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

ABN 28 126 385 822

PENDAL GROUP

4 November 2022

Company Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

Pendal Group Limited (PDL) Full Year Profit Announcement for the twelve months ended 30 September 2022

The following documents are attached for lodgement:

☐ Appendix 4E

☐ ASX Announcement

☐ Analyst Presentation

☐ Shareholder Update

☑ **Annual Report**

☐ Appendix 4G

☐ Corporate Governance Statement

☐ Sustainability Report

Yours sincerely

Authorising Officer

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

PENDAL GROUP

Annual Report
2022

The future is worth investing in

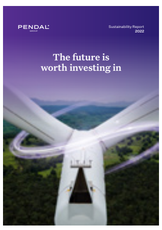
Pendal Group is an independent global investment manager focused on delivering superior investment returns for clients through active management.

Contents

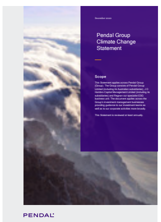
Additional documents

Further details on our approach to corporate governance and management of environmental, social and governance matters can be found in the documents below.

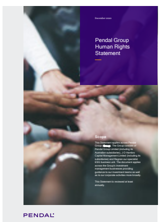
Corporate Governance Statement



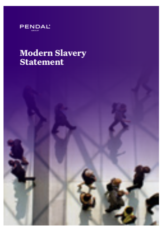
Sustainability Report



The Pendal Group Climate Change Statement

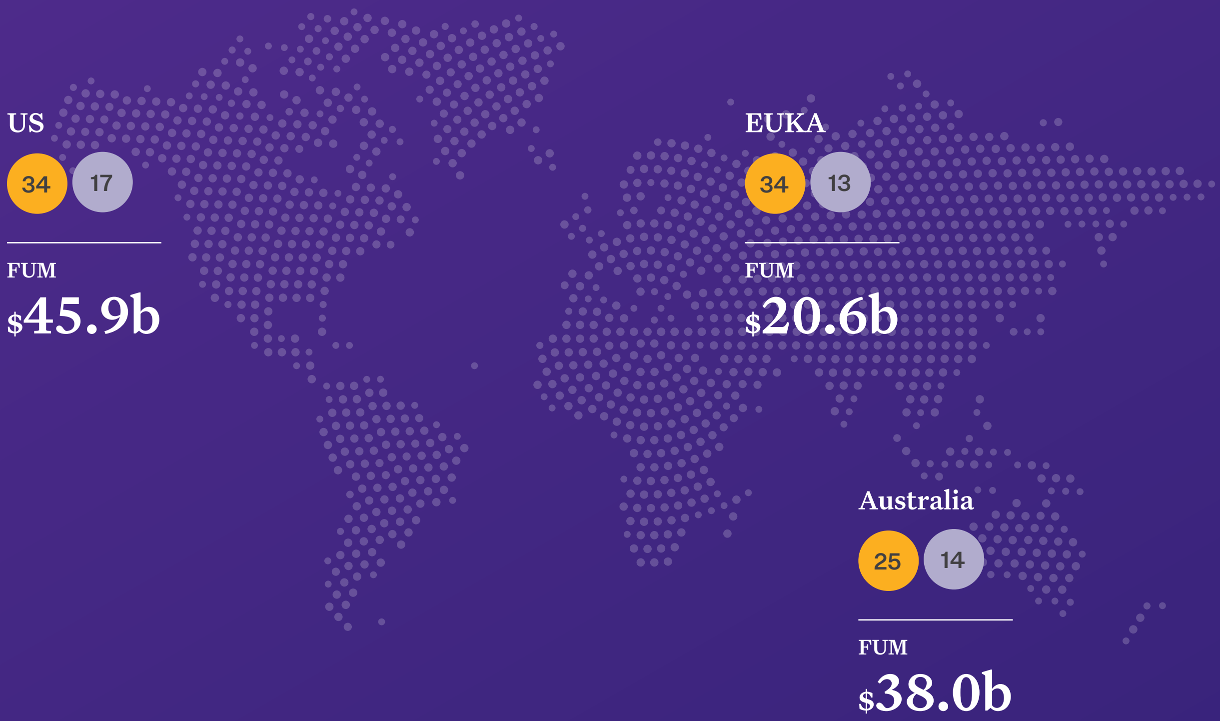


The Pendal Group Human Rights Statement



The Pendal Group Modern Slavery Statement

Delivering investment strategies globally



93 Investment personnel

44 Sales personnel

Financial Highlights

Underlying profit after tax (UPAT)	$194.2m	Base management fees	$577.0m
Underlying earnings per share	50.7 cps	Performance fees	$51.9m
Average FUM	$124.3b	Total dividend[1]	24.5 cps

1. Final dividend of 3.5 cents per share.

Letter from the Chairman and Group Chief Executive Officer

Dear Shareholder,

In the past year, Pendal, along with the global asset management industry, has faced a series of challenging headwinds – rising geopolitical tensions, COVID-19 variant lockdowns, rising interest rates and inflation. These factors contributed to significant global market declines in the second half of the year, increased investor caution and a fall in fund flows worldwide. Nevertheless, we have continued to advance on our strategic course to further strengthen our business, most importantly by agreeing the proposed transaction with Perpetual Limited (Perpetual), which will accelerate progress towards our strategic goals.

