



# Pendal Group Modern Slavery Statement

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## Scope and Purpose

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This Modern Slavery Statement (**MSS**) applies across the Pandal Group (**Group**). The Group consists of Pandal Group Limited (including its Australian subsidiaries), J O Hambro Capital Management Limited (including its global subsidiaries), and Regnan our specialist environmental, social and corporate governance (**ESG**) business unit.

Regulation to address modern slavery is now in place in several jurisdictions globally including the UK and Australia, key locations for Group operations. We welcome these regulations and the wider global efforts to eliminate modern slavery. As required by the Australian Modern Slavery Act 2018 (**the Act**), the Group has an obligation to report annually on the risk of modern slavery in its operations and supply chains. This MSS also covers our regulatory reporting requirements under the UK's Modern Slavery Act.

This MSS is for the financial year ending 30 September 2020 (**FY20**) and sets out the approach taken, and progress made, by the Group to identify and address modern slavery and human trafficking risks.

Pandal Group's [Human Rights Statement](#) provides further information, which supports this MSS.

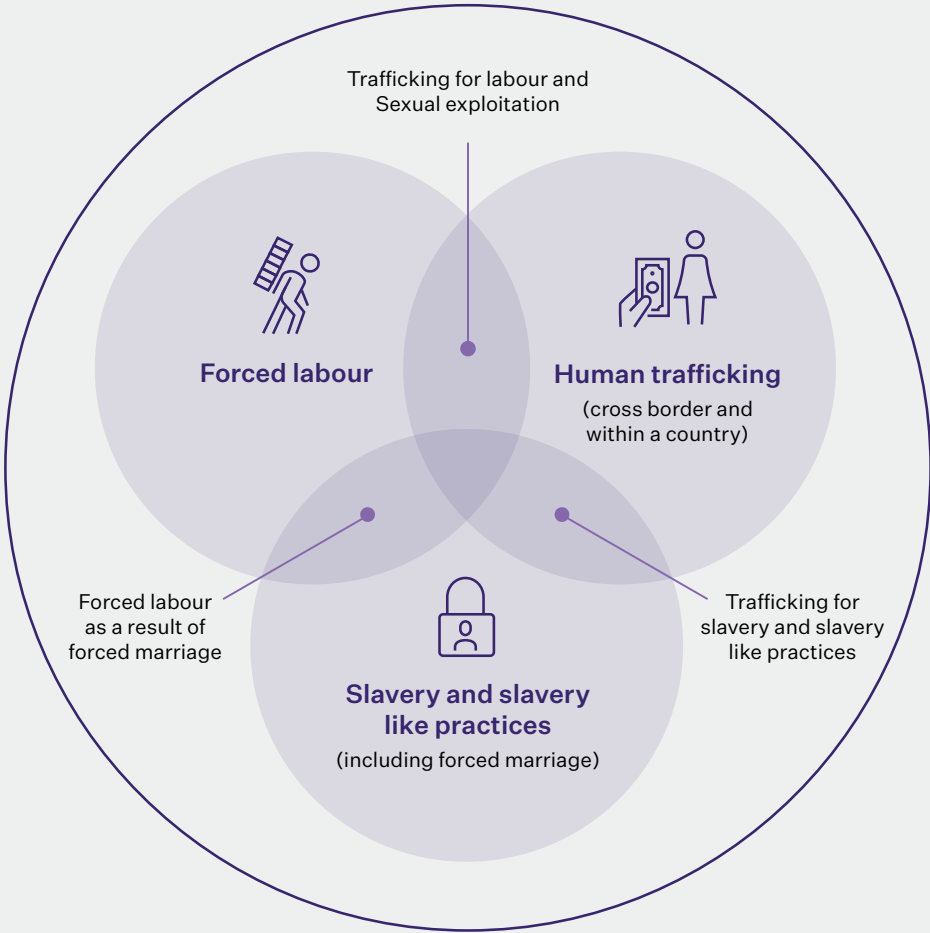
This MSS report has been approved by the Group Chief Risk Officer and the Pandal Group Board on 30 March 2021.

# Respecting Human Rights

Modern slavery is a form of human rights abuse estimated to affect 40 million people globally.<sup>1</sup> Modern slavery refers to situations in which work cannot be refused or ceased due to coercion, threats or deception; and where workers may be deprived of personal freedom. Under regulation in different jurisdictions, this can be defined as including activities such as human trafficking and slavery-like practices, forced labour,

deceptive recruiting, forced marriage, and debt bondage. Whilst it is governments that have a core duty to protect human rights, we believe (consistent with the UN Guiding Principles for Business and Human Rights), that companies also have a responsibility to embed high standards on human rights and that all individuals and groups are equally entitled to human rights and fundamental freedoms, without discrimination.

