and impairment of intangibles[1]	(12,104)	(6,140)
Net gains/(losses) on financial assets held at FVTPL[2]	38,743	(14,316)
Transaction and integration costs[3]	(16,002)	–
Non-operating items	3,172	3,938
Statutory profit before income tax	**217,884**	**151,399**

[1] Amortisation and impairment of intangibles relates to fund and investment management contracts and trademarks.
[2] Net gains or losses on financial assets held at FVTPL primarily relate to seed investments in pooled funds managed by Pendal Group.
[3] Transaction and integration costs relate to the acquisition of TSW.

B2. Revenue and other income

	2021 $'000	2020 $'000
Management, fund and trustee fees	522,795	457,690
Performance fees	57,508	13,417
Other revenue	1,605	3,649
Total revenue	**581,908**	**474,756**
Net gains/(losses) on financial assets held at FVTPL	38,729	(14,316)
Distributions from investment funds	5,095	6,466
Net foreign exchange gains/(losses)	1,682	(913)
Interest income	2	163
Total other income	**45,508**	**(8,600)**
Total revenue and other income	**627,416**	**466,156**

Accounting policy

Revenue

Revenue is measured at an amount the Group expects to be entitled to receive in exchange for services provided to clients. Revenue is recognised as performance obligations to the client are satisfied.

Management, fund and trustee fees	Management, fund and trustee fees are recognised based on the applicable service contracts, usually on a time proportionate basis. Management fees related to investment funds are recognised over the period the service is provided.
Performance fees	Performance fees are subject to investment performance, market volatility and uncertainty and are only recognised when performance conditions have been satisfied at the end of the performance period.

Other income

Distributions from investment funds	Distributions are recognised as revenue when the right to receive payment is established.
Gain / (loss) on sale of financial assets held at FVTPL	Gains and losses on financial assets held at FVTPL represent the fair value movements in seed investments held at FVTPL during the financial year.
Net foreign exchange gain / (loss)	Net foreign exchange gains and losses represent exchange differences in the translation or settlement of foreign denominated monetary and intercompany balances.

B3. Finance costs

	2021 $'000	2020 $'000
Interest and finance charges on lease liabilities	1,292	1,457
Interest and finance charges on borrowings	445	58
Total finance costs	**1,737**	**1,515**

B4. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding (i.e. ordinary shares on issue less treasury shares) during the financial year. The calculation of diluted earnings per share also includes the weighted average number of any potential ordinary shares outstanding during the financial year.

Basic earnings per share	2021	2020
Profit attributable to shareholders of the Company ($'000)	**164,702**	**116,386**
Weighted average number of ordinary shares on issue ('000)	343,180	322,802
Weighted average number of treasury shares ('000)	(26,223)	(30,063)
Weighted average number of ordinary shares ('000)	**316,957**	**292,739**
Basic earnings per share (cents per share)	**52.0**	**39.8**

Diluted earnings per share	2021	2020
Profit attributable to shareholders of the Company ($'000)	**164,702**	**116,386**
Weighted average number of ordinary shares on issue ('000)	343,180	322,802
Weighted average number of treasury shares ('000)	(26,223)	(30,063)
Weighted average number of deferred shares ('000)	5,725	4,871
Weighted average number of options ('000)	2,599	3,653
Weighted average number of ordinary shares and potential ordinary shares ('000)	**325,281**	**301,263**
Diluted earnings per share (cents per share)	**50.6**	**38.6**

B5. Taxation

(a) Income tax expense

The income tax expense attributable to profit comprises:

	2021 $'000	2020 $'000
Current income tax		
Current tax on profits for the year	54,115	33,698
Adjustments for current tax of prior periods	408	(393)
Total current tax expense	**54,523**	**33,305**
Deferred income tax		
Decrease/ (increase) in deferred tax assets	(2,179)	14,787
Increase/ (decrease) in deferred tax liabilities	838	(13,079)
Total deferred tax expense/ (benefit)	**(1,341)**	**1,708**
Income tax expense attributable to continuing operations	**53,182**	**35,013**

(b) Reconciliation of income tax expense

The income tax expense attributable to profit reconciles to accounting profit as follows:

	2021 $'000	2020 $'000
Profit before income tax	**217,884**	**151,399**
Income tax calculated at the Australian tax rate of 30% (2020: 30%)	65,365	45,420
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Differences in overseas tax rates	(20,076)	(16,204)
State, local and withholding taxes	6,285	3,998
Acquisition transaction costs	5,157	–
Amortisation of intangibles	(2,079)	–
Employee equity grant amortisation	259	310
Sundry non-assessable/ non-deductible items	(2,010)	(499)
Tax credits and rebates	–	(5)
Deferred tax assets of prior years derecognised/ (recognised) in the current year	(553)	2,285
Effect on deferred taxes of changes in tax rates	426	101
Adjustments for current tax of prior financial year	408	(393)
Income tax expense	**53,182**	**35,013**

(c) Effective tax rate

The effective tax rate (ETR) of the Group for the financial year, measured as income tax expense divided by net profit before tax, was 24.4% (2020: 23.1%). The ETR differs from the applicable Australian income tax rate of 30%, due mainly to the different corporate tax rates applied in the jurisdictions in which the Group operates and earns profits. The main corporate tax rates applicable for the current period are 30% (2020: 30%) on Australian taxable income, 19% (2020: 19%) on UK taxable income, 21% (2020: 21%) on US federal taxable income and 17% (2020: 17%) on Singapore taxable income.

The UK Government has passed legislation which increases the corporate tax rate on taxable income earned in the UK from 19% to 25%, effective from 1 April 2023. Pendal Group has remeasured the deferred tax balances relating to its UK-based subsidiaries for temporary differences expected to reverse from the 2023 financial year, and recognised the impact of the tax rate change in tax expense in profit or loss, except to the extent that it relates to items previously recognised outside of profit or loss (such as share based payment transactions recognised directly in equity).

(d) Income tax amounts recognised directly in equity

Current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income, but directly debited or credited to equity:

	2021 $'000	2020 $'000
Current tax: restatement of error to prior period retained earnings	–	(187)
Deferred tax: change in accounting policy for leases	–	(65)
Deferred tax: share-based payment transactions	(6,346)	(27)
Income tax amounts debited/ (credited) to equity	**(6,346)**	**(279)**

(e) Deferred tax balances

Deferred tax balances comprise temporary differences attributable to:

	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	2021 $'000	2021 $'000	2020 $'000	2020 $'000
Employee equity grants	25,596	–	16,484	–
Employee benefits	24,160	–	12,840	–
Accrued expenses and prepayments	1,248	504	779	–
Property, plant and equipment	205	709	288	506
Right-of-use assets	–	9,810	–	7,155
Lease liabilities	10,703	–	7,550	–
Intangible assets	1,062	11,263	–	10,148
Financial assets held at FVTPL	–	9,827	1,836	3,094
Borrowing costs	120	–	–	–
Foreign exchange gains and losses	–	110	5	96
Total deferred tax assets and liabilities	**63,094**	**32,223**	**39,782**	**20,999**
Set-off deferred tax balances	(20,960)	(20,960)	(10,851)	(10,851)
Net deferred tax assets and liabilities	**42,134**	**11,263**	**28,931**	**10,148**

(f) Movements in deferred tax balances

	Balance as at 1 October $'000	Charged to profit or loss $'000	Charged to comprehensive income $'000	Charged to equity $'000	Acquired in business combination $'000	Balance as at 30 September $'000
2021						
Deferred tax assets	28,931	2,179	772	6,346	3,906	**42,134**
Deferred tax liabilities	(10,148)	(838)	(277)	–	–	**(11,263)**
2020						
Deferred tax assets	43,488	(14,787)	138	92	–	**28,931**
Deferred tax liabilities	(23,391)	13,079	164	–	–	**(10,148)**

(g) Unrecognised temporary differences

Temporary difference relating to investments in subsidiaries for which deferred tax liabilities have not been recognised:

	2021 $'000	2020 $'000
Foreign currency translation	**88,776**	**48,214**
Unrecognised deferred tax liabilities relating to the above temporary differences	26,633	14,464

Accounting policy

Current tax

Current tax assets and liabilities are measured at the amount of income taxes payable or recoverable for the period, using tax rates and laws enacted or substantively enacted by the reporting date in the countries where the Company and its subsidiaries operate.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax

Deferred tax is accounted for in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the asset can be utilised.

Deferred tax is not recognised if it arises from the initial recognition of goodwill or an asset or liability in a transaction, other than a business combination, which affects neither taxable income nor accounting profit or from investments in controlled entities, or foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax is measured using tax rates (and laws) that have been enacted or substantively enacted for each jurisdiction by the end of the reporting period and are expected to apply when the temporary differences reverse.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

Current and deferred tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Tax consolidation

The Company and its wholly owned Australian controlled entities are part of a tax-consolidated group under Australian tax legislation. The Company is the head entity in the tax-consolidated group. Entities within the tax-consolidated group have entered into a tax funding and a tax sharing agreement with the head entity.

Under the terms of the tax funding agreement, the Company and each entity in the tax consolidated group has agreed to pay (or receive) a tax equivalent payment to (or from) the head entity, based on the current tax liability or current tax asset of the entity. The funding amounts are recognised as current inter-company receivables or payables.

B6. Reconciliation of cash flow from operating activities

(a) Reconciliation of cash flow from operating activities

	2021 $'000	2020 $'000
Profit after tax for the financial year	164,702	116,386
Adjustments for non-cash expense items:		
Depreciation and write-off of fixed assets	9,144	9,288
Amortisation and impairment of intangibles	12,895	6,810
Amortisation of employee equity grants	44,196	35,192
Reinvested distribution income	(4,730)	(5,612)
Net loss/(gain) on sale of financial assets held at FVTPL	(38,729)	14,316
Interest and finance costs	1,737	1,515
Net exchange differences	(1,682)	913
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(13,832)	1,594
Increase in prepayments	(1,443)	(127)
(Increase)/decrease in deferred tax assets	(4,353)	14,584
Increase/(decrease) in trade and other payables	16,216	(945)
Increase/(decrease) in employee benefits	33,913	(2,177)
Increase/(decrease) in current tax liabilities	8,253	(1,412)
Increase/(decrease) in deferred tax liabilities	2,518	(13,243)
Net cash inflow from operating activities	**228,805**	**177,082**

(b) Cash and cash equivalents

	2021 $'000	2020 $'000
Cash at bank and on hand	233,061	109,041
Cash management trust units at call	64,681	98,444
Total cash and cash equivalents	**297,742**	**207,485**

Accounting policy

Cash at bank and on hand

Cash and cash equivalents include cash on hand and deposits held at call with financial institutions.

Cash management trust units at call

Cash management trust units at call are invested in cash management trusts managed by the Group.

C. Capital and financial risk management

This section provides information relating to Pendal Group's capital structure and its exposure to financial risk and how they are managed.

C1. Capital management

Pendal Group's objectives when managing capital are to maintain a strong capital base in excess of regulatory requirements throughout all business cycles that supports the execution of its strategic goals, in order to optimise returns to its shareholders, while ensuring compliance with the Group's Risk Appetite Statement.

i) Group capital

The Group's capital is generated through free cash flow from ongoing operations and predominantly consists of cash to fund working capital and regulatory capital requirements, as well as provide capital for strategic initiatives to facilitate future growth.