As a boutique active asset management business, we face two conflicting strategic challenges. We firmly believe that investment performance is most effectively delivered through a culture of innovation, independence and nimbleness. We also believe our boutique model attracts and retains the best investment talent. This is core to our culture and to the value proposition we offer to our clients throughout the world.

In contrast, long-term market dynamics demonstrate the importance of global scale and reach, along with enhanced efficiencies that allow greater investment in client service and fund manager support, while remaining competitive on fees.

To succeed, we therefore must retain the benefits of a boutique, while simultaneously maximising the benefits of scale where we can find it.

We are addressing these contradictory challenges through our stated strategy of effective global distribution of our funds; investment in product diversification, including enhancing existing strategies; continuing to attract and retain the best talent; and simplifying our operating infrastructure. We are and remain confident in our strategic plan over the medium to long-term, while always looking for opportunities to accelerate it.

Pendal has made significant strides in these areas in recent years but we recognise that the pace of change could be accelerated. We believe that a combination with fellow Australian asset manager Perpetual would boost scale and growth in a much shorter timeframe than either business could achieve on its own. The expanded footprint would maintain the benefits of a nimble structure while expanding the opportunities to benefit from scale and thus strengthen our proposition for our clients.

We believe it is the right way forward for our shareholders, our clients and our people.

We believe that a combination with fellow Australian asset manager Perpetual would boost scale and growth in a much shorter timeframe than either business could achieve on its own.

Left:
Group Chief Executive Officer Nick Good and Chairman Deborah Page AM

FY22 results overview

A solid financial result has been delivered for the year ending 30 September 2022.

The Group's operating revenue increased by eight per cent to $629.7 million (2021: $581.9 million). Base management fees were $577.0 million, a 10 per cent increase on the prior year due to higher average funds under management (FUM) levels, which increased 15 per cent primarily as a result of the acquisition of Thompson, Siegel & Walmsley (TSW) in 2021. Performance fees were $51.9 million (2021: $57.5 million) with notable contributions from the JOHCM Global Select strategy and the Pendal MicroCap strategy. The operating profit margin increased to 36.0 per cent, supported by TSW and our measured approach in managing costs.

Our underlying profit after tax (UPAT) was $194.2 million, an increase of 17 per cent on the previous year. Statutory net profit after tax (Statutory NPAT) declined from $164.7 million to $112.8 million, notably impacted by significant seed investment gains in 2021 that reversed in the current year as global equity markets declined.

Underlying Earnings Per Share increased 5.3 per cent to 50.7 cents per share (cps) (2021: 48.2 cps).

The Board has resolved to pay a final FY22 dividend of 3.5 cps, fully franked. The amount of the final dividend has been considered with regard to the proposed Scheme and expected timing of implementation, noting that the cash component of the Scheme consideration would be reduced by the amount of the final dividend.

This brings total dividends for the year to 24.5 cps and a full year payout ratio of 48 per cent.

Investing for growth

To reflect the market environment, we adopted a flexible and prudent approach to cost management, pulling back in some areas while continuing to invest in targeted initiatives for growth.

We expanded our global distribution footprint, broadened our investment capabilities, particularly in ESG and responsible investment and further streamlined our global infrastructure.

The Group established an on-the-ground presence in Continental Europe, with operations in France and Germany and our marketing capabilities were strengthened in the US and Europe. The Regnan Sustainable Water & Waste strategy was made available to clients across the UK and Europe, the Regnan Global Equity Impact Solutions Fund was made available to clients in Australia and the US and we deepened integration of ESG across our investment strategies. Additionally, we achieved a significant milestone, with the completion of our transition away from Westpac support services in Australia and the migration to Northern Trust. A similar migration to Northern Trust is underway in our European business.

To support these developments, Pendal made several key appointments to boost our global expertise across human resources, investments and operations.

Advancing our global DEI strategy

During the year we advanced our global DEI strategy, a cultural, commercial and reputational imperative for the group.

The primary goal for the year was to engage in a process to build our long-term DEI strategic plan. Led by the Group-wide DEI Steering Committee, we partnered with an external consultant to assess how our employees perceive our commitment to these principles across all regions. Focus groups were held with a wide range of participants at all levels of the business. The outcomes of these sessions have been presented to the Global Executive Committee and will be used as a guide to develop our strategic plan in FY23.

Additionally, during the year, with the objective of enhancing diverse employee representation globally, DEI goals were built into the KPI scorecard for Global Executive Committee members, requiring an emphasis on diverse hiring. Although we are proud of our strong representation in multiple dimensions across our board and executive team, we recognise there is more we can do. This will be a key priority as we look to embed more specific representation measures and increase our understanding of attrition for under-represented groups.