## Modern slavery is an umbrella term



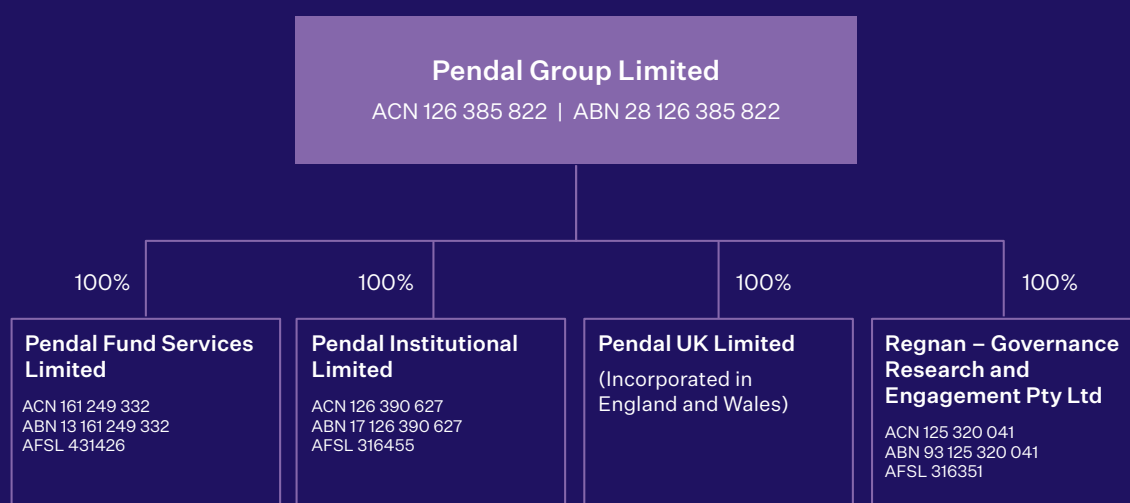
<sup>1</sup> Anti-Slavery International <https://www.antislavery.org/>

# Organisational Structure

The Group is a global investment management business in the financial services sector. It is incorporated in Australia and listed on the Australian Securities Exchange (under the ticker “PDL”).

As at 30 September 2020, the Group had 370 employees, annual turnover of AUD 458 million and Funds Under Management (FUM) of AUD 92.4 billion.

## Legal Entity Structure



\* Regnan is the Group’s specialist Environment, Social and Governance (ESG) business unit. The Group have been working closely with the Regnan team for over 20 years and during 2019 acquired a full controlling interest in Regnan.

## Our Business Model

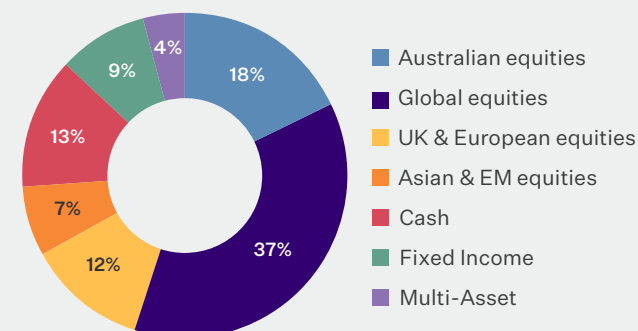
The Group is focused on delivering superior investment returns for clients through active fund management. Our clients include institutions such as pension funds, sovereign wealth funds and insurance companies, as well as high net worth individuals and not-for-profit and community organisations. The core asset classes in which we invest include equities, fixed income, and multi asset investments.

Our investment strategies, including ESG related strategies, are managed by proven and experienced fund managers, who are given autonomy and independence of thought to make investment decisions. Investment teams are supported by an operating platform, which includes supplier management systems and processes.

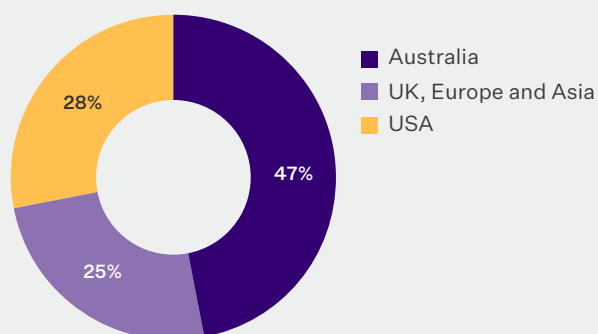
We are regulated by the Australian Securities Investments Commission (**ASIC**), UK Financial Conduct Authority (**FCA**), US Securities and Exchange Commission (**SEC**), Monetary Authority of Singapore (**MAS**) and the Central Bank of Ireland (**CBI**).