This includes the provision of seed capital for new funds and investment strategies. The Group's corporate seed portfolio totalled $264.1 million as at 30 September 2021, which sits within the Board's risk appetite.

During the financial year, Pendal Group raised additional capital to fund the acquisition of TSW, as part of the Group's strategy to build its business presence in the USA. Equity capital of approximately $380 million was raised through an institutional share placement and a share purchase plan, both of which were over-subscribed. A three-year term debt facility was also drawn for US$35 million ($48.6 million) to complete the funding of the transaction.

ii) Capital distribution

Surplus capital is returned to shareholders in the form of annual dividends, with the Company's current dividend policy set to pay out 80% - 95% of UPAT. UPAT comprises statutory net profit adjusted to exclude amortisation and impairment of intangible assets, gains and losses in financial assets held at FVTPL which includes seed investments and costs associated with merger and acquisition activity, including the TSW transaction this year. In accordance with the Company's capital management plan, and to the extent possible, retention of franking credits is minimised.

iii) Capital risk management

Cash profits generated from offshore business units, beyond working capital and regulatory requirements and debt repayments, are repatriated back to the Company through inter-company dividends, for which a hedging program is in place to mitigate foreign exchange risk.

Debt may also be used at times to provide capital to the Group and during the year a three-year term debt facility was drawn to partially fund the TSW transaction. Additionally, a $25 million multi-currency revolving loan facility was renewed for the Group, which remained unutilised at balance date.

The Board regularly reviews the Group's free cash flow generation, cash and cash equivalents, borrowings, seed investments, tax and other financial factors in order to maintain an optimal capital structure. As a result, the Board may decide to:

- adjust the amount of dividends paid to shareholders;
- utilise the dividend reinvestment plan;
- return capital to shareholders;
- increase or decrease borrowings;
- contribute to or redeem seed investments; or
- issue new shares.

iv) Regulatory capital requirements

The Group operates legal entities in jurisdictions that are subject to various regulatory and capital requirements. These include:

- In Australia, Pendal Fund Services Limited (PFSL) acts as responsible entity/ trustee of Australian registered and unregistered trusts and Pendal Institutional Limited (PIL) provides investment management services to institutional clients and Australian unit trusts. These companies are required to maintain minimum capital requirements under the Australian Financial Services Licence conditions regulated by the Australian Securities and Investments Commission. The level of regulatory capital required as at 30 September 2021 was $6.8 million.
- J O Hambro Capital Management Limited (JOHCM) provides investment management services to UK Open Ended Investment Companies (OEICs), Irish UCITS funds, institutional clients and other Group entities. JOHCM is regulated by the Financial Conduct Authority (FCA) as a MiFID investment firm (under the Markets in Financial Instruments Directive), and by the US Securities and Exchange Commission (SEC) as an investment adviser. An Internal Capital Adequacy Assessment Process (ICAAP) is used to determine the amount of regulatory capital required to meet its licensing requirements. The level of regulatory capital required at 30 September 2021 in accordance with the ICAAP was $61.4 million (£32.9 million).
- JOHCM Funds (UK) Limited is authorised by the FCA as a collective portfolio management investment firm and is the Authorised Corporate Director (ACD) of the UK OEICs. The level of regulatory capital required for JOHCM Funds (UK) Limited was $1.5 million (£0.8 million) at 30 September 2021.
- JOHCM Funds (Ireland) Limited is authorised by the Central Bank of Ireland as a UCITS management company, and is the manager of UCITS funds. The level of regulatory capital required at 30 September 2021 was $4.3 million (€2.7 million).
- JOHCM (Singapore) Pte Limited provides investment management services to institutional clients, other Group entities and a Cayman investment fund. It is required to maintain minimum capital as part of its licensing requirements with the Monetary Authority of Singapore. The level of regulatory capital required at 30 September 2021 was $11.1 million (S$11.3 million).
- JOHCM (USA) Inc. and TSW provide investment management services in the United States to a registered mutual fund, Delaware Statutory Trusts, Collective Investment Trusts, institutional clients and other Group entities. Each entity is registered as an investment adviser with the SEC and is not required to hold minimum regulatory capital.

All entities complied with regulatory capital requirements at all times throughout the 2021 Financial Year.

C2. Contributed equity

	2021 $'000	2020 $'000
Ordinary shares 382,677,887 (2020: 322,802,391) each fully paid	1,021,001	617,668
Treasury shares 24,340,538 (2020: 26,768,913)	(144,668)	(146,419)
Total contributed equity 358,337,349 (2020: 296,033,478)	**876,333**	**471,249**

(a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends as declared and in the event of a winding up of the Company, to participate in the proceeds in proportion to the number of and amounts paid on the shares held. Ordinary shares entitle the holder to one vote per share, either in person or by proxy, at a meeting of the Company shareholders. All ordinary shares issued have no par value.

Movements in ordinary shares during the year:

	2021 Shares '000	2021 $'000	2020 Shares '000	2020 $'000
Balance at the beginning of the financial year	322,802	617,668	322,802	617,668
Institutional placement and Share Purchase Plan (SPP)[4]	55,882	379,975	–	–
Shares issued as consideration for a business combination[5]	2,825	22,714	–	–
Share issuance associated costs	–	(4,711)	–	–
Fund linked equity share issuance[6]	400	–	–	–
Dividend reinvestment plan	769	5,355	–	–
Balance at the end of the year	**382,678**	**1,021,001**	**322,802**	**617,668**

[4] Shares were issued under the institutional placement and SPP in order to fund the acquisition of TSW, which completed on 22 July 2021.
[5] Shares were issued to TSW employee owners as part of the purchase consideration paid to acquire TSW.
[6] Shares were issued to fund managers who participate in the FLE Scheme.

(b) Treasury shares

Treasury shares are those shares issued through the Fund Linked Equity (FLE) Scheme, together with those shares purchased as necessary, in order to meet the obligations of Pendal Group under its employee share plans. These represent either shares held by the employee benefit trusts for future allocation or shares held by employees within Group share plans, subject to sale restrictions. Movements in treasury shares during the financial year were as follows:

	2021 Shares '000	2021 $'000	2020 Shares '000	2020 $'000
Balance at the beginning of the year	(26,768)	(146,419)	(37,970)	(198,237)
Treasury shares acquired	(4,571)	(29,467)	(4,706)	(37,532)
Fund linked equity share issuance	(400)	–	–	–
Treasury shares released	7,399	31,218	15,908	89,350
Balance at the end of the year	**(24,340)**	**(144,668)**	**(26,768)**	**(146,419)**

Details of treasury shares at the end of the year were as follows:

	2021 Shares '000	2021 $'000	2020 Shares '000	2020 $'000
Unallocated shares held by trustees	11,622	80,821	10,930	78,218
Shares allocated to employees	12,718	63,847	15,838	68,201
Balance at the end of the year	**24,340**	**144,668**	**26,768**	**146,419**

(c) Institutional placement and share purchase plan

On 11 May 2021, the Company completed a $190 million institutional placement of 27,941,177 new fully paid ordinary shares at $6.80 per share. The shares were issued on 14 May 2021, and did not participate in the interim dividend for the 2021 Financial Year which was paid on 1 July 2021.

On 15 May 2021, the Company invited eligible retail shareholders to participate in an SPP at $6.80 per share. The SPP closed on 7 June 2021 and approximately $190 million was raised with 27,941,111 new fully paid ordinary shares issued. The shares were issued on 15 June 2021, and ranked equally with existing shares on issue.

Directly attributable issue costs of $3.8 million were applied as a reduction to the issued share capital.

Accounting policy

Ordinary shares

Ordinary shares are recognised at the amount paid per ordinary share, net of directly attributable issue costs.

Treasury shares

Where the Company or other entities of Pendal Group purchase shares in the Company, the consideration paid is deducted from total shareholders' equity and the shares treated as treasury shares. Treasury shares are recorded at cost and when restrictions on the sale of shares granted to employees are lifted from the employee share plans, the cost of such shares is appropriately adjusted to the share-based payment reserve.

C3. Reserves

Share-based payment reserve

The share-based payment reserve relates to the amortised portion of the fair value of equity instruments granted to employees for no consideration, recognised as an expense. Deferred tax in relation to amounts not recognised in the Statement of Comprehensive Income is also recognised in the share-based payment reserve. The balance of the share-based payment reserve is reduced by the payment of certain dividends not paid from retained earnings, where the requirements of the *Corporations Act* are met.

Foreign currency translation reserve

Exchange differences arising on the translation of the foreign controlled entities, in addition to gains and losses on derivatives that are designated as net investment hedges, are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. The cumulative amount is reclassified to profit or loss when the net investment is partially disposed of or sold.

Cash flow hedge reserve

The cash flow hedge reserve is used to record gains or losses on hedging instruments that are designated and qualify as cash flow hedges and that are recognised in other comprehensive income. Amounts are reclassified to profit or loss when the associated hedged transactions affect profit or loss.

Common control reserve

The common control reserve relates to the Company's purchase of the Australian investment management business in 2007. Any difference between the cost of acquisition (fair value of consideration paid), and the amounts at which the assets and liabilities are recorded, has been recognised directly in equity as part of a business combination under the common control reserve.

	Share-based payment reserve $'000	Foreign currency translation reserve $'000	Cash flow hedge reserve $'000	Common control reserve $'000	Total reserves $'000
Balance at 1 October 2020	182,626	48,214	(28)	(25,472)	205,340
Share-based payment expense	44,196	–	–	–	44,196
Deferred tax	6,346	–	–	–	6,346
Treasury shares released	(31,218)	–	–	–	(31,218)
Currency translation difference	–	22,414	–	–	22,414
Gain/(loss) on hedging activities	–	(2,864)	1,468	–	(1,396)
Balance at 30 September 2021	**201,950**	**67,764**	**1,440**	**(25,472)**	**245,682**

	Share-based payment reserve $'000	Foreign currency translation reserve $'000	Cash flow hedge reserve $'000	Common control reserve $'000	Total reserves $'000
Balance at 1 October 2019	236,757	47,006	28	(25,472)	258,319
Share-based payment expense	35,192	–	–	–	35,192
Deferred tax	27	–	–	–	27
Treasury shares released	(89,350)	–	–	–	(89,350)
Currency translation difference	–	(1,995)	–	–	(1,995)
Gain/(loss) on hedging activities	–	3,203	(56)	–	3,147
Balance at 30 September 2020	**182,626**	**48,214**	**(28)**	**(25,472)**	**205,340**

C4. Dividends

Equity dividends on ordinary shares

		2021 $'000	2020 $'000
(i)	Dividends declared and paid during the Financial Year		
	Final 10% franked[7] dividend for the 2020 Financial Year: 22.0 cents per share (2019 Financial Year: 25.0 cents per share 10% franked[7])	68,532	82,571
	Interim 10% franked[7] dividend for the 2021 Financial Year: 17.0 cents per share (2020 Financial Year: 15.0 cents per share 10% franked[7])	53,122	46,782
		121,654	**129,353**
(ii)	Dividends proposed to be paid subsequent to the end of the Financial Year and not recognised as a liability		
	Final dividend for the 2021 Financial Year 24.0 cents (10% franked[7]) per share (2020 Financial Year: 22.0 cents per share 10% franked[7])	89,053	68,612

Franked dividends

Dividends declared or paid during the year were 10% franked, at the Australian corporate tax rate of 30%.