Perpetual's proposed acquisition of Pendal

On 25 August 2022, your Board agreed to enter into a Scheme Implementation Deed with Perpetual under which Perpetual would acquire 100% of Pendal shares by way of a Scheme of Arrangement ("Scheme"). The Scheme Consideration comprises 1 Perpetual share for every 7.5 Pendal shares plus $1.976 cash (less final dividend).

Following Perpetual's initial approach at the beginning of April this year, the Board was pleased to receive an improved proposal, which was the result of extensive engagement between both companies. Most notably, the Board and management became increasingly assured that Perpetual's proposal for the merged business would facilitate cultural fit and provide the potential to accelerate our common strategic objectives to deliver revenue growth.

Following Perpetual's initial approach at the beginning of April this year, the Board was pleased to receive an improved proposal, which was the result of extensive engagement between both companies.

Importantly, Pendal's asset managers have Perpetual's strong support and commitment to preserve our well-regarded culture of investment independence. The combination of the two businesses will create one of Australia's largest ASX-listed asset managers with a substantial global presence and distribution platform as well as deep ESG and responsible investment capabilities. Our shareholders will have the opportunity to gain exposure to the benefits of the combination via the scrip component of the Scheme Consideration.

Your Board recommends Pendal shareholders vote in favour of the scheme, in the absence of a superior proposal and subject to the Independent Expert concluding and continuing to conclude that the Scheme is in the best interest of Pendal's shareholders.

A Scheme Booklet, which will provide more details on the offer, is being finalised and is expected to be issued in November, ahead of the Scheme Meeting, which is targeted for December 2022.

Board changes

During the year, two longstanding Australian based directors, Mr James Evans and Mr Andrew Fay retired from the Board. During their tenure, Pendal successfully transformed from an Australian only fund manager into a global asset management business with FUM of $104.5 billion.

On behalf of the Board and everyone at Pendal, we wish to thank Andrew and James for their significant contribution to the company.

In March 2022, Australia-based Mr Ben Heap joined the Pendal Board as Non-Executive Director. He has brought wise counsel as a thoughtful and strategic thinker. Pendal has directly benefited from Ben's considerable international expertise in the asset management industry together with his experience and passion for new technologies.

Outlook

The proposed combination of Pendal and Perpetual has the potential to mark a defining moment for the asset management sector in Australia and the combination of two iconic financial services firms will create one of Australia's largest global asset managers.

It has the potential also to become a global leader in responsible investment and ESG and will provide clients with a diverse range of specialist sustainable and impact investment capabilities through Regnan and Trillium.

It has been an eventful year and one in which we have seen the true dedication of our people. On behalf of the Board, we would like to extend our thanks to the management team and all our employees for their significant contributions.

We would also like to recognise and warmly thank our Board colleagues for the additional time they have contributed to Pendal this year, guiding and contributing to the stewardship of the company during a time of considerable corporate activity, including the negotiation of enhanced terms for Pendal shareholders from Perpetual.

Finally and most importantly, we would like to acknowledge you, our valued shareholders, for your support and trust.

Yours sincerely,

Deborah Page AM
Chairman

Nick Good
Group Chief Executive Officer

History of Pendal

2007

The investment management business of BT Financial Group lists on the ASX as BT Investment Management (**BTIM**), with Westpac retaining a 60% stake

2011

BTIM expands offshore through the acquisition of J O Hambro Capital Management (**JOHCM**) a London based boutique active equity manager

2015

Westpac reduces holdings to ~31%

2017

Westpac further reduces holdings to ~10%

2018

Company name changed to Pendal Group Limited (ASX:PDL)

2022

On 25 August 2022, Pendal announces proposed Scheme of Arrangement with Perpetual

2020

Westpac sells remaining ~10% of Pendal Group

2019

Pendal takes full ownership of Regnan, a specialist ESG research and engagement firm

2021

Pendal acquires US value-oriented investment management and advisory company, Thompson, Siegel and Walmsley (**TSW**)

Financial Performance

The 2022 Financial Year saw growth in the Group's revenue, underlying profit after tax (UPAT), and underlying earnings per share (EPS) which included the first full-year contribution of Thompson, Siegel and Walmsley (TSW), a US value-oriented investment manager acquired in 2021.