We have established a cross-functional Modern Slavery Working Group (**MSWG**), which meets regularly to monitor external developments and support our on-going commitment to reduce the risk of modern slavery in our business. The MSWG includes representation from our subsidiary business units, who have all contributed to the preparation of this MSS.

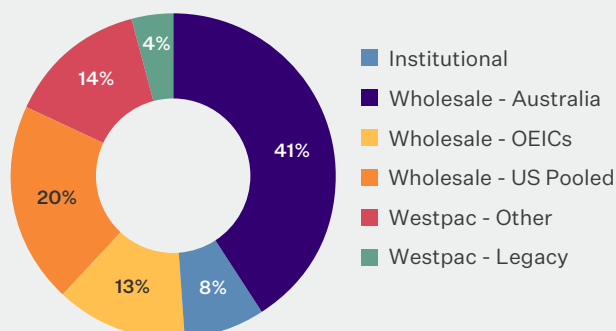
### FUM by asset class



### FUM by geography (client domicile)



### FUM by channel



## Our Operations and Supply Chain

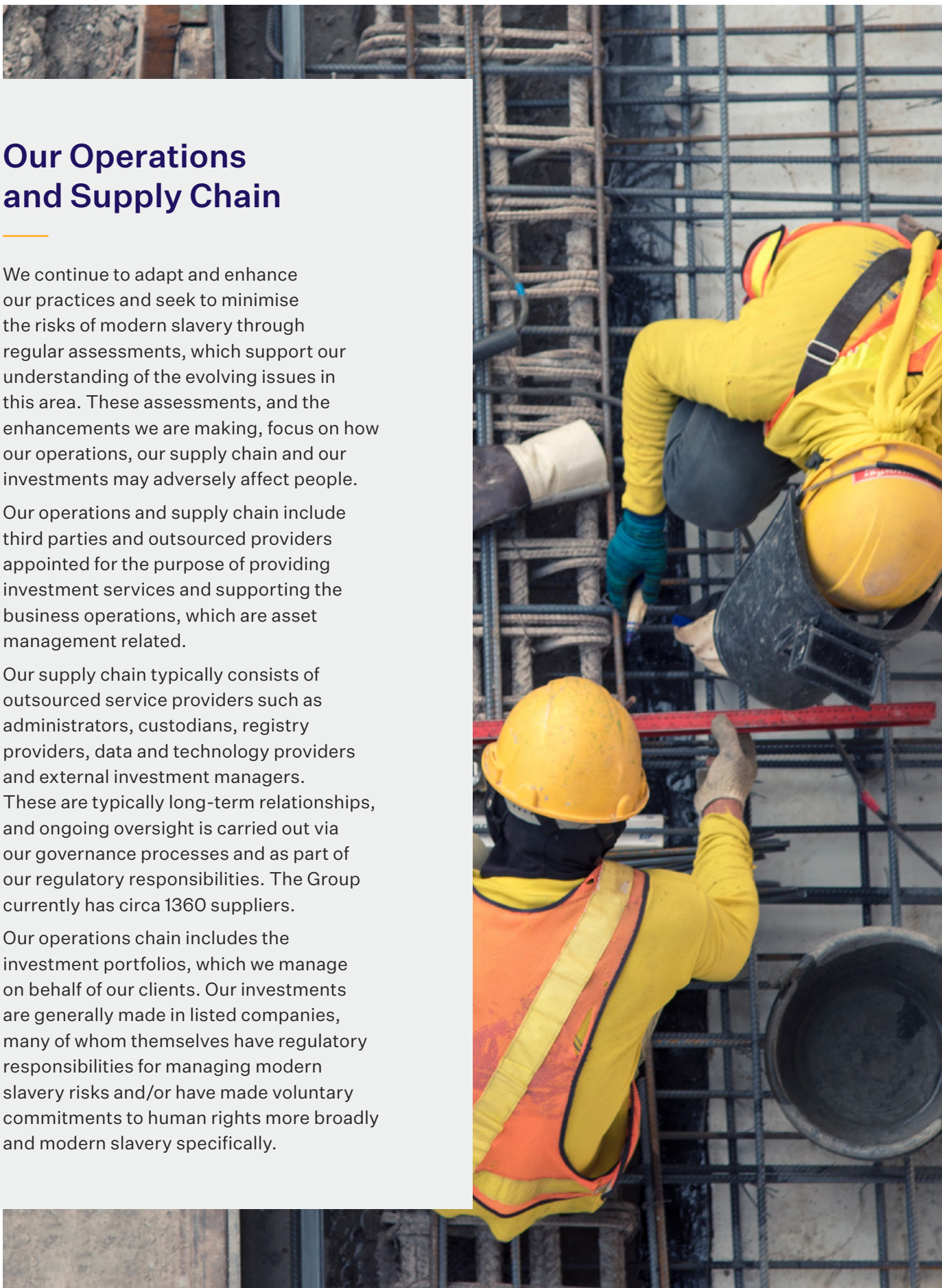
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We continue to adapt and enhance our practices and seek to minimise the risks of modern slavery through regular assessments, which support our understanding of the evolving issues in this area. These assessments, and the enhancements we are making, focus on how our operations, our supply chain and our investments may adversely affect people.