The franked portions of the final dividend declared or paid after 30 September 2021 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 September 2022.

	2021 $'000	2020 $'000
Franking credits available for subsequent financial years	12,295	5,547

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

(i) franking credits that will arise from the payment of the amount of the provision for income tax
(ii) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
(iii) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The impact on the franking account of the dividends declared or paid by the Directors since year end, but not recognised as a liability at financial year end, will be a reduction in the franking account of $3,936,115 (2020: $3,043,565).

Accounting policy

Dividends

A provision is made for the amount of any dividend declared by the Directors before or at the end of the financial year but not distributed at balance date.

[7] The whole of the unfranked amount of the dividend will be Conduit Foreign Income, as defined in the *Income Tax Assessment Act 1997*.

C5. Financial assets held at FVTPL

	2021 $'000	2020 $'000
Unlisted securities		
Units held in pooled funds	264,061	200,438
Escrow units held in pooled funds[8]	23,153	8,196
Interest in James Hambro & Partners LLP	–	2,537
Total	**287,214**	**211,171**

Accounting policy

Financial assets held at FVTPL

Financial assets held at FVTPL are equity instruments that the entity has not elected to recognise fair value gains and losses through other comprehensive income.

The fair value of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active, Pendal Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

C6. Borrowings

USD 3 year term debt facility

During the year, Pendal USA Inc. entered into a US$35 million ($48.6 million) syndicated debt facility agreement with HSBC Bank Australia Limited, The Northern Trust Company and Westpac Banking Corporation for a three year term to partially fund the acquisition of TSW. The facility was fully drawn at balance date and is guaranteed by Pendal Group Limited and certain non-regulated subsidiaries.

	2021 $'000	2020 $'000
Current	–	–
Non-current	48,570	–
Total borrowings	**48,570**	–

Under the terms of the debt facility, the Group is required to comply with the following financial covenants:
- EBITDA/net interest no less than 3.0x
- Gross leverage (total debt/ EBITDA) no greater than 3.0x

The Group has complied with the financial covenants of its debt facility during the year.

Multi-currency revolving loan facility

During the year, Pendal Group Limited replaced its previous $25 million uncommitted multi-currency debt facility with ANZ, establishing a new $25 million multi-currency revolving loan facility with HSBC Bank Australia Limited and Westpac Banking Corporation. Both facilities remained undrawn throughout the year.

Accounting policy

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as finance costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

[8] Escrow units held in pooled funds relate to deferred employee remuneration that is held by Pendal Group in trust until certain service conditions have been satisfied by the employee. A corresponding employee benefit liability is recognised on the Consolidated Statement of Financial Position.

C7. Financial risk management

Pendal Group manages its business in Australia and outside of Australia and is consequently exposed to a number of financial risks. The key financial risks are market risk (including price risk, interest rate risk and foreign exchange risk), credit risk and liquidity risk. The Board is responsible for the establishment and oversight of an effective system of risk management. The Board delegates authority to management to conduct business activity within the limits of the approved business plans, policies and procedures.

The Group held the following financial instruments as at 30 September:

	2021 $'000	2020 $'000
Financial assets		
Cash and cash equivalents	297,742	207,485
Trade and other receivables	96,520	66,969
Financial assets held at FVTPL	287,214	211,171
Derivatives	659	78
Total financial assets	**682,135**	**485,703**
Financial liabilities		
Trade and other payables	57,002	41,660
Lease liabilities	44,008	40,560
Borrowings	48,570	–
Total financial liabilities	**149,580**	**82,220**

(a) Market risk

Pendal Group may bear exposure to market risks which include securities' price risk, interest rate risk and foreign exchange risk due to the nature of its investments and liabilities. The key direct risks are a result of investment and market volatility, which have a resulting impact on the funds under management (FUM) of the Group. A reduction in FUM will reduce management fee income, calculated as a percentage of FUM, and will result in a decline in financial assets held at fair value through profit or loss, which consequently reduces net profit or loss after tax (Statutory NPAT). The Group estimates the potential movements in overall FUM, covering all its asset classes, and their impact on Statutory NPAT to be as follows:

Profit sensitivity to movement in FUM:

	2021		2020	
	10% increase	10% decrease	10% increase	10% decrease
FUM ($ billion)	12.5	(12.5)	9.2	(9.2)
Statutory NPAT ($'000)	51,368	(51,448)	42,313	(42,273)

The sensitivity calculation is made on the basis of FUM as at 30 September 2021 increasing or decreasing by 10%. The profit or loss sensitivity calculation is derived by holding net flows, foreign currencies and market movements flat for 12 months, maintaining the current management fee margin, and flowing the resulting revenue through the current operating cost parameters and/or assumptions. The appropriateness of the level of reasonably possible movements in FUM has been reviewed in light of additional financial market uncertainty caused by COVID-19. Depending on the extent and duration of an actual FUM movement, management would respond with appropriate measures, which would change the parameters and/or assumptions and potentially reduce or improve the calculated profit or loss impact.

(i) Price risk

The Group is exposed to securities' price risk. This arises from both FUM and investments directly held by Pendal Group for which prices in the future are uncertain. The majority of the Group's revenue consists of fees derived from FUM. Exposure to securities price risk could result in fluctuations in FUM that would affect the Group's profitability.

Exposure to price risk also arises from directly held units in funds managed by the Group (refer Note C5), which invest in shares in unlisted companies and other investments.

Price risk sensitivity

The Group provides seed capital to a number of funds that invest in regions including the UK, Europe, Emerging Markets, US, Asia and Australia, which may be subject to price volatility. The appropriateness of the levels of reasonably possible movements in seed investment prices has been reviewed in light of continued financial market uncertainty caused by COVID-19. In aggregate, if the price increased or decreased by 10% with all other variables held constant, the Statement of Comprehensive Income would be impacted by:

	2021		2020	
	10% increase $'000	10% decrease $'000	10% increase $'000	10% decrease $'000
Statutory NPAT ($'000)	19,104	(19,104)	14,623	(14,623)

(ii) Interest rate risk

The Group is subject to interest rate risk, which affects both the Group's FUM and the Group's cash balances and borrowings. The Group's borrowings on the three-year term facility are at variable rates with interest only payments required until full principal repayment at maturity of the facility. This interest rate risk on borrowings is managed through asset/ liability management strategies that seek to limit the impact arising from interest rate movements.

Fair value sensitivity analysis

Pendal Group does not account for any fixed rate financial instruments at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not result in a change of fair value affecting profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change in interest rates would be applicable to the Group's cash balances and borrowings. A change of 25 bps in the average of the effective interest rates over the year ended 30 September 2021 would have increased/(decreased) Statutory NPAT and equity by the amounts shown below. The appropriateness of the levels of reasonably possible movements in effective interest rates has been reviewed in light of continued financial market uncertainty caused by COVID-19. This analysis assumes that all other variables remain constant.

	Profit or loss after tax		Equity	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Interest rates – increase by 25 bps (2020: 25 bps)	508	387	–	–
Interest rates – decrease by 25 bps (2020: 25 bps)	(508)	(387)	–	–

(iii) Foreign exchange risk

Pendal Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Group's functional currency.

In order to manage the Group's dividend requirements, a hedging program using foreign currency forward contracts is in place to hedge a portion of its investment in its offshore operations. Foreign exchange risk is also hedged in respect of certain foreign currency payments, including US dollar payments made during the year to complete the acquisition of TSW.

Any gain or loss on hedging instruments relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to any ineffective portion is recognised immediately in Statement of Comprehensive Income within other income or other expenses. Gains or losses accumulated in equity are reclassified to Statement of Comprehensive Income when the foreign operation is partially disposed of or sold.

As at 30 September 2021, the notional exposure of the Company's hedging instruments totalled $105.8 million (2020: $68.6 million). During the year, a loss of $1.4m was recognised on hedging activities (2020: $3.1m hedging gain).

The Group's US dollar-denominated term debt facility is held by Pendal USA Inc., which has a US dollar functional currency, and forms part of the Group's US foreign operations. Exchange differences arising on the translation of the US dollar debt (and other assets and liabilities) are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

The following table details Pendal Group's net exposure to foreign currency as at reporting date in Australian dollar equivalent amounts:

	Financial assets				Financial liabilities			Total
	Cash at bank $'000	Trade receivables $'000	Financial assets held at FVTPL $'000	Derivatives $'000	Trade payables $'000	Borrowings $'000	Lease liabilities $'000	Net exposure $000
2021								
GBP	127,150	23,339	143,729	659	(30,109)	–	(28,337)	236,431
EUR	4,697	521	1,184	–	(6,152)	–	–	250
USD	62,798	51,893	115,670	–	(4,753)	(48,570)	(12,249)	164,789
SGD	1,262	220	–	–	(1,071)	–	(140)	271
2020								
GBP	81,530	20,482	102,030	78	(16,879)	–	(31,173)	156,068
EUR	5,823	418	990	–	(4,918)	–	–	2,313
USD	1,994	24,682	106,218	–	(3,639)	–	(3,223)	126,032
SGD	1,293	231	1,933	–	(474)	–	(482)	2,501

The table below shows the impact on Pendal Group's Statutory NPAT and equity of a 10% movement in foreign currency exchange rates against the Australian dollar for financial assets and financial liabilities:

	Profit or loss after tax		Equity	
	10% increase $'000	10% decrease $'000	10% increase $'000	10% decrease $'000
2021				
GBP	14,373	(14,373)	9,270	(9,270)
EUR	25	(25)	–	–
USD	13,244	(13,244)	3,235	(3,235)
SGD	41	(41)	(14)	14
2020				
GBP	9,305	(9,305)	6,302	(6,302)
EUR	231	(231)	–	–
USD	12,718	(12,718)	(115)	115
SGD	298	(298)	(48)	48

(b) Credit risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part under a contract. Credit risk exposures are monitored regularly with all Pendal Group counterparties. The major counterparties are The Westpac Group, HSBC, the funds for which Pendal Australia, JOHCM entities and TSW are the investment manager and trade debtors, including wholesale and institutional clients. Exposure to credit risk arises on the Group's financial assets which are disclosed at the beginning of this Note. Based on the credit quality of the Group's counterparties and the immaterial historical credit losses experienced by Pendal Group, no expected loss provisions were recognised during the year (2020: Nil).

The credit quality of financial assets can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. The credit quality of financial assets is AA- for The Westpac Group (2020: AA-) and A- for HSBC (2020: A-). The credit quality of each wholesale or institutional client is assessed by taking into account its financial position, past experience and other factors.

Credit risk further arises in relation to financial guarantees given to certain parties (refer Note E1). Such guarantees are only provided in exceptional circumstances and are subject to specific Board approval.