Five-year profile	FY18	FY19	FY20	FY21	FY22
Average FUM ($b)	99.5	98.8	94.8	107.9	124.3
Closing FUM ($b)	101.6	100.4	92.4	139.2	104.5
Base management fee margin (bps)	51	49	48	48	46
Base management fees ($m)	501.1	482.6	458.1	522.8	577.0
Performance fees ($m)	54.5	5.9	13.4	57.5	51.9
Fee revenue ($m)	558.5	491.2	474.8	581.9	629.7
Operating expenses ($m)	315.7	304.9	306.9	377.8	403.2
Operating profit ($m)	242.7	186.3	167.9	204.1	226.5
Operating margin (%)	43	38	35	35	36
UPAT ($m)	197.8	148.5	132.6	165.3	194.2
Statutory NPAT ($m)	202.0	154.5	116.4	164.7	112.8
Underlying EPS (cps)	62.5	46.6	41.1	48.2	50.7
Dividends (cps)	52.0	45.0	37.0	41.0	24.5

Funds under management (FUM)

FUM as at 30 September 2022 was $104.5 billion, down 25.0 per cent on the prior year. FUM was adversely impacted by a significantly weaker market environment and net outflows which were experienced across all regions. Favourable foreign currency movements added $2.5 billion as the US dollar strengthened over the year.

Net outflows were $14.0 billion for the year. These redemptions emanated from several Australian equities mandates, global equities mandates in the EUKA region and a shift in the US Pooled funds as investors allocated away from growth-oriented international equities in response to rising geopolitical tensions and inflationary concerns.

Flow trends in the OEICs improved in the latter part of the year and there were positive flows into the Group's sustainable and impact strategies offset by outflows in European and UK equities which remained out of favour with investors.

In Australia, there were positive flows in the higher margin wholesale channel with steady flows across most asset classes throughout the year. The Westpac book saw outflows of $2.1 billion (ex-cash).

Investment performance

Following a strong start in the December 2021 quarter, global equity markets finished notably down in the 2022 Financial Year with the MSCI ACWI Index in local currency terms and S&P 500 declining 17.7 per cent and 16.8 per cent respectively. In Australia, the All-Ordinaries Index contracted 12.5 per cent lower while the FTSE 100 reduced 2.7 per cent over the 12-month period.

In light of the market environment, growth-oriented international strategies experienced a challenging period although this was partially offset by improved investment performance in the Group's value-oriented global and international strategies. Investment performance was particularly strong for the JOHCM Global Opportunities and TSW Large Cap Value strategies that outperformed their benchmarks by 14.1 per cent and 8.9 per cent respectively.

Performance was also strong in Emerging market equities. Impressively, 100 per cent of Emerging markets FUM has outperformed relevant benchmarks over one year, as well as the past three years, five years and since inception.

Revenue

Revenue increased 8.2 per cent for the year, increasing to $629.7 million (2021: $581.9 million), primarily due to the first full 12-month contribution from TSW, which was acquired in July 2021. Performance fees were solid at $51.9 million (2021: $57.5 million) with notable contributions from the JOHCM Global Select and Pendal MicroCap strategies. Fee margins contracted to 46 basis points (bps) (2021: 48 bps) substantially due to a change in channel mix as a result of TSW's lower-margin institutional client base.

Expenses

Total operating expenses were $403.2 million, a 6.7 per cent uplift on the 2021 Financial Year. The increase was largely the result of the TSW acquisition and continued investment in growth-focused strategic initiatives across global distribution, infrastructure and the expansion of the Group's ESG and RI capabilities.

Given challenging trading conditions, prudent cost control was a focus in the 2022 financial year which supported a one per cent expansion in the Group's operating margin to 36 per cent.

Financial Position

Pendal Group's financial base remained solid in the 2022 Financial Year providing support for ongoing investment in growth. Net tangible assets contracted 7.8 per cent to $418.5 million at 30 September 2022 while total net assets fell 4.6 per cent to $1.3 billion.

Cash

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 normally paid to shareholders in the form of dividends.

Cash held by the Group as at 30 September 2022 was $316.4 million (2021: $297.7 million).

Seed investments

Seed 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.

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.

At 30 September 2022, the seed portfolio fell 24.6 per cent to $199.1 million (2021: $264.1 million) and was notably impacted by mark-to-market movements over the course of the year. Additionally there were net redemptions of $37.5 million throughout the year.

Intangibles

Pendal's intangible assets totalled $901.8 million as at 30 September 2022 (2021: $930.2 million).

Goodwill recognised on the acquisition of the Pendal, JOHCM and TSW businesses was $524.7 million at 30 September 2022 (2021: $538.9 million). There was no impairment to the carrying value of goodwill across the Group during the year. Movements associated with the goodwill balance are primarily driven by foreign exchange movements in respect of the offshore business units.

Investment management contracts associated with the acquisitions of JOHCM and TSW are amortised over their expected useful lives and subject to impairment where necessary on an individual contract basis. The investment management contracts were carried at $374.0 million at 30 September 2022 (2021: $388.0 million).