Our operations and supply chain include third parties and outsourced providers appointed for the purpose of providing investment services and supporting the business operations, which are asset management related.

Our supply chain typically consists of outsourced service providers such as administrators, custodians, registry providers, data and technology providers and external investment managers. These are typically long-term relationships, and ongoing oversight is carried out via our governance processes and as part of our regulatory responsibilities. The Group currently has circa 1360 suppliers.

Our operations chain includes the investment portfolios, which we manage on behalf of our clients. Our investments are generally made in listed companies, many of whom themselves have regulatory responsibilities for managing modern slavery risks and/or have made voluntary commitments to human rights more broadly and modern slavery specifically.



## Key Areas of Progress

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We continue to progressively improve our analysis and approach to managing modern slavery risk. This includes robust governance processes (policies, procedures and committees), increased awareness and training, enhanced supply chain due diligence and risk assessments, investment in technology and data, collaboration with relevant industry bodies and where appropriate, continued engagement with our suppliers and the companies in which we invest.

### During FY20, we have:

- Made improvements to our supply chain due diligence processes. This included a review and consolidation of suppliers across the Group. We carried out a high-level modern slavery risk assessment for all suppliers. This exercise has identified that from the 1360 suppliers used by the Group, based on our internally developed risk ratings, 34 have been rated as high risk. The high risk rating has primarily been driven by the geographies in which these suppliers are situated. These jurisdiction ratings corresponded to inherent country ratings identified in the latest Global Slavery Index (2018).
- Modern slavery provisions are included in most new suppliers contracts from June 2020.
- Published our Human Rights Statement as at 31 December 2020. This outlines our position on, and commitment to, managing human rights related risks, including modern slavery risks.
- Delivered mandatory, high level, modern slavery training to all staff across the Group (completion rate of 100% as at 30 September 2020), to help raise awareness and communicate the firm's expectations of the role that our employees play in assisting the Group to manage modern slavery risks.
- Designed and developed a proprietary assessment tool to assess modern slavery risks within our Australian equities investments, to help facilitate our clients to meet their own obligations under the Act.
- Continued to use our influence, attend industry forums, and participate in modern slavery and human rights initiatives. We are members of the RIAA Human Rights Working Group.
- Carried out engagement activity where we aim to influence positive change. In the twelve months to 30 September 2020, our investment teams and Regnan (our ESG specialist business unit) have undertaken 34 engagements related to modern slavery risks, with ASX-listed companies.



## Further enhancements underway

- Having completed high-level supplier risks assessments across the Group, we will continue to conduct deeper analyses and engagement. We will be requesting the high risk rated suppliers to adhere to our in-house developed modern slavery compliance statement.
- We will continue to invest in technology and data to enhance our human rights-related company and country risk assessments, and to make better use of monitoring services, which alert us to potential incidents.
- Provide further targeted training for portfolio managers and employees whose role is primarily supplier facing, to raise awareness of process enhancements and better detect any potential modern slavery risks.
- Building on the work we completed with the Australian Equities team, we will continue to enhance the risk assessment processes and tools to support other investment teams across the Group. Where we believe an investee company's processes are not sufficient to manage modern slavery risks, we will continue to engage with the company to help drive positive change.

### Case study

## Engagement to help drive positive change

### Background

An Australian capital goods company, which also has operations in the Philippines, a jurisdiction identified as higher risk.

### Issue

The company brings employees from its Philippines-based operations for training at its Australian sites to support upskilling and knowledge transfer.

However, the company faced criticism within the media, which implied that these employees were being exploited. With the potential for modern slavery to be present, our concerns grew. Disclosures did not provide sufficient transparency on the company's mitigation of this risk.

### Strategy

We engaged directly, seeking assurances from the CEO that no exploitation was present. Satisfied with the response, we encouraged the company to improve aspects of their disclosures to better demonstrate robust employee practices across all of their operations.

### Outcome

The company agreed that there were opportunities to better demonstrate the controls in place. We will monitor forthcoming annual disclosures to see if reporting has been enhanced.



## Managing Modern Slavery Risks in Our Business

The Group is committed to continued improvement in the management of modern slavery risks. In line with the Group's Risk Management Policy, the management of 'risk' is the responsibility of all employees. This is also the case when considering modern slavery risks.