(c) Liquidity risk

Liquidity risk is the risk that Pendal Group may not be able to meet its financial obligations in a timely manner at a reasonable cost. The Group maintains sufficient cash and working capital in order to meet future obligations and statutory regulatory capital requirements. This assessment has been confirmed after considering the present and uncertain future impacts of COVID-19 on the Group's financial position and estimated cash flows.

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year $'000	Between 1–2 years $'000	Over 2 years $'000	Total contractual cash flows $'000	Carrying amount of liabilities $'000
2021					
Trade and other payables	57,002	–	–	57,002	57,002
Lease liabilities	8,282	7,463	32,026	47,771	44,008
Borrowings	1,068	1,068	49,638	51, 774	48,570
2020					
Trade and other payables	41,660	–	–	41,660	41,660
Lease liabilities	8,790	8,142	28,106	45,038	40,560

(d) Fair value estimation

Pendal Group measures and recognises its financial assets held at FVTPL (refer Note C5) and derivatives at fair value on a recurring basis, and its borrowings initially at fair value and subsequently at amortised cost (refer Note C6). The carrying amount of borrowings approximates fair value, as the interest payable on the Group's borrowings are close to market rates.

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. Due to the short-term nature of the current receivables and current payables, the carrying amount is assumed to approximate their fair value.

(i) Fair value hierarchy

The Group classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Changes in Level 2 and 3 fair values are analysed at each reporting date and there were no transfers between Levels 2 and 3 during the financial year.

(i) Fair value hierarchy (continued)

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2021				
Financial assets				
Financial assets held at FVTPL:				
Units held in pooled funds[9]	–	264,061	–	264,061
Escrow units held in pooled funds[10]	–	23,153	–	23,153
Derivatives		659	–	659
Total financial assets	–	**287,873**	–	**287,873**
Financial liabilities				
Borrowings	–	48,570	–	48,570
Total financial liabilities	–	**48,570**	–	**48,570**
2020				
Financial assets				
Financial assets held at FVTPL:				
Units held in pooled funds [9]	–	200,438	–	200,438
Escrow units held in pooled funds[10]	–	8,196	–	8,196
Interest in James Hambro & Partners LLP[11]	–	–	2,537	2,537
Derivatives	–	78	–	78
Total financial assets	**–**	**208,712**	**2,537**	**211,249**

(ii) Valuation techniques used to derive Level 2 and Level 3 fair values

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments that are not in an active market are determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and do not rely on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3, as is the case for unlisted equity securities.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active, Pendal Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

[9] These securities represent shares held in unlisted pooled funds managed by the Group and are measured at fair value. The fair value is measured with reference to the underlying net asset values of the pooled funds.
[10] Escrow units held in pooled funds relate to deferred employee remuneration that is held by the Group in trust until certain service conditions have been satisfied by the employee. A corresponding employee benefit liability is recognised on the Consolidated Statement of Financial Position.
[11] JH&P is an independent private asset management partnership business, and Pendal sold its 3.6% interest in March 2021.

Specific valuation techniques used to value financial instruments include:

Pooled funds

During the year, JOHCM managed two OEICs domiciled in the United Kingdom and two UCITS funds domiciled in Ireland. JOHCM (USA) Inc. manages a registered mutual fund and a Delaware Statutory Trust domiciled in the United States of America. Each investment vehicle is an umbrella scheme with various sub-funds, each with their own investment strategy. Each sub fund had a single price directly linked to the fair value of its underlying investments.

PIL manages unit trusts, domiciled in Australia where units are redeemable at any time for cash based on redemption price, which is equal to a proportionate share of the unit trust's net asset value.

Partnership interests

The interest in JH&P was included in Level 3 of the fair value hierarchy in the prior year, as the inputs to the asset valuation were not based on observable market prices, and were measured at an estimated price that would be received to sell the asset. During the year, the Group disposed of its investment in JH&P for $3.8 million, which included realised gains of $3.3 million over the period of the investment, comprising $1.3 million of realised gains recognised for the year ended 30 September 2021 and $2.0 million of gains which had been recognised in prior periods

Derivatives

The fair value of derivative foreign exchange forward contracts that are designated as hedging instruments was determined using forward exchange rates at balance date.

(iii) Unobservable inputs

The following table represents the movement in Level 3 financial instruments:

	Interest in James Hambro & Partners LLP $'000	Total fair value – level 3 $'000	Carrying amount $'000
2021			
Balance at the beginning of the financial year	2,537	2,537	2,537
Gains recognised in profit and loss	1,316	1,316	1,316
Effects of foreign exchange movements	(11)	(11)	(11)
Disposals	(3,842)	(3,842)	(3,842)
Balance at the end of the financial year	–	–	–
2020			
Balance at the beginning of the financial year	2,891	2,891	2,891
Loss recognised in profit and loss	(325)	(325)	(325)
Effects of foreign exchange movements	(29)	(29)	(29)
Balance at the end of the financial year	**2,537**	**2,537**	**2,537**

D. Employee remuneration

This section provides a breakdown of how Pendal Group rewards and remunerates its employees, including key management personnel (KMP). Talent management is at the centre of the Group's remuneration framework, which is aimed at attracting, retaining and equitably rewarding its highly talented workforce while safeguarding the interests of its clients and delivering returns to shareholders.

Further information on the Group's overall remuneration approach, remuneration of KMP and insights into how the fund managers, sales teams and general corporate employees are remunerated can be found in the Remuneration Report.

D1. Employee benefits

	2021 $'000	2020 $'000
Annual leave	3,333	2,764
Long service leave	2,797	2,380
Provision for incentives	133,706	90,875
Total current employee liabilities	**139,836**	**96,019**
Long service leave	974	883
Provision for incentives	7,005	1,091
Total non-current employee liabilities	**7,979**	**1,974**

Included in employee expenses recognised in the Consolidated Statement of Comprehensive Income is an amount related to Pendal Group's defined contributions to employees' superannuation and pensions of $6.5 million (2020: $6.1 million).

Accounting policy

Employee benefits

Employee benefit liabilities represents accrued wages, salaries, annual and long-service leave entitlements and other incentives recognised in respect of employee services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled and include related on-costs, such as payroll tax, national insurance and social security taxes.

D2. Share-based payments

(a) Share options and performance share rights

Pendal Group's long-term incentive plans are aimed at driving performance by delivering value only when specific performance hurdles are met or exceeded. Under these plans, eligible employees are granted either nil cost options or performance share rights in the Company, which convert to ordinary shares on a one-to-one basis when performance and service conditions are met.

Scheme	Description	Vesting conditions	Vesting period
Pendal Australia Performance Reward Scheme (Pendal Aust PRS)	This scheme gives the employee the right to receive ordinary shares at a future date if specified vesting conditions are met, with no amount payable. They are granted at no consideration and carry no dividend entitlement or voting rights until they vest, however, there will be a dividend-equivalent payment made for dividends attributable to rights that vest at the end of the performance period.	Continued employment and performance hurdles based on Total shareholder return (TSR) and Underlying earnings per share growth.	3 years
JOHCM Performance Reward Schemes (JOHCM PRS)	This scheme gives the employee the right to receive ordinary shares at a future date if specified vesting conditions are met, with no amount payable. They are granted at no consideration and carry no dividend entitlement or voting rights until they vest, however, there will be a dividend-equivalent payment made for dividends attributable to rights that vest at the end of the performance period.	Continued employment and performance hurdles based on TSR and Underlying EPS.	3 years
JOHCM Long Term Retention Equity – nil cost options (LTR – NCOs)	As part of the acquisition of JOHCM, JOHCM fund managers were awarded nil cost options, which will vest and be exercised into ordinary shares in the Company on a one-to-one basis.	Continued employment and FUM retention.	Up to 1 year post fund manager departure
JOHCM Long Term Retention Equity (NCOs)	Following the JOHCM acquisition, additional awards were made to JOHCM fund managers. The number of other nil cost options awarded is determined with reference to individual performance each year.	Continued employment.	Up to 4 years
JOHCM Long Term Retention Equity (2021 NCOs)	Under this scheme, employees were awarded nil cost options, which will vest and be exercised into ordinary shares in the Company on a one-to-one basis.	Continued employment and performance hurdles based on Company share price and FUM	Up to 5 years

Number, grant date fair value and weighted average share price at date of exercise of nil cost options and performance share rights awarded during the year:

	Pendal Aust PRS Rights	$	JOHCM PRS Rights	$	LTR – NCOs Rights	$	NCOs Rights	$	2021 NCOs Rights	$
2021										
Outstanding at 1 October	1,170,383		1,115,649		3,348,565		2,321,536		–	
Granted	744,043	5.96	1,124,300	6.06	–	–	855,128	7.02	123,612	6.24
Vested / Exercised	(2,078)	7.63	–	–	(681,335)	6.04	–	–	–	–
Forfeited	(45,479)		(189,972)		–		–		–	
Lapsed	(251,478)		(175,042)		–		–		–	
Outstanding at 30 September	1,615,391		1,874,935		2,667,230		3,176,664		123.612	
Exercisable at 30 September	**17,888**		**–**		**681,335**		**–**		**–**	
2020										
Outstanding at 1 October	986,796		681,125		4,029,908		9,875,194		–	
Granted	512,423	7.10	646,372	7.10	–	–	1,119,954	8.06	–	
Vested / Exercised	(13,219)	8.03	–	–	(681,343)	8.08	(8,673,612)	8.20	–	
Forfeited	(36,872)		(20,026)		–		–		–	
Lapsed	(278,745)		(191,822)		–		–		–	
Outstanding at 30 September	1,170,383		1,115,649		3,348,565		2,321,536		–	
Exercisable at 30 September	**19,966**		**–**		**681,336**		**–**		**–**	

Fair value of nil cost options granted during the year

The options are fair valued with reference to the Company's share price at grant date. The fair value of the nil cost options issued during the year was $7.02 (2020: $8.06). The weighted average remaining contractual life of outstanding nil cost options as at 30 September 2021 was 1.6 years (2020: 2.0 years).

Fair value of performance share rights awarded during the year

The fair value of the performance share rights linked to Underlying EPS are valued with reference to the Company's share price at grant date and the fair value of performance share rights linked to TSR are determined using a Monte Carlo simulation pricing model with the following inputs:

- Risk free interest rate 0.11%
- Volatility 35%
- Dividend yield 0%

The fair value of the TSR-hurdled performance share rights issued during the year was $5.10 (2020: $5.86) and for the Underlying EPS-hurdled performance share rights was $7.02 (2020: $8.33). The weighted average remaining contractual life of outstanding performance share rights at 30 September 2021 was 1.3 years (2020: 1.3 years).