Liabilities and debt

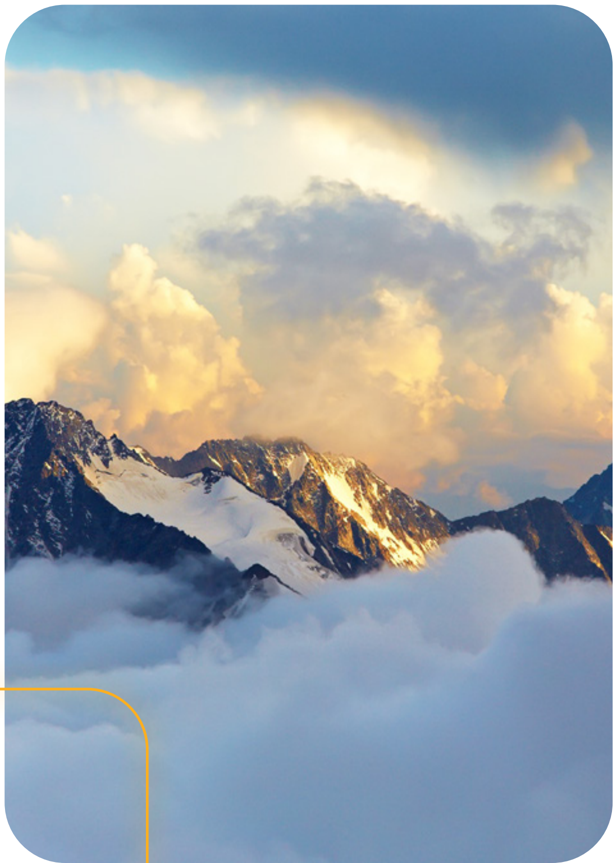
Total liabilities were $281.2 million at 30 September 2022 (2021: $337.4 million) made up of a fully drawn US$ 35 million ($53.8 million) syndicated debt facility for a three-year term, trade creditors and accruals, lease liabilities and employee benefits.

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

Dividend

Having regard to the proposed Scheme and expected timing of implementation, the Board has resolved to pay a final FY22 dividend of 3.5 cps to be 100 per cent franked. This brings total dividends for the year to 24.5 cps and a full year payout ratio of 48 per cent. The cash component of the Scheme Consideration payable to Pendal shareholders will be reduced by the final dividend amount to $1.941.

The Dividend Reinvestment Plan remains deactivated for the 2022 final dividend.



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.

Potential Transaction with Perpetual

On 25th August, we announced that Pendal had entered into a Scheme Implementation Deed with Perpetual under which Perpetual will acquire 100% of the issued share capital in Pendal, by way of a Scheme of Arrangement.

A range of activities are underway to enable the transaction to be completed. These include regulatory approvals, court approvals, shareholder approvals and obtaining client consents.

Until the transaction is completed, we have enhanced our governance processes to help monitor/manage risks that may be elevated during this interim period. This includes people, client, business disruption, information security and business conduct risks.

Further details on the transaction risks will be available in our Scheme Booklet which is expected to be despatched to shareholders in November 2022. This includes risks to the execution of the transaction and the risks if the transaction does not proceed.

Managing risk to deliver our strategy

The Board endorsed an updated risk framework during 2022. Key risk indicators across several material risks were enhanced, including Environment, Social and Governance and Distribution & Product. The COVID-19 pandemic related risks are now embedded into our risk framework and, as a result, this was removed as a specific material risk.

The Board has a lower risk appetite in the management of critical areas such as investment performance, regulation and legislation and behaviour and conduct. 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.

Specific areas of focus during FY22 included managing the risks resulting from the Russia/Ukraine war, enhancing our conduct framework and increasing the focus on cyber security.

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		
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 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 merger and acquisition analysis, due diligence and integration processes, engaging subject matter experts and external consultants for support.
Corporate Activity	The potential transaction with Perpetual elevates some material risks until the transaction is completed. Completion is expected during January 2023. If the potential transaction does not proceed, Pendal is subject to the inherent standalone business risks and these would be elevated in the short term.	• Increased Pendal Board and Group Executive Committee oversight in relation to the transaction. • Retention and deal completion bonuses established to retain and reward key staff in executing the transaction. • Regular joint transaction implementation committee meetings to monitor progress and manage any material risks/issues. • Key conditions for completion and compliance with business conduct requirements are regularly monitored. • Increased focus on communication to help manage people risk, client risk and business conduct risk. • Communication and information sharing protocols shared with all staff. • The board has considered appropriate actions in the event that the potential transaction does not complete. • The Scheme Booklet is expected to be issued to shareholders during November 2022 and provides detailed disclosure of the risks relating to the execution of the transaction and the risks to our business if the transaction does not proceed.
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 and economic events and competition.	• Annual strategy and budget process. • Business model reviewed as part of annual strategy 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. • Continuing pipeline of new products. • Pendal USA governance structure implemented during FY22.