The 'key risks of modern slavery practices' outline the potential for the Group to cause, contribute to, or be directly or indirectly linked to modern slavery through its operations and supply chains, as it relates to the risk to individuals. Our modern slavery risk management framework has identified a number of factors that elevate the inherent risk for modern slavery. These include:

- 1. Vulnerable Populations:** Low skilled, temporary jobs, migrant workers or minorities.
- 2. High and medium risk geographies:** Lack of regulation or enforcement agencies, poor track records on corruption and human rights, prevalence of criminal organisations.
- 3. Business models:** Structured around high-risk practices. For example, complex and long supply chains with several intermediaries along the chain, oligopolistic industries, labour intensive industries or short lead times.

- 4. High-risk product and services categories:** Often sector specific. For example, agriculture, mining, apparel industry, construction and building materials and electronics.
- 5. Complex organisational structures and operations:** Where control and oversight can be diminished.

The COVID-19 pandemic is unique and we have already seen major implications on societies and the economy. This outbreak has resulted in multiple challenges for businesses and increased risks in areas such as business continuity planning, workforce wellbeing and supply chain disruption. Where relevant, we have started to consider these risks in our risk assessment process, to date we have not identified additional material modern slavery risks in our value chain.



## Key Risks and Actions

### Our Operations

The key risks relate to our people, specifically that our workplace is not directly employing people under conditions constituting modern slavery. We are a global professional services business, and our statutory responsibilities and employment policies help to manage such people related risks.

**We see risks in our operations as inherently low.**

### Key actions taken – how we manage the risks

- 1. Business Model:** We are a professional services business, and do not have subsidiaries or offices based in countries that we inherently consider to be high risk in terms of modern slavery practices. We operate in a highly regulated environment and are compliant with requirements for managing modern slavery risks.
- 2. Governance:** We have a robust approach to governance with a range of oversight committees and assurance functions. Our Code of Conduct, which all staff must abide by both in terms of its strict requirements and spirit, acts as a further risk management tool.
- 3. Policies and Procedures:** We have a range of specific employee related policies and procedures, including whistleblowing, grievance, employment screening (including work eligibility checks), employment working conditions and workplace behaviour. There are also a number of compliance policies that contribute to the management of modern slavery risks including those relating to anti-money laundering and anti-bribery and corruption.
- 4. Training:** In addition to our ongoing people and compliance training programme, during FY20 we also carried out mandatory modern slavery training for all staff across the Group, with a 100% completion rate.

## Our Supply Chain

The key risks relate to how well our suppliers are managing modern slavery risks in their business activities, including tier 2 suppliers and beyond (i.e. within their own supply chains and/or sub-contracting relationships).

We have circa 1360 suppliers globally. The material suppliers are typically listed and regulated financial services entities who employ skilled, permanent workers. Many of these operate within jurisdictions with regulatory responsibilities to report on their exposure to modern slavery, and to have in place appropriate risk management practices.

**Based on the nature of our exposures, we see risks in our supply chain as inherently moderate.**

### Key actions taken – how we manage the risks

- 1. Due Diligence:** We have established supplier selection policies and processes. These include detailed due diligence and credential verification elements for material suppliers such as jurisdiction analysis, adequacy of policies and procedures, and compliance with regulatory responsibilities. Information on our supply chain operations is gathered at the outset of a new supplier relationship, and thereafter monitored and reviewed using a risk-based approach. All material suppliers are reviewed at least annually, if not more frequently.  
  
Where we use external investment managers to invest on our behalf, in Pandal Australia we have expanded our annual ESG due diligence questionnaire to include modern slavery. This approach will be further developed, and where appropriate, rolled out across other investment teams in the Group.
- 2. Governance:** Our governance and oversight practices involve various committees - including outsourcing committees where senior management regularly monitors and reviews the performance of material suppliers, and identifies potential areas for improvement.
- 3. Risk Assessment and Compliance:** We have developed a risk assessment framework and rated all of our suppliers. Factors that contribute to the assessment include geographical risk assessment, business model, increased levels of outsourcing, and higher volumes of temporary workers/manual labour. This has resulted in 34 suppliers being rated as high risk. For the high-risk suppliers, we have started to develop engagement plans that will include a request for these suppliers to confirm their approach to managing modern slavery risks via sign off of an in house developed Modern Slavery Compliance Statement. Going forward, we will continue to carry out deeper analyses and where appropriate, engagement and validation will be conducted on moderate/lower rated suppliers.  
  