(b) Equity grants

Pendal Group has a number of short-term incentive schemes, under which ongoing equity grants are made to employees and key management personnel. Details of the schemes are as follows:

Scheme	Description	Vesting conditions	Vesting period
Pendal Australia new and existing employee equity grants	New and existing employees may receive one-off equity grants for retention.	Continued employment	Up to 5 years
Pendal Australia Boutique variable reward scheme	Eligible fund managers receive variable remuneration based on a profit share arrangement directly attributed to the boutique, with a portion of the variable reward deferred into ordinary shares in the Company.	Continued employment	Up to 5 years
Pendal Australia Corporate variable reward scheme	Management employees are paid a combination of fixed and variable reward in the form of cash and mandatorily deferred ordinary shares in the Company.	Continued employment	Up to 5 years
Pendal Australia Annual CEO award	To recognise individual achievement, the winner of the Annual CEO Award is eligible to receive ordinary shares in the Company to a value of $5,000.	Continued employment	Up to 1 year
Sales Incentive Plans	Pendal Australia and JOHCM sales teams receive variable remuneration based on performance measured against sales targets.	Continued employment	Up to 5 years
JOHCM/ TSW Fund manager variable reward scheme	Eligible fund managers receive variable remuneration based on a revenue share arrangement with a portion of the variable reward deferred into ordinary shares in the Company.	Continued employment	Up to 5 years
JOHCM/ TSW Corporate variable reward scheme	Management employees are paid a combination of fixed and variable reward in the form of cash and mandatorily deferred ordinary shares in the Company.	Continued employment	Up to 5 years

Number and weighted average grant date fair value of equity grants awarded during the year:

	Equity grants 2021 Number	Fair value 2021 $	Equity grants 2020 Number	Fair value 2020 $
Total	3,279,172	6.95	2,862,424	8.06

Fair value of equity grants awarded during the year

The fair value of the equity grants was estimated using the Company's share price on grant date and a discount rate reflecting the expected dividend yield over the applicable vesting periods.

(c) Fund linked equity (FLE)

The FLE Scheme allows JOHCM fund managers to convert part of the revenue generated from the growth in FUM related to their investment strategies into ordinary shares in the Company based on a pre-determined formula.

Prior to conversion, no dividends are payable on the FLE awards and the awards do not carry voting rights.

The fair value of the FLE awards at the time of grant is independently determined based on a market-based valuation of the relevant investment strategies.

At the time of conversion, the number of ordinary shares in the Company converted from FLE awards is based on a pre-determined formula, which applies a market-based measure to the after-tax profits generated by the relevant investment strategies. The ordinary shares in the Company allocated on conversion are then subject to vesting over a further period of five years.

The FLE Scheme is an equity-settled scheme, which is not re-measured after grant date. If the scheme was re-measured to reflect after-tax profits generated by the investment strategies at the time of conversion, the value of the FLE awards converted may exceed the valuation accounted for at grant date.

During the year, new FLE awards were issued to one investment team who had rights to participate in the FLE Scheme. In addition, the Company issued a total of 400,178 ordinary shares to one investment team who converted their previously issued FLE awards (2020: nil shares issued). The shares issued are subject to vesting conditions for up to five years.

Further details on the FLE Scheme are outlined on pages 41 to 42 of the Remuneration Report.

(d) Expenses arising from share-based payment transactions

Expenses of Pendal Group arising from share-based payment transactions recognised during the financial year as part of employee benefit expense were as follows:

	2021 $'000	2020 $'000
Total amortisation of employee equity grants	44,196	35,192

Critical accounting assumptions and estimates: Share based payments

The cost of equity-settled share-based payments is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value calculation is performed by an external valuation expert and is determined using Binomial/Monte-Carlo simulation valuation techniques and other market based valuation techniques, taking into account the terms and conditions upon which the equity instruments were granted. The valuation methodologies involve a number of judgements and assumptions which may affect the share based payment expense taken to profit and loss and equity.

The tax effect of the excess of estimated future tax deductions for share-based payments over the related cumulative remuneration expense is recognised directly in equity. The estimated future tax deduction is based on the share price of ordinary shares in the Company at balance date in accordance with AASB 112 Income Taxes.

Accounting policy

Share-based payments

Share-based payment compensation benefits are provided to employees via employee shares, performance share rights and option schemes. The fair value of shares, performance share rights and options granted to employees for no consideration is recognised as an expense over the vesting period, with a corresponding increase in shareholders' equity. The fair value of shares, performance share rights and options granted without market-based vesting conditions approximates the listed market price of the shares on the ASX at the date of grant. The fair value of shares granted with market-based vesting conditions has been determined using option-equivalent valuation methodologies. The fair value of performance share rights and options granted are measured using Binomial/Monte-Carlo simulation valuation techniques, taking into account the terms and conditions upon which the performance share rights and options were granted.

D3. Key management personnel disclosures

(a) KMP compensation

	2021 $	2020 $
Short-term employee benefits	9,221,297	8,480,212
Post-employment benefits	284,752	221,146
Long-term benefits	30,083	11,645
Share-based payments	5,244,112	4,138,090
Total	**14,780,244**	**12,851,093**

(b) Shareholdings

The following table sets out details of number of ordinary shares in the Company held by KMP (including their related parties):

	2021	2020
Held at the beginning of the year	2,318,324	2,169,145
Granted as remuneration	155,444	274,942
Purchases	332,935	10,000
Sales	(389,274)	(135,763)
Held at the end of the year	**2,417,429**	**2,318,324**

(c) Other equity instruments

The following table sets out the number of performance share rights held by KMP (including their related parties):

	2021	2020
Held at the beginning of the year	879,141	530,360
Granted as remuneration	946,405	480,231
Vested during the year	–	–
Lapsed during the year	(149,401)	(131,450)
Held at the end of the year	**1,676,145**	**879,141**

E. Group structure

This section explains significant aspects of the Pendal Group structure including changes during the year. The ultimate parent entity within the Group is Pendal Group Limited, which is a listed entity in Australia with subsidiaries in Australia and overseas.

E1. Parent entity information

(a) Summary financial information

	Company	
	2021 $'000	**2020 $'000**
Profit for the financial year	136,252	173,233
Total comprehensive income for the financial year	**137,648**	**176,380**
Current assets	137,481	121,034
Total assets	**1,317,705**	**881,261**
Current liabilities	58,420	52,018
Total liabilities	**60,862**	**56,696**
Shareholders' equity:		
Contributed equity	894,845	484,221
Reserves		
Common control reserve	(25,471)	(25,471)
Share-based payment reserve	173,427	160,448
Net investment hedge reserve	(7,544)	(4,680)
Cash flow hedge reserve	1,440	(28)
Retained earnings	220,147	210,075
Total equity	**1,256,844**	**824,565**

(b) Guarantees entered into by the parent entity

The parent entity has guaranteed the obligations of its subsidiary, PIL, to its institutional clients. The effect of the guarantee, which is capped at $5 million, is to provide recourse to capital exceeding the minimum regulatory capital required to be maintained by PIL.

The parent entity has provided a guarantee to a syndicate of banks in respect of obligations of its subsidiary, Pendal USA Inc. under a US$35 million term debt facility agreement entered into to facilitate the acquisition of TSW.

(c) Contingent liabilities of the parent entity

The parent entity has contingent liabilities as outlined in Note F3.

(d) Contractual commitments for the acquisition of property, plant or equipment

The parent entity had no contractual commitment for the acquisition of property, plant and equipment at balance date (2020: $nil).

Accounting policy

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements of the Pendal Group, except for the items below.

Capital contributions

The grant by the Company of interests in its equity instruments to the employees of its subsidiaries is treated as a capital contribution to that subsidiary. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiaries, with a corresponding credit to equity. The amounts recognised are reduced to the extent that the fair value of equity grants is recharged by the Company to the subsidiary.

Financial guarantees

Where the Company has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of the guarantees are accounted for as contributions and recognised as part of the cost of the investment.

E2. Business combination

(a) Summary of acquisition

On 22 July 2021, the Group, through its wholly owned subsidiary Pendal USA Inc., acquired 100% of the issued share capital of Thompson, Siegel & Walmsley LLC (TSW), a US-based value oriented investment management company. The acquisition accelerates the Group's growth in the US market and adds a complementary product range and distribution network to the Group.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	$'000
Purchase consideration (refer to (b) below):	
Cash paid	390,117
Ordinary shares issued	22,714
Total purchase consideration	**412,831**

The fair value of the 2,825,073 shares in the Company issued as part of the consideration paid for TSW ($22.7 million) was based on the closing share price on the Australian Stock Exchange on 22 July 2021 of $8.04 per share.

The assets and liabilities recognised at fair value as a result of the acquisition are as follows:

	$'000
Cash	11,646
Trade and other receivables	17,865
Prepayments	929
Property, plant and equipment	2,333
Right of use assets	5,344
Financial assets held at FVTPL	1
Deferred tax assets	4,101
Intangible assets: investment management contracts	337,996
Intangible assets: trademarks and tradenames	1,495
Trade and other payables	(465)
Employee benefits	(16,701)
Lease liabilities	(5,344)
Net identifiable assets acquired	**359,200**
Add: goodwill	53,631
Net assets acquired	**412,831**

At 30 September 2021, the fair values of assets and liabilities recognised as a result of the acquisition are provisional and may be revised in accordance with Accounting Standard AASB 3 *Business Combinations*.

(i) Goodwill

Goodwill recognised on acquisition is attributable to the expected future profitability of the TSW business, its strong investment-led culture and the skills and performance of TSW investment professionals, management and staff. The goodwill recognised is expected to be deductible for U.S. income tax purposes.

(ii) Acquired receivables

The fair value of acquired receivables is $17,865,427. No loss allowance was recognised on acquisition.

(iii) Revenue and profit contribution

The TSW business contributed revenues of $23.0 million and net profit after tax of $12.4 million to the Group for the period from 22 July to 30 September 2021. If the acquisition had occurred on 1 October 2020, consolidated pro-forma revenue and profit for the year ended 30 September 2021 would have been $723.4 million and $203.7 million respectively. These amounts have been calculated using TSW's pro-forma unadjusted results[12] for the period.

(b) Purchase consideration – cash outflow

	$'000
Outflows of cash to acquire subsidiary, net of cash acquired	
Cash consideration	390,117
Less: Cash balances acquired	(11,093)
Net outflow of cash – investing activities	**379,024**

(i) Separately recognised transactions

Under the terms of the purchase agreement to acquire TSW, Pendal Group made seed investments in funds managed by TSW after balance date, to replace seed investments redeemed by the exiting majority owner. Investments in TSW-managed funds totalling US$12.3 million ($16.6 million) were made on 25 October 2021, and will be recognised in the Group's 2022 financial statements as financial assets held at fair value through profit or loss.

(ii) Acquisition-related costs

Acquisition related costs of $16.2 million that were not directly attributable to the issue of shares are included in professional services and administrative expenses in the Consolidated Statement of Comprehensive Income in the period during which the related service is received and in operating cash flows in the Consolidated Statement of Cash Flows.

The associated costs of issuing Pendal Group Limited shares to facilitate the acquisition were $4.7 million and have been recognised in contributed equity in the Consolidated Statement of Changes in Equity. Borrowing costs of $0.5 million associated with the debt financing of the acquisition have been included as finance costs in the Consolidated Statement of Comprehensive Income.

There were no other business acquisitions in the year ended 30 September 2021 (2020: None).

[12] Pro-forma unadjusted results comprise unaudited income statements prepared by TSW management for the period from 1 October 2020 to 22 July 2021, which are not adjusted for differences in accounting policies, transactions specific to pre-acquisition financial arrangements and fair values of assets and liabilities recognised on acquisition.