Material risk	Risk description	Risk management
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.	• A Global Chief Human Resources Officer recruited during FY22. • Competitive remuneration structures in the relevant employment markets to attract, motivate and retain talent, with alignment to client and shareholder outcomes. • Performance management processes to help reward, develop and grow talent. • Ongoing succession planning process to develop or attract talent for sustainable growth. • Maintenance of a strong reputation and culture which promotes an attractive and safe workplace. • Employee engagement surveys to support retention. • 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 flexible working policy updated during FY22. • Continued focus on Diversity, Equity and Inclusion.
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 Responsible Investment and ESG stakeholder expectations.	• Regular review and enhancement of the Group's ESG and Responsible Investment strategy. • Specific ESG-related products launched during FY22, following a robust new product development process, including the Regnan Sustainable Water and Waste Fund in the UK. • On-going monitoring of external market insights and evolving client needs. • Internal and external training provided periodically on specific ESG-related topics such as Modern Slavery. • Commenced recruitment during FY22 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. • Enhanced ESG related disclosure reports during FY22. This includes the Pendal Group Modern Slavery Statement, Pendal Group Sustainability Report, Pendal Group Corporate Governance Statement and J O Hambro Capital Management's Stewardship Code.
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.	• Clearly defined Code of Conduct which outlines the expected behaviour of all individuals and an enhanced framework developed during FY22. • Comprehensive recruitment process to assess behaviour and conduct. • Remuneration and performance management processes supports good behaviour and conduct. • Ongoing HR, Risk and Compliance training and confidential staff engagement surveys. • Whistleblowing Framework and policy in place. • Internal audit program incorporating conduct assessment, with specific a conduct and culture audit carried out during FY22. • Human Resources polices in place, some relate specifically to conduct and behaviour. • Embedded risk management framework in place, which incorporates conduct risk management.

Material risk	Risk description	Risk management
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.	• Global Chief Operating Officer appointed during FY22. • Annual strategy and budget process, with transformation change priorities approved by the Board. • 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. • Dedicated change management team and effective approach and processes in place.
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.	• 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). • Formal approach to product governance and innovation including management of the product lifecycle. • Ongoing external insights into how client preferences are changing. • New products launched in FY22 to meet client demands. • Seed capital used to support the launch of new products, where appropriate. • Regular client reporting and performance updates. • Talent hiring has been a key feature during FY22.
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 resulting from external factors such as: • Westpac (a significant client) as they execute their strategy to exit from wealth management. • Brexit and COVID-19; • Russia/Ukraine war impacting global economies and markets; and • Global inflationary expectations adding to market volatility.	• Client engagement and distribution is a key part of the overall Pendal Group strategy. • 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 boards/committees. • Fees structures periodically benchmarked and updated where required. • Daily monitoring of 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 during FY22. • Implementation of technology solutions and data related enhancements underway to better service clients. • Enhanced regulatory permissions and opening of branch offices during FY22, to support distribution of products in the European Union.

Material risk	Risk description	Risk management
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 expansion of The UK Stewardship Code. • The implementation of the European Sustainable Finance Disclosure Regulation (SFDR) and similar global regulatory initiatives. • Regulation on 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 or carry out independent reviews. • Independent non-executive directors appointed to subsidiary UK regulated entities. • Projects underway to enhance processes and systems such as substantial shareholder reporting and compliance employee reporting requirements. • Implementation of risk systems to support the risk framework, for example during FY22 we implemented an incident management system in Pendal Australia. • Tax management framework to identify, manage and communicate key tax risks.
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 related projects underway to enhance processes and systems. • Further technological and information security enhancements made during FY22 to support remote working as part of managing the COVID-19 pandemic. • 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 that are periodically updated, approved and communicated to colleagues. • Regular review and testing of Disaster Recovery and Business Continuity Plans. • Periodic information security training provided to all staff. • Continued enhancement of controls and processes during FY22 to help manage cyber risk.
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. • Major project commenced during FY22 to transition to new back/front office supplier. • Robust supplier management processes, including due diligence, supplier policies and procedures and governance and oversight frameworks. • Regular monitoring and review of service level agreements and performance standards. • Internal audit of third-party oversight carried out during FY22.

Material risk	Risk description	Risk management
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. • Periodic budgeting and financial forecast management. • Ongoing monitoring and review of strategy. • Conservative approach to leverage and the use of debt. • 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. Regulatory capital requirements met.

2022 Directors' Report and Financial Report

Contents

Directors' Report

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2022

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 2022 Financial Year.

Board of Directors

The Directors of the Company during the 2022 Financial Year and up to the date of this report are:

Director	Date of Appointment	Period
Deborah Page AM	Appointed to the Board on 7 April 2014 Appointed Chairman on 17 January 2022	Full-year
Nick Good	Appointed Managing Director & Chief Executive Officer on 1 April 2021	Full-year
Sally Collier	2 July 2018	Full-year
Ben Heap	1 March 2022	1 March 2022 to 30 September 2022
Christopher Jones	8 November 2018	Full-year
Kathryn Matthews	1 December 2016	Full-year
James Evans	Appointed to the Board on 2 June 2010 Appointed Chairman on 6 December 2013	1 October 2021 to 17 January 2022
Andrew Fay	1 October 2011	1 October 2021 to 10 December 2021

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

Deborah Page AM

BEc FCA FAICD

Chairman and Independent Non-executive Director

Board Committees: Member of the Audit & Risk Committee

Deborah Page was appointed Chair of Pendal Group in 2022 after serving on the Board since 2014 and is based in Sydney, Australia.