Due to the global reach of certain suppliers, we acknowledge there is a risk that further outsourcing will take place by some of our suppliers. Examples of this could be in areas such as office maintenance, catering, delivery staff, or cleaning. We acknowledge that these indirect risks are harder to identify/manage and we continue to develop our risk assessment framework, engagement plans and compliance sign-off requirements, to help seek further comfort that our suppliers are managing modern slavery related risks within their own supply chain.
- 4. Contract Management:** Our suppliers are expected, and in some cases contractually obliged, to notify us of breaches of laws and regulations, which may affect our services.
- 5. Engagement:** During FY20, we continued our engagement with key suppliers. This included discussing the impacts of COVID-19 on their operations and the services they provide to the Group, and where appropriate, providing support to our suppliers.



## Our Investments

The key risks relate to how well the companies we invest in are managing modern slavery risks in their businesses.

As at 30 September 2020, we managed circa AUD 92 billion on behalf of clients. Our investments are primarily in companies trading on listed markets, and often in companies who themselves have regulatory obligations to ensure they manage modern slavery risks.

**We see risks in our investments as inherently moderate.**

### Key actions taken – how we manage the risks

We aim to manage modern slavery investment risks in two main ways - through our investment decision-making and through direct engagement with companies and issuers. Our investment decision-making and engagement processes continue to evolve to help assess modern slavery risks.

#### Investment Decision-making

Our investment managers continue to progressively incorporate assessment of modern slavery risks into their decision-making process. We recognise that our approach will continue to evolve, and remain committed to enhancing our systems and processes in this area.

**1. Geographic Exposure:** In FY20, we sought to understand our portfolios' exposure to higher risk geographies. In line with common practice, we referred to the top 50 highest risk countries as identified in the latest Global Slavery Index (2018). After completing an initial assessment on our Australian investment strategies, which represents 46.67% of our total assets under management, we can confirm that as at 30 September 2020, we did not hold any investments in entities incorporated or listed, nor held debt offered by government or semi-government issues, in these 50 countries. We will expand this assessment to other investment strategies during FY21, and continue to monitor any change in exposure.

**2. Assessment Tool:** During FY20, we designed and piloted a proprietary assessment tool to assess modern slavery risk within our Australian equities and corporate debt holdings, representing circa. AUD 27 billion of the Group's assets under management as at 30 September 2020. This tool provides a total score reflecting exposure to modern slavery risk, which is based off seven sub-scores across key areas including the five areas highlighted above on Page 10. In determining the sub-scores, we utilise direct data feeds from third-party providers, and analyst assessments. In FY21, where appropriate, we will further adapt and incorporate this tool and other dedicated third-party assessment tools to support the investment decision-making process for other fund management teams in the Group.

**3. Research and Training:** We have expanded our research subscriptions, and this will help to further enhance modern slavery risk assessments across the Group in FY21. This is being complemented by enhanced training for our investment teams to support their own understanding of modern slavery practices and how they may identify entities with a greater likelihood of being complicit in such practices.



## Our Investments continued

### Engagement

- 1. Direct engagement with Investee companies:** Further to our top-down modern slavery risk assessment framework, company engagement is another avenue for gathering information to support our company and sector level assessments. For example, in the twelve months to 30 September 2020, Regnan and our Australian equities investment team undertook 34 corporate engagements on modern slavery adopting different but complementary approaches. Our investment teams prioritised engagements where we believed the companies face elevated risks, or where there was evidence that suggested controls were not appropriately designed or operating effectively. We seek to test company thinking on their exposure and for them to demonstrate evidence of adequate controls and processes in place. If we identify an investee company where we think the processes are not sufficient to manage modern slavery risks, if appropriate, we will continue to engage with the company to further understand the situation and help drive positive change.

Regnan engagement has focused on encouraging market-leading practices from those companies viewed as well placed and/or committed to making a meaningful difference to managing modern slavery risks. Engagement has therefore focused on raising the benchmark against which others will be assessed to encourage the broader adoption of these practices. Further information about this work is available in the [Regnan Modern Slavery Engagement Report](#).

- 2. Collaborative Engagement:** We also see collaborative engagement, for example with other investors, Non-government organisations (**NGOs**) or industry associations, as one way to address modern slavery related risks in our investments. Internally, we actively encourage collaboration across investment teams and other parts of our business, as an effective way to identify and address such risks in both our operations and our investments. We are also working on collective engagement programmes with some of our clients.

## Case study

# Engagement to help drive positive change

### Background

A global heavy manufacturer with some sourcing from high risk regions.

### Issue/opportunity

Early good practice and openness to engagement suggested an opportunity to encourage meaningful activities and provide better practice examples.

### Strategy

We met with the company on numerous occasions to encourage it to build on its early good practice to develop a leading response. This included:

- Thinking through in advance what actions it would take should modern slavery be identified given heightened risks during this time.
- Encouraging it to consider the role of informal networks and alternate strategies in addition to formal whistleblowing activities given the reluctance of vulnerable people to use these channels.
- Publicly commenting on examples reinforcing that the identification of modern slavery within its operations should be considered a signal of the efficacy (rather than failure) of its approach.