E3. Subsidiaries and controlled entities

Name	Country of incorporation/ formation	Class of shares	Equity holding 2021 %	Equity holding 2020 %
Pendal Institutional Limited	Australia	Ordinary	100	100
Pendal Fund Services Limited	Australia	Ordinary	100	100
Regnan – Governance Research and Engagement Pty Ltd	Australia	Ordinary	100	100
Pendal UK Limited	UK	Ordinary	100	100
J O Hambro Capital Management Holdings Limited	UK	Ordinary	100	100
J O Hambro Capital Management Limited	UK	Ordinary	100	100
JOHCM Funds (UK) Limited	UK	Ordinary	100	100
JOHCM Funds (Ireland) Limited	Ireland	Ordinary	100	100
JOHCM (Singapore) Pte Limited	Singapore	Ordinary	100	100
JOHCM (USA) Inc.	USA	Ordinary	100	100
Pendal USA Inc.	USA	Ordinary	100	–
Thompson, Siegel & Walmsley LLC	USA	Ordinary	100	–
Pendal Group Limited Employee Equity Plan Trust	Australia	–	–	–
Pendal Group Employee Benefit Trust	Jersey	–	–	–

Accounting policy

Principles of consolidation

The Financial Report incorporates the financial statements of the Company and entities controlled by Pendal Group and its subsidiaries. Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. Subsidiaries are fully consolidated from the date on which the Company obtains control and until such time as control ceases.

In preparing the Financial Report, all Intercompany transactions, balances and unrealised gains arising within the Group are eliminated in full.

Controlled entities within the Group conduct investment management and other fiduciary activities as responsible entity, trustee or manager on behalf of individuals, trusts, retirement benefit plans and other institutions. These activities involve the management of assets in investment schemes and superannuation funds, and the holding or placing of assets on behalf of third parties.

Where the controlled entities, as responsible entity or trustee, incur liabilities in respect of these activities, a right of indemnity exists against the assets of the applicable trusts. To the extent these assets are sufficient to cover liabilities, and it is not probable that the controlled entity will be required to settle them; the liabilities are not included in the consolidated financial statements.

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses included in the Statement of Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income in the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Critical accounting assumptions and estimates: Subsidiaries and controlled entities

The Group holds interests in certain investment funds for which subsidiaries of the Group provide fiduciary and investment management services. Such interests are not considered to be interests in controlled entities, and are recognised in the consolidated financial statements as financial assets held at fair value through profit and loss. This classification involves the use of judgement in assessing whether the Group controls each relevant fund, including consideration of the nature and significance of various factors such as the exposure of Group entities to variability of returns from the funds, remuneration to which Group entities are entitled from the funds, the scope of the Group entities' decision-making authority over the fund and the rights held by third parties to remove Group entities as the fund manager.

E4. Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity and the relevant activities are directed by means of contractual arrangements. Pendal Group has significant influence over the funds it manages due to its power to participate in the financial and operating policy decisions of the investee through its investment management agreements.

The Group considers all its fund vehicles to be structured entities. The Group invests its own capital for the purpose of seeding fund vehicles to develop a performance track record prior to external investment being received. The Group also receives management and performance fees for its role as investment manager.

The funds' objectives include achieving returns of income and/ or capital exceeding certain benchmarks over the medium to long term. The funds invest in a number of different financial instruments including equities and debt instruments. The funds finance their operations by issuing redeemable shares or units, which are puttable at the holder's option and entitle the holder to a proportional stake in the respective fund's net assets.

Pendal Group holds redeemable shares or units in some of its managed funds. The nature and extent of the Group's interests in funds is summarised by asset class below:

	Australian equities $'000	Australian diversified and property $'000	Australian cash and fixed income $'000	International equities $'000	Other $'000	Total $'000
2021						
Cash and cash equivalents	–	–	64,681	–	–	64,681
Trade and other receivables	2,559	–	1,453	52,552	205	56,769
Financial assets held at FVTPL	–	–	–	287,214	–	287,214
Total Assets	**2,559**	–	**66,134**	**339,766**	**205**	**408,664**
Maximum exposure to loss	**2,559**	–	**66,134**	**339,766**	**205**	**408,664**
Net asset value of funds	4,699,002	1,348,347	5,145,362	42,079,293	191,775	53,463,779
2020						
Cash and cash equivalents	–	–	98,444	–	–	98,444
Trade and other receivables	1,912	–	1,951	25,621	205	29,689
Financial assets held at FVTPL	–	–	–	208,634	–	208,634
Total Assets	**1,912**	–	**100,395**	**234,255**	**205**	**336,767**
Maximum exposure to loss	**1,912**	–	**100,395**	**234,255**	**205**	**336,767**
Net asset value of funds	3,370,746	1,485,724	5,883,082	32,849,861	310,820	43,900,233

Unless specified otherwise, the Group's maximum exposure to loss is the total of its on-balance sheet positions as at reporting date. There are no additional off-balance sheet arrangements which would expose the Group to potential loss in respect of unconsolidated structured entities.

During the year, the Group earned both management and performance fee income from structured entities of $375,189,721 (2020: $289,216,189).

E5. Related party transactions

Compensation and other transactions with key management personnel are set out in Note D3 and the Remuneration Report on pages 31 to 64.

The Group earns management and performance fees from investment fund vehicles managed by subsidiaries of the Group (refer Note E4). JOHCM Funds (UK) Limited, as ACD of J O Hambro Capital Management UK Umbrella Fund, operates a bank account for investor subscriptions and redemptions and processed transactions in the 2021 Financial Year with values totalling approximately $2.6 billion (2020: $3.1 billion) for subscriptions and $3.7 billion (2020: $4.3 billion) for redemptions.

F. Other

This section provides details on other required disclosures to comply with the Australian Accounting Standards and International Financial Reporting Standards.

F1. Intangible assets

	Goodwill $'000	Fund and investment management contracts $'000	Other intangibles $'000	Total $'000
2021				
Net book value as at 1 October 2020	476,093	53,443	2,567	532,103
Additions	–	–	224	224
Acquisition of business	53,631	337,996	1,495	393,122
Foreign exchange gain	9,134	8,503	29	17,666
Amortisation expense	–	(9,310)	(935)	(10,245)
Impairment loss	–	(2,650)	–	(2,650)
Net book value as at 30 September 2021	**538,858**	**387,982**	**3,380**	**930,220**
Represented by:				
Cost	*538,858*	*483,998*	*8,544*	*1,031,400*
Accumulated amortisation and impairment	*–*	*(96,016)*	*(5,164)*	*(101,180)*
2020				
Net book value as at 1 October 2019	478,305	59,906	2,135	540,346
Additions	–	–	1,102	1,102
Foreign exchange loss	(2,212)	(323)	–	(2,535)
Amortisation expense	–	(5,745)	(670)	(6,415)
Impairment loss	–	(395)	–	(395)
Net book value as at 30 September 2020	**476,093**	**53,443**	**2,567**	**532,103**
Represented by:				
Cost	*476,093*	*134,525*	*6,794*	*617,412*
Accumulated amortisation and impairment	*–*	*(81,082)*	*(4,227)*	*(85,309)*

Fund and investment management contracts:

Fund management contracts relate to contractual relationships to manage JOHCM open-ended funds (OEICs). Investment management contracts comprise contractual relationships with institutional, wholesale and sub-advisory clients. The contracts were recognised by Pendal Group when it acquired JOHCM and TSW, and are recognised as follows:

	2021 $'000	2020 $'000
Fund management contracts – OEICs	44,298	49,959
Investment management contracts – segregated mandates (JOHCM)	2,699	3,484
Investment management contracts – sub-advisory and segregated accounts (TSW)	340,985	–
Total	**387,982**	**53,443**

The recoverable amount of JOHCM fund and management contracts has been measured using the present value of future cash flows expected to be derived for each asset. The discount rate used to discount the cash flow projections (post-tax) is 11.8% (2020:11.8%), based on the cost of capital.

An impairment loss of $2.6 million (2020: $0.4 million), due to the re-measurement of the fund and investment management contracts to the lower of their carrying value and their recoverable amount, is included in the depreciation, amortisation and impairment expense in the Statement of Comprehensive Income. Impairment losses may be reversed in certain circumstances if there has been a change in forecasts and market conditions used in determining the recoverable and carrying amounts.

The fair value of investment management contracts recognised on the acquisition of TSW has been measured in accordance with an independent valuation of intangible assets of TSW as at the acquisition date of 22 July 2021 as part of the purchase price allocation, using the multi-period excess earnings method, a specific application of the discounted cash flow method. The recoverable amount of the TSW management contracts will be measured at subsequent reporting dates using the present value of future cash flows expected to be derived for each contract.

Goodwill:

Goodwill has been derived from the following business combinations:

	2021 $'000	2020 $'000
Purchase of Pendal (formerly BTIM) effective 19 October 2007	233,300	233,300
Purchase of JOHCM effective 1 October 2011	250,810	242,793
Purchase of TSW effective 22 July 2021	54,748	–
Total	**538,858**	**476,093**

For the purpose of impairment testing, assets are grouped at the lowest level for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units or CGUs). To determine if goodwill is impaired, the carrying value of the identified CGU to which the goodwill is allocated is compared to its recoverable amount.

Goodwill is allocated to CGUs according to operating segments (refer Note B1). Goodwill recognised on the acquisition of TSW is allocated to the Pendal US operating segment, which comprises the JOHCM US CGU and the TSW CGU, each of which are tested separately for impairment. The carrying value of goodwill is attributable to Pendal Australia ($233.3 million), Pendal EUKA ($161.7 million) and Pendal US (comprising JOHCM US ($89.1 million) and TSW ($54.8 million)), respectively.

The recoverable amount of each CGU is determined using a 'Fair value less cost of disposal' methodology that utilises cash flow projections (post-tax) based on management's best estimates over a 5 year period and then applies a terminal value in perpetuity of 2.5%. The discount rate used to discount the cash flow projections is 11.8% for each CGU (2020: 11.8%) based on the cost of capital (post-tax) for each of the CGUs.

In forecasting cashflows over the period, management has considered economic and equity market conditions, including the continuing uncertain impact of COVID-19 in the short to medium term.

Management is of the view that reasonably possible changes in the key assumptions, such as an increase to the discount rate of 2% or a reduction in cash flow of 10%, would not cause the recoverable amount for each CGU to fall short of the carrying amounts as at 30 September 2021. The current headroom for Pendal Australia is $81.0 million (2020: $67.6 million). For the estimated recoverable amount of the goodwill attributable to Pendal Australia to be equal to its carrying amount, the post-tax discount rate would have to increase to 14.3%, or the projected cash flows would need to reduce by 24.0%.

There has been no impairment of goodwill during the year ended 30 September 2021. The carrying values of JOHCM and TSW goodwill have been translated to Australian dollars using the 30 September British pound and US dollar spot exchange rates respectively.

Accounting policy

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Pendal Group's share of the net identifiable assets acquired at the date of acquisition. Goodwill is carried at cost less accumulated impairment losses.