She has extensive experience as a company director gained across ASX listed, private, public sector and regulated entities since 2001. She brings 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 currently a Non-executive Director of Brickworks Limited, Growthpoint Properties Australia 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).

Nick Good

MA (Oxon)

Group Chief Executive Officer and Managing Director

Board Committees: Nil

Nick Good is Group Chief Executive Officer and Managing Director of Pendal Group. He joined Pendal Group as Chief Executive Officer, JOHCM US in December 2019. Nick has over 25 years' industry experience across the US and Asia and is based in Boston, USA.

Nick Good was most recently 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. Previously, he was co-head of State Street Global Advisors (SSGA) Global ETF business, with primary responsibility for North America and Latin America. Prior to joining State Street, Nick worked at BlackRock (initially Barclays Global Investors), including five years as head of its iShares ETF business in Asia-Pacific, which enjoyed rapid growth under his leadership.

Nick is currently Chair of JOHCM Funds Trust.

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

Sally Collier

BEc GAICD

Independent Non-executive Director

Board Committees: Chair of the Audit & Risk Committee and member of the Governance & Nominations Committee

Sally Collier was appointed to the Board of Pendal Group in 2018 and is based in Sydney, Australia.

Most of Sally's executive career was spent in the USA (two years), London (twenty-three 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. This followed nearly 20 years in investment banking, mostly at HSBC Investment Bank in the UK, where she also joined 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 is currently a Director of Utilities Trust of Australia, the Clayton Utz Foundation, J O Hambro Capital Management Limited and the Tasmanian Public Finance Corporation.

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

Ben Heap

BCom BSc GAICD

Independent Non-executive Director

Board Committees: Chair of the Governance & Nominations Committee and a member of the People, Culture & Remuneration Committee

Ben Heap was appointed to the Board of Pendal Group in 2022 and is based in Sydney, Australia

He is an experienced company director with wide-ranging experience in asset and capital management roles in the finance sector and in technology and digital businesses. He is a founding partner of H2 Ventures, a privately held venture capital investment firm. He was formerly a Managing Director for UBS Global Asset Management in Australia and Head of Infrastructure for UBS Global Asset Management in New York.

Ben is the independent Chairman of CBA New Digital Businesses Pty Limited, a subsidiary of the Commonwealth Bank of Australia. He is Chairman of The Star Entertainment Group Limited. He is also a Non-executive Director of Redbubble Limited and Avanteos Investments Limited.

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

Christopher Jones

MA (Cantab) CFA

Independent Non-executive Director

Board Committees: Chair of the People, Culture & Remuneration Committee and member of the Governance & Nominations Committee

Christopher Jones was appointed to the Board of Pendal Group in 2018 and is based in New York City, USA.

He has over 40 years' experience in the financial services industry across both investments and funds management. Most recently, Christopher was Principal of CMVJ Capital LLC, a private investor and adviser in the financial services, asset management and technology industries. Prior to this, he 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.

Christopher is currently Chair of Pendal USA Inc.

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

Kathryn Matthews

BSc BEc

Independent Non-executive Director

Board Committees: Member of the Audit & Risk Committee, Governance & Nominations Committee, and People, Culture & Remuneration Committee

Kathryn Matthews was appointed to the Board of Pendal Group in 2016, who is based in London, UK.

She brings to the Board nearly 40 years' experience in funds and investment management with director experience across listed, private and regulated entities. 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 sixteen years as a global equity portfolio manager and latterly as the Head of Institutional Business, Europe and UK.

Kathryn is currently Chair of Barclays Investment Solutions Limited and is also a Non-executive Director of these other UK based companies: Barclays Bank UK Plc, British International Investment Plc and VinaCapital Vietnam Opportunity Fund Limited.

Directorships of other listed entities over the past three years: JPMorgan Chinese Investment Trust (Listed on LSE).

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 2022 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		People, Culture & Remuneration Committee		Governance & Nominations Committee	
	A	B	A	B	A	B	A	B
Deborah Page AM	35	35	6	6	–	–	1	1
Nick Good	35	34	–	–	–	–	–	–
Sally Collier	35	35	6	6	3	3	1	1
Ben Heap	28	28	–	–	4	4	1	1
Christopher Jones	35	35	3	3	5	5	1	0*
Kathryn Matthews	35	35	3	3	7	6*	1	1
James Evans	5	4	–	–	–	–	–	–
Andrew Fay	4	4	–	–	2	2	–	–

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 Scheme of Arrangement with Perpetual Limited. Deborah Page, Sally Collier, Ben Heap and Nick Good were members of the Committee. The Committee met 12 times and all members of the Committee attended each meeting with the exception of Nick Good who attended 11 meetings.