### Outcome

The company's modern slavery report provided examples of concerning practices identified within its value chain and resultant actions. Further, the company expanded its supplier screening processes to address the limitations of formal grievance mechanisms, recognising the need for alternate methods to gather the views of the employees of its suppliers.





## Grievance Mechanisms and Remediation

We provide our employees and other stakeholders various channels to raise grievances related to any illegal or unethical behaviour, including in relation to human rights and modern slavery. Our people related policies including the Code of Conduct and Whistleblowing Policy are key parts of this framework (a copy of both policies is available on the Pandal Group website). This framework helps give our employees a clear understanding of their responsibilities in relation to the behaviours we expect and assists in the fostering of a culture where individuals can speak up confidentially and without reprisal. This helps us to manage risks including risks to people. To date, no specific modern slavery related concerns have been raised across the Group.

Should we identify our direct involvement in, or contribution to, modern slavery or human rights abuses against an individual or group, we would work collaboratively to ensure remediation for the persons affected. We would participate in remediation processes in good faith, and with the intention of offering effective and legitimate remedy.

As part of our supplier selection and due diligence processes, we require our material suppliers to have appropriate grievance and remediation processes in place. Where needed, we have also started to encourage our investee companies to implement appropriate grievance mechanisms so their workers and suppliers can raise issues, and support disclosure around these issues where possible. We encourage ourselves and where required the companies we invest in to supplement formal mechanisms with other insights such as participation in relevant industry groups to share information and best practice, and building relationships with relevant NGO's that work with vulnerable people. We maintain relationships with a range of NGOs providing a more informal channel through which to understand our potential involvement, including indirectly, in modern slavery activities, noting that many of the most vulnerable are unlikely to raise concerns through the more formal channels in place.



## Our Approach to Assessing Effectiveness

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We continue to make progress in managing modern slavery risks, and acknowledge that further advances are required. We also understand that assessing effectiveness is at an early stage of development.

We aim to take meaningful steps to embed enhancements throughout our global operations, supply chains and investments. Our first priority has been to create a strong foundation by increasing awareness at all levels of our workforce, including amongst supplier relationship managers and investment management teams. We believe that this approach will encourage more conversations and engagement about modern slavery to take place.

Our supplier management practices and governance processes provide insight into the effectiveness of our efforts, and what further improvements we could make. Additionally, our MSWG contributes to helping us assess effectiveness and make improvements to our processes and procedures, for example, by benchmarking our approach with others in our industry.

Our Group-wide Incident Management framework, including remediation, is a key part of our broader Risk and Compliance framework. Modern slavery incidents will be covered by these frameworks in the same way that other incidents are addressed and employees have been made aware of the need to escalate areas of increased risk of modern slavery where these are identified. Incidents are identified, assessed and managed with the key objective being that we ensure our clients are treated equitably (do not lose out due to any errors we make) and that we learn from any mistakes and continue to improve our processes