Fund and investment management contracts

Fund and investment management contracts acquired as part of business combinations are recognised separately from goodwill. They are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives, currently estimated at between 5 and 20 years.

Other intangibles

Other intangibles include IT development and software costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction. Costs capitalised include external direct costs of service and are recognised as intangible assets. Amortisation is calculated on a straight-line basis between three and five years.

Other intangibles also include trademarks and tradenames acquired as part of a business combination and recognised separately to goodwill. They are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of estimated cash flows attributable to the trademarks and tradenames over their estimated useful lives, currently estimated at 2 years.

Impairment

Goodwill and other intangible assets are tested each reporting period for impairment or more frequently if events or changes in circumstances indicate that they might be impaired, or whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

An impairment loss is recognised through the Statement of Comprehensive Income for any amount by which the asset's carrying amount exceeds its recoverable amount. Intangible assets other than goodwill are reviewed for possible reversal of impairment losses at each reporting date. Reversals are made in certain circumstances if there has been a change in forecasts and market conditions used in determining the recoverable and carrying amounts.

Critical accounting assumptions and estimates: Intangible assets

The fund and investment management contracts are initially measured at their fair value. This involves the use of judgements, estimates and assumptions about future fund flows and investment performance, based largely on past experience and contractual arrangements.

Pendal Group tests whether goodwill has suffered any impairment at each reporting period. The recoverable amount of a cash generating unit (CGU) is determined based on 'fair value less cost of disposal' methodology, which requires the use of assumptions. Key assumptions requiring judgement include projected cash flows, growth rate assumptions and discount rates.

F2. Lease assets and liabilities

Right-of-use assets

	2021 $'000	2020 $'000
Office space	39,436	36,819
Equipment	462	108
Right-of-use lease assets	**39,898**	**36,927**

Additions to right-of-use assets during the 2021 Financial Year were $11.0 million (2020:$48.0 million).

Lease liabilities

	2021 $'000	2020 $'000
Current	8,234	7,356
Non-current	35,774	33,204
Balance at the end of the financial year	**44,008**	**40,560**

The following amounts relating to leases are disclosed in the Statement of Comprehensive Income:

	2021 $'000	2020 $'000
Finance Costs	1,347	1,456
Depreciation charge of right-of-use assets:		
Office space	6,750	6,946
Equipment	255	25
Total lease related amounts in the Statement of Comprehensive Income	**8,352**	**8,427**

The total cash outflow for leases in 2021 was $8.8 million (2020: $9.8 million).

Accounting policy

Leases

Pendal Group's leases consist predominantly of property leases, which are used as corporate offices by the Group. Assets and liabilities arising from each lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments, where applicable:

- fixed payments, less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option or payments under extension options if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, unless that rate cannot be readily determined. The lessee's incremental borrowing rate is used for the Group's leases, being the rate that would have to be paid to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group, where possible, uses recent third party financing received or, for leases held by entities within the Group which have not obtained recent third party financing, a risk-free interest rate adjusted for credit risk. Adjustments specific to the lease are applied, which may include the lease term, geographical location, currency and security.

Right-of-use assets are measured at cost, comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received and any initial direct costs or restoration costs.

F3. Contingent liabilities

Guarantee on bank borrowings

Pendal Group Limited and its subsidiaries, Pendal (UK) Limited and J O Hambro Capital Management Holdings Limited, act as guarantors for the obligations of Pendal USA Inc. under a US$35 million three year term loan facility with a syndicate of financial institutions comprising HSBC Bank Australia Limited, The Northern Trust Company and Westpac Banking Corporation.

Capital guarantee

The Company has guaranteed the obligations of PIL to its institutional clients. The effect of the guarantee, which is capped at $5 million in aggregate, is to provide recourse to capital exceeding the minimum regulatory capital required to be maintained by PIL.

To the extent that Pendal Group, in the normal course of business, has incurred various contingent obligations at 30 September 2021, none of those contingent obligations is anticipated to result in any material loss.

F4. Remuneration of auditors

(a) Audit and other services – Australia

	2021 $	2020 $
PricewaterhouseCoopers		
Statutory audit services		
Audit and review of statutory financial reports of the parent covering the Group	395,924	391.278
Audit of statutory financial reports of controlled entities	76,134	74,096
Audit-related services		
Audit of Australian Financial Service Licences	27,925	27,178
Other assurance services		
Internal controls report (GS007)	84,489	82,238
Agreed-upon procedures (AUP) reports	72,600	–
Non-audit related (other) services		
Transaction due diligence services	832,000	–
Total remuneration for services – Australia	**1,489,072**	**574,790**

(b) Audit and other services – outside of Australia

	2021 $	2020 $
PricewaterhouseCoopers		
Statutory audit services		
Audit and review of statutory financial reports of controlled entities	452,595	417,161
Audit-related services		
Financial Conduct Authority client assets report	138,174	142,892
Other assurance services		
Internal controls report (SOC1)	172,067	181,574
Non-audit related (other) services		
Fund reorganisation tax services	548,945	–
Total remuneration for services – outside of Australia	**1,311,781**	**741,627**

(c) Other services to non-consolidated trusts

The Company's external auditor provides audit and other assurance services to non-consolidated trusts in Australia for which PFSL and PIL act as trustee, manager or responsible entity. The financial statement audit fees were $1,321,008 for the financial year (2020: $1,339,528), and $135,564 (2020: $129,780) for other assurance services comprising compliance plan audits.

The Company's external auditor provides audit and non-audit services to non-consolidated investment funds outside of Australia for which JOHCM or JOHCM (USA) Inc. act as trustee or investment manager. The audit fees were $570,954 for the financial year (2020: $603,064), and $235,670 (2020: $241,862) for other assurance services comprising tax compliance and consulting services.

F5. Subsequent events

There are no other matters or circumstances which are not otherwise reflected in this Financial Report that have arisen subsequent to the balance date, which have significantly affected or may significantly affect the operations of Pendal Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

Directors' Declaration

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2021

In the Directors' opinion:

a) the financial statements and notes set out on pages 67 to 107 are in accordance with the *Corporations Act*, including:

  i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements

  ii) giving a true and fair view of Pendal Group's financial position as at 30 September 2021 and of its performance for the year ended on that date; and

b) there are reasonable grounds to believe that Pendal Group Limited will be able to pay its debts as and when they become due and payable.

Note A1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations required under section 295A of the *Corporations Act* by the Group Chief Executive Officer and Group Chief Financial Officer.

This declaration is made in accordance with a resolution of the Directors.

For and on behalf of the Board.

James Evans
Chairman

Nicholas Good
Managing Director and Group Chief Executive Officer

5 November 2021

Independent auditor's report

To the members of Pendal Group Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Pendal Group Limited (the Group) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 September 2021 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 September 2021
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au
Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

pwc

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates. The Group provides investment management services through its three operating segments comprised of the investment management business in Australia (Pendal Australia), Europe, UK and Asia regions (Pendal EUKA) and the United States (Pendal US).

Materiality	*Audit scope*	*Key audit matters*
• For the purpose of our audit we used overall Group materiality of $9.7 million, which represents approximately 5% of the Group's normalised profit before tax, adjusted for certain items as described below. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose Group normalised profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. • We adjusted profit before tax by excluding the current year's net performance fee and including a three year average net performance	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • The Group engagement team directed the involvement of the component audit team, who performed an audit of the financial information of Pendal EUKA and Pendal US. All other procedures were performed by the Group engagement team. • For the work performed by the component audit team, we considered the level of involvement we needed to have in their	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Carrying value of intangible assets - goodwill and fund and investment management contracts – Accounting for employee remuneration schemes – Recognition of fee revenue – Business Combination related to the purchase of Thompson, Siegel & Walmsley (TSW) • These are further described in the *Key audit matters* section of our report.

fee, to account for the volatility in this fee year-on-year. Net performance fee is the gross performance fee revenue less the expense paid to employees attributable to the performance fee.

- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

audit work to be able to evaluate whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group's financial report as a whole. This included active dialogue during the audit with the component audit team and review of their work.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	***How our audit addressed the key audit matter***
Carrying value of intangible assets - goodwill and fund and investment management contracts *Refer to Note F1 of the financial report* This was a key audit matter as the intangible assets were the largest asset balance ($951 million as at 30 September 2021) and due to the complexity and judgements in determining their recoverable amounts. The Group's significant judgements included forecasting cash flows of the Group into perpetuity for goodwill and between five and 20 years for fund and investment management contracts, which involved making revenue growth rate and discount rate assumptions.	Our audit procedures on the goodwill asset (except for goodwill related to the purchase of TSW) included, amongst others: • Assessing whether the Group's determination of Cash Generating Units (CGUs), which are the smallest identifiable groups of assets that can generate largely independent cash inflows, was consistent with our understanding of the nature of the Group's operations and internal Group reporting. • Testing the mathematical accuracy of the calculations in the discounted cash flow models used in the recoverable amount calculation (the models). • Evaluating the cash flow forecasts used in the models and the process by which they were developed. • Assessing the historical ability of the Group to forecast future cash flows by comparing the last three years' actual results with prior forecasts to consider whether any forecasts included

Key audit matter	*How our audit addressed the key audit matter*
	assumptions that, with hindsight, had been optimistic. • Assessing the assumptions for future revenue growth rates and assessing discount rates against external benchmarks. • Assessing if the disclosures relating to goodwill are in accordance with the requirements of Australian Accounting Standards. Our audit procedures on the fund and investment management contracts (except for investment management contracts related to the purchase of TSW) included, amongst others: • Selecting a sample of contracts based on certain risk criteria and assessing the historical ability of the Group to forecast cash flows in the discounted cash flow model used to assess impairment, by comparing the last three years' actual results with prior forecasts. • Recalculating the amortisation charge for the year for each contract and comparing this to the Group's calculations, checking that the key inputs were consistent with contractual terms. • Assessing if the Group's disclosures relating to fund and investment management contracts are in accordance with the requirements of Australian Accounting Standards. Our audit procedures on the goodwill and investment management contracts related to the purchase of TSW included, amongst others: • Assessing the appropriateness of assumptions made by the Group in determining goodwill and the value of the acquired contracts. • Selecting a sample of contracts and agreeing key inputs to the Group's PPA calculation. • Assessing if the disclosures relating to goodwill are in accordance with the requirements of Australian Accounting Standards.