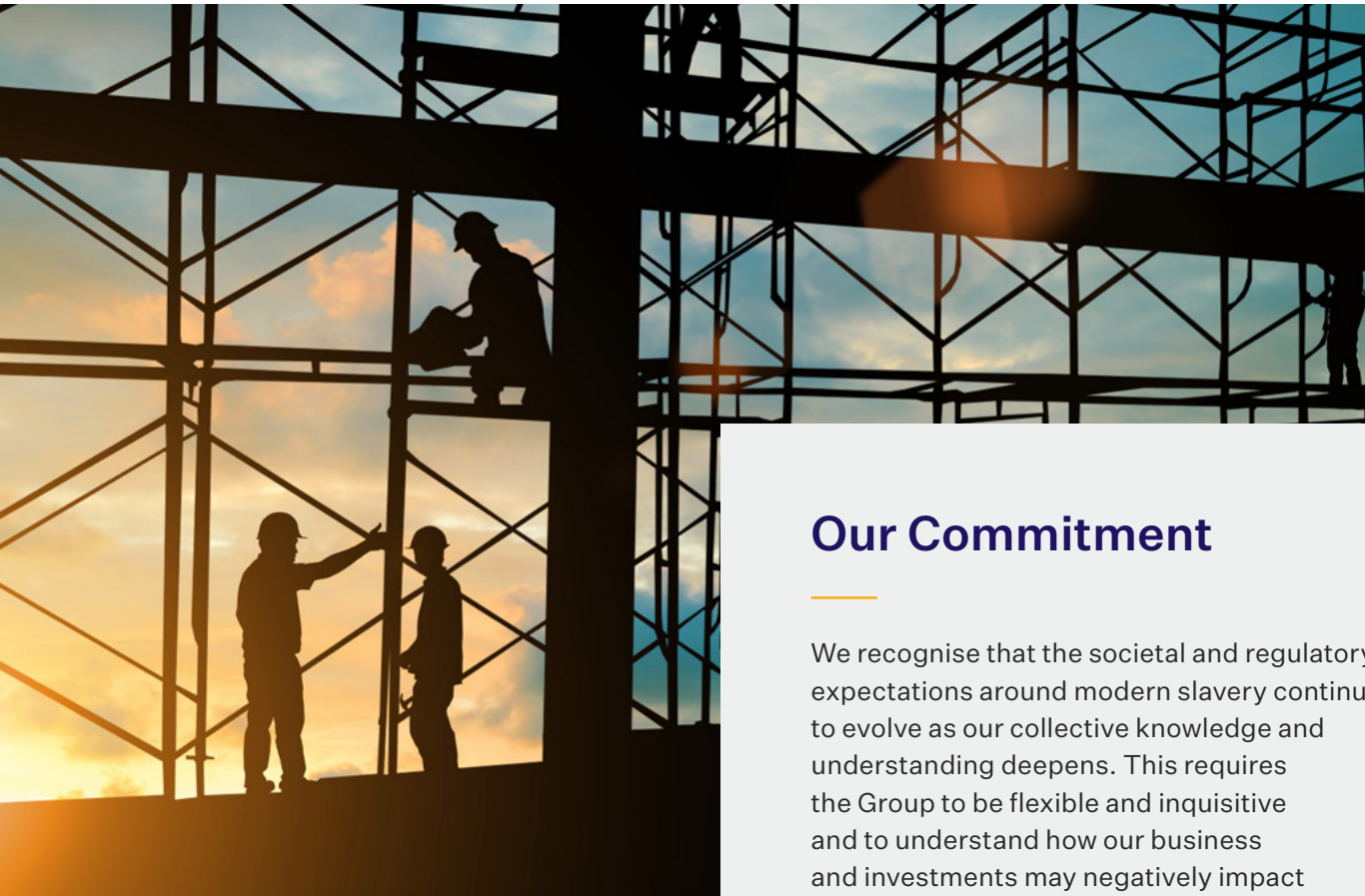
and controls. We can confirm that to date there have been no modern slavery related incidents reported in any of our global businesses.

There are also a number of external sources that help us to assess effectiveness.

Regnan, our specialist ESG business unit, has been engaging specifically on modern slavery in its collective engagement programme, on behalf of the Group and several external clients. Where appropriate, Regnan shares insights from this programme with some of the Group's investment teams, supporting their own direct engagements on modern slavery. These insights, and our broader involvement and contribution to 'Responsible Investment' industry groups provide us with a good benchmark on the approach we are taking to managing modern slavery risks and help us to assess effectiveness, and to identify areas for improvement.

Our clients, as part of their due diligence, are also increasingly interested in the management of modern slavery risks. This provides us with insights on the expectations of our clients, and helps us to assess the effectiveness of our actions.

We will continue to enhance our risk management processes to further improve the way in which we assess the effectiveness of our actions to manage modern slavery risks in our operations and supply chain. Where appropriate, we will develop further metrics and use technology to support our assessment, for example, the level and quality of supplier responses required for our high-risk supplier sign-off of our Compliance Statement.



## Our Commitment

We recognise that the societal and regulatory expectations around modern slavery continue to evolve as our collective knowledge and understanding deepens. This requires the Group to be flexible and inquisitive and to understand how our business and investments may negatively impact individuals or groups of people, and as a result be affected by modern slavery risks. This will necessitate ongoing enhancements to analysis, training, systems and processes. We will continue to work collaboratively with industry bodies and where appropriate, engage with suppliers and investee companies to influence positive change. We remain committed to a comprehensive, transparent and progressive response to modern slavery, acknowledging that this is in the interests of our business, our stakeholders and the wider community.

A handwritten signature in black ink, appearing to read 'Nick Good'.

**Nick Good**

Pendal Group Chief Executive Officer

March 2021

This statement has been prepared by Pendal Group Limited ACN 126 385 822 and the information contained within is current as at 31 December 2020.

This statement has been issued in the United Kingdom by J O Hambro Capital Management Limited, authorised and regulated by the Financial Conduct Authority.

This statement has been issued in Australia by Pendal Institutional Limited ABN 17 126 390 627 TAFSL 316 455. This statement is for general information purposes only, should not be considered as a comprehensive statement on any matter and should not be relied upon as such. It has been prepared without taking into account any recipient's personal objectives, financial situation or needs. Because of this recipients should, before acting on this information, consider its appropriateness having regard to their individual objectives, financial situation and needs. This information is not to be regarded as a securities recommendation.

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