Key audit matter	How our audit addressed the key audit matter
Accounting for employee remuneration schemes *Refer to Section D of the financial report* Accounting for employee remuneration schemes and incentives, specifically Fund Linked Equity (FLE) and share-based payments, was a key audit matter due to the financial significance of the expenses in the consolidated statement of comprehensive income, and the level of judgement that was applied in their determination, including assessing share price forecasts, forfeiture rates and provisioning and the likelihood of specific performance hurdles being achieved.	Our audit procedures performed on the FLE expense included, amongst others: • Recalculating the value of the equity disclosed within the remuneration report that would have to be granted upon full conversion of FLE rights and agreeing the key inputs in the calculation (such as the listed share price of the Group, Funds Under Management, margin) to appropriate supporting data. • Assessing the disclosures in the financial report in light of our understanding and the requirements of Australian Accounting Standards. Our audit procedures performed on the share-based payments expense included, amongst others: • For a sample of employees, comparing the number of shares granted in the year to third party confirmations and approval by the Company, and agreeing the grant date share price to published pricing data. • For grants made in prior periods, recalculating the amortisation expense for the current year based upon the grant date share price and the number of shares. • For a sample of share-based payment expenses recognised during the year, obtaining the relevant employee contract and checking the performance and service conditions were met by obtaining relevant evidence. • Recalculating the current and deferred tax impact of the accounting entries posted.
Recognition of fee revenue *Refer to Note B2 of the financial report* This was a key audit matter because revenue was the most significant account balance in the consolidated statement of comprehensive income. Revenue of $582 million comprises:	Our audit procedures on the fee revenue recognised by Pendal Australia included, amongst others: • Obtaining the most recent report issued by the external provider of accounting and administration services setting out the controls in place at that service organisation. This report included an independent audit opinion over the

Key audit matter	*How our audit addressed the key audit matter*
• Investment management fees ($523 million) • Performance fees ($57 million) • Other revenue ($2 million)	design and operating effectiveness of those controls. • From the report developing an understanding of: the control objectives and associated control activities; the tests undertaken by the auditor; the results of these tests and the conclusions formed by the auditor on the design and operational effectiveness of controls to the extent relevant to our audit of the Group For Pendal Australia, Pendal EUKA & Pendal US we also performed the following audit procedures, amongst others: • Assessing whether the revenue accounting policy was consistent with the requirements of Australian Accounting Standards. • Agreeing a sample of investment management, performance and advisory fees back to invoices and relevant supporting external evidence, such as underlying fund financial statements and third party calculations. • Recalculating a sample of investment management fees and performance fees, checking that the key inputs were consistent with contractual terms..
Business Combination *Refer to Note E2 of the financial report* On 22 July 2021 the Group, through its wholly-owned subsidiary Pendal USA Inc., acquired 100% of the issued share capital of Thompson, Siegel & Walmsley (TSW), a US-based investment management company. This was a key audit matter due to the complexity of the valuation methods adopted in calculating the intangible assets and the consequent accounting treatment.	Our audit procedures on the business combination included, amongst others: • Agreeing the cash consideration paid to supporting documents. • Assessing the valuation methods used by the Group to identify the value of intangible assets. • Assessing the appropriateness of assumptions made by the Group in determining the value of the assets and liabilities acquired with a focus on investment management contracts. • Recalculating the tax impact of the accounting entries posted.

Key audit matter	How our audit addressed the key audit matter
	• Assessing the disclosures in the financial report in light of our understanding and the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 September 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

The directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 31 to 64 of the directors' report for the year ended 30 September 2021.

In our opinion, the remuneration report of Pendal Group Limited for the year ended 30 September 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Andrew Wilson
Partner

Sydney
5 November 2021

Shareholder Information

The shareholder information set out below is current as at 18 October 2021.

Securities Exchange Listing

The ordinary shares of Pendal Group Limited are listed on the Australian Securities Exchange under the ASX code PDL.

Number of shareholders and shares on issue

The Company has 382,677,887 ordinary shares on issue, held by 26,211 shareholders.

Twenty largest shareholders

Details of the 20 largest holders of ordinary shares in the Company are:

Name		Number of shares	%
1	HSBC Custody Nominees (Australia) Limited	91,190,946	23.83
2	J P Morgan Nominees Australia Pty Limited	51,129,196	13.36
3	Citicorp Nominees Pty Limited	47,045,133	12.29
4	Pacific Custodians Pty Limited <PDL Plans Ctrl A/C>	26,179,454	6.84
5	National Nominees Limited	20,056,692	5.24
6	BNP Paribas Nominees Pty Ltd <Agency Lending Drp A/C>	8,402,334	2.20
7	BNP Paribas Noms Pty Ltd <Drp>	5,463,918	1.43
8	HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	5,081,879	1.33
9	Equiniti Tst (Jersey) Ltd <PDL Emp Benefit Tst 3 A/C>	3,176,666	0.83
10	Equiniti Tst (Jersey) Ltd <PDL Emp Benefit Tst 1 A/C>	2,667,228	0.70
11	Milton Corporation Limited	2,602,949	0.68
12	Equiniti Tst (Jersey) Ltd <PDL Emp Benefit Tst 2 A/C>	2,064,907	0.54
13	Equiniti Tst (Jersey) Ltd <PDL Emp Benefit Tst A/C>	1,948,648	0.51
14	Mutual Trust Pty Ltd	1,800,00	0.47
15	Vesta Investments Pty Ltd	1,718,837	0.45
16	Equiniti Tst (Jersey) Ltd <PDL Emp Benefit Tst 4 A/C>	1,640,602	0.43
17	BKI Investment Company Limited	1,320,833	0.35
18	National Investment Holdings Pty Limited	1,283,800	0.34
19	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	992,923	0.26
20	BNP Paribas Nominees Pty Ltd SIX SIS Ltd <DRP A/C>	890,118	0.23
Total for Top 20		**276,657,063**	**72.30**
Total Number of Shares		**382,677,887**	**100.00**

Shareholder Information

Distribution schedule

Holding	Number of shareholders	Number of shares	%
1 - 1,000	6,453	3,227,947	0.84
1,001 - 5,000	14,724	34,536,421	9.03
5,001 - 10,000	3,249	23,377,513	6.11
10,001 - 100,000	1,726	33,652,280	8.79
100,001 and over	59	287,883,726	75.23
Total	**26,211**	**382,677,887**	**100.00**

Unmarketable parcels of shares

There are 485 shareholders holding less than a marketable parcel of ordinary shares.

Substantial shareholders

The number of securities held by substantial shareholders and their associates, as disclosed in substantial holding notices given to the Company, is set out below:

Name	Number of shares	%
Pendal Group Limited (Employee Equity Plans including vested and unvested shares)	26,768,910	8.30

Restricted securities

There are 2,825,073 securities subject to voluntary escrow.

Unquoted securities

As at 18 October 2021, the Company had the following unquoted options and rights on issue under its Employee Equity Plans:

- 3,490,326 performance share rights
- 5,967,505 nil cost options

Please also refer to Note D2 in the Financial Report for further information.

Voting rights of ordinary shares

Under the Company's Constitution, holders of fully paid ordinary shares have at a general meeting, one vote on a show of hands and on a poll one vote for each share held.

No voting rights are attached to converting notes or nil cost options.

Shareholder Calendar

Record date for final dividend	3 December 2021
2021 Annual General Meeting	10 December 2021
Payment date for final dividend	16 December 2021

Please note that the above dates are subject to change.

Glossary

$	Australian dollars, unless indicated otherwise
£ or GBP	Pounds sterling
€ or EUR	Euro
2021 Financial Year or FY21	The financial year ended 30 September 2021
20XX Financial Year or FYXX	Refers to the financial year ended 30 September 20XX, where XX is the two-digit number for the year
AASB	Australian Accounting Standards Board
ABN	Australian Business Number
ACN	Australian Company Number
ASX	Australian Securities Exchange or ASX Limited (ABN 98 008 624 691)
Board	Board of Directors
bps	Basis points
Brexit	The process by which the UK formally withdrew from the European Union
CAGR	Compound annual growth rate
CGU	Cash generating unit
CODM	Chief operating decision-maker. This is the Company's Global Executive Committee
Company	Pendal Group Limited (ABN 28 126 385 822)
Corporations Act	Corporations Act 2001
cps	Australian cents per share
Directors	Directors of the Company
DRP	Dividend reinvestment plan
EBITDA	Earnings before interest, tax, depreciation and amortisation
ESG	Environmental, social and governance
FUM	Funds under management
GEC	Global Executive Committee
Group	Pendal Group Limited and its consolidated subsidiaries
Impact Investing	Impact investing refers to investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return[1]
JOHCM	J O Hambro Capital Management Limited
JOHCM Holdings	J O Hambro Capital Management Holdings Limited
Key management personnel or KMP	Those persons having authority and responsibility for planning, directing and controlling the activities of Pendal Group
KPIs	Key performance indicators
NED	Non-executive Directors
NPAT	Net profit after tax
OEIC	Open-ended investment company
Pendal Australia	The Australian operations of the Group

[1] As defined by the Global Impact Investing Network

Glossary

Pendal Funds	The managed investment schemes or unit trusts of which PFSL is the RE
Pendal Group	Pendal Group Limited and its consolidated subsidiaries
PFSL	Pendal Fund Services Limited (ABN 13 161 249 332), a wholly-owned subsidiary of the Company and the RE of the Pendal Funds
PIL	Pendal Institutional Limited (ABN 17 126 390 627), a wholly-owned subsidiary of the Company
PwC	PricewaterhouseCoopers, the external auditor of the Pendal Group
RE	Responsible entity
Regnan	Regnan – Governance Research and Engagement Pty Ltd (ABN 93 125 320 041)
Reporting period	The financial year ended 30 September 2021
RI	Responsible Investing
S$ or SGD	Singapore dollars
SMA	Separately managed account
Soft-close	Strategies and funds closed to new investors but which remain open to existing investors on existing terms
VR	Variable reward
TSR	Total shareholder return is calculated using share price movements and dividends to shareholders. The share price movement is calculated using the average three-month closing share price prior to the beginning and end of the performance period, consistent with market practices.
TSW	Thompson, Siegel & Walmsley LLC
Underlying EPS	Underlying earnings per share on an underlying earnings basis
UPAT	Underlying profit after tax
US$ or USD	US dollars

Corporate Directory

Directors
James Evans (Chairman)
Nick Good (Group CEO)
Sally Collier
Andrew Fay
Christopher Jones
Kathryn Matthews
Deborah Page AM

Company Secretary
Joanne Hawkins

Registered Office
Level 14
The Chifley Tower
2 Chifley Square
Sydney NSW 2000
Telephone: +61 2 9220 2000
Email: enquiries@pendalgroup.com

Postal address
GPO Box 7072
Sydney NSW 2001

Website
www.pendalgroup.com

Australian Company Number
126 385 822

Australian Business Number (ABN)
28 126 385 822

ASX Code
PDL

Auditors
PricewaterhouseCoopers
One International Towers Sydney
Watermans Quay
Barangaroo
Sydney NSW 2000

Share Registry
Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000
Telephone: +61 2 8280 7100
Facsimile: +61 2 9287 0303

Key dates

Record date for final dividend	3 December 2021
2021 Annual General Meeting	10 December 2021
Payment date for final dividend	16 December 2021
2022 Interim results announcement	10 May 2022

Please note the above dates are subject to change

2021 Annual General Meeting

Date:	Friday, 10 December 2021
Time:	10.00am (AEDT)

Full details of the meeting are included in the Notice of Meeting

About this report
This report has been printed on Sovereign Silk and Sumo Offset from FSC® certified Mix stock, manufactured with elemental chlorine free pulp.

MIX
Paper from responsible sources
FSC® C018183

The printer is also FSC® and ISO 14001 and ISO 9001 accredited. These certifications specify the product has been completed according to international standards.

Designed and produced by walterwakefield.com.au

PENDAL

GROUP