*Christopher Jones was unable to attend one meeting of the Governance and Nominations Committee and contributed his views to the Chair prior to the meeting. Kathryn Matthews was unable to attend one meeting of the People, Culture and Remuneration Committee and contributed her views to the Chair prior to the 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
Claudia Henderson	Group Chief Human Resources Officer	2022	2022
Justin Howell	Group Chief Operations Officer	2018	2021
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 and Managing Director

Refer to Directors' biographies.

Alexandra Altinger
BA MA CFA

Chief Executive Officer, JOHCM UK, Europe and Asia

Alexandra Altinger joined Pendal Group as Chief Executive Officer, JOHCM UK, Europe and Asia in September 2019. She is based in London, UK.

Alexandra has 27 years' experience in the wealth and asset management industry and is responsible for the day-to-day management of the European and Asian arm of Pendal Group. Prior to joining the company, she spent four years as CEO of Sandaire Investment Office, a UK-based international multi-family office. Prior to Sandaire, Alexandra spent 11 years at Wellington Management International, where she led their EMEA sub advisory and mutual fund business. She has lived and worked in Asia, the US and Europe. Alexandra currently serves on the board of the UK's Investment Association as an INED and is Chair of the IA's Business Forum.

Richard Brandweiner
BEc CFA

Chief Executive Officer, Pendal Australia

Richard Brandweiner was appointed as Chief Executive Officer, Australia in February 2018. He is based in Sydney, Australia.

Richard has spent over 25 years working across all asset classes in the funds management and pension fund industries. He is responsible for the day-to-day management of the Australian arm of Pendal Group. Prior to this, Richard was a Chief Investment Officer at Aware Super, one of Australia's largest pension funds, and Group Executive at Perpetual Investments.

Richard is the Chair of Impact Investing Australia, part of the Global Steering Group for Impact Investing. He is also a member of the NSW Government Social Impact Investment Expert Advisory Group and a former President of the CFA Society of Sydney.

Claudia Henderson
BA MS
Group Chief Human Resources Officer

Claudia Henderson joined Pendal Group as the Group Chief Human Resources Officer in January 2022. She is based in Boston, USA.

Claudia has over 20 years of experience in human capital leadership and is responsible for creating the best environment to attract, develop and retain talent at Pendal Group. Prior to joining the company, Claudia was the Chief People Officer and head of Strategic Communications at Boston Globe Media. She started her career at Johnson and Johnson and has also held HR leadership roles at Fidelity Investments, Intuit and State Street.

Justin Howell
BSSc
Group Chief Operations Officer

Justin Howell was appointed as Group Chief Operating Officer in November 2021. He is based in Sydney, Australia.

Justin has over 20 years' experience in the finance industry and is responsible for Pendal Group's technology, business strategy, operations, product and outsourced relationships. Prior to joining the company, Justin spent most of his career at Aware Super, one of Australia's largest pension funds as well as Perpetual Investments. Justin has held senior roles responsible for strategic planning, product, operations and program management.

John Reifsnider
BBA
Chief Executive Officer, Pendal USA

John Reifsnider joined Pendal Group as Chief Executive Officer of Pendal USA in July 2021. He is based in Richmond, USA.

John has over 30 years' experience in investment management and is responsible for the day-to-day management of the USA arm of Pendal Group. John has been with Thompson, Siegel & Walmsley LLC (TSW) in Richmond, Virginia for over 16 years. He was appointed Co-President of TSW in September 2018 and Chief Executive Officer in 2020. Before joining TSW in 2005, he was a Founding Member of Atlantic Capital Management, LLC, responsible for business development and client service.

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 based in London, UK.

Bindesh has over 20 years' experience in the investment management industry and is responsible for managing Pendal Group's risk and regulatory compliance. Prior to joining Pendal Group Bindesh was the Group Chief Risk Officer for Intermediate Capital Group (ICG), a FTSE 250-listed alternative asset manager. During his tenure Bindesh developed ICG's risk framework and was responsible for Risk, Compliance and Legal.

Cameron Williamson
BAcc CA

Group Chief Financial Officer

Cameron Williamson was appointed as Group Chief Financial Officer in February 2010. He is based in Sydney Australia.

Cameron has over 20 years’ experience in the wealth and asset management industry and is responsible for Pendal Group’s overall financial operations, reporting, business planning and investor relations. He joined the company in January 2008 as the company’s Financial Controller. He acted as the Company’s Chief Financial Officer for 12 months before his permanent appointment to the role in February 2010. 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, as well as finance roles with Franklin Templeton and CIBC World Markets in Toronto, UBS in the UK and KPMG in Adelaide.

Principal activities

The principal activity of Pendal Group during the 2022 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 2022.

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 Letter from the Chairman and Group CEO and Global Operating Review on pages 2 to 15 of this Annual Report.

Business Review

The net profit after tax (Statutory NPAT) of the Group for the year was $112.8 million (2021: $164.7 million), a decline of 31.5 per cent on the prior corresponding period (pcp), substantially impacted by the market movement in the Group's seed investment portfolio year on year.

The Group's preferred measure of business performance, underlying profit after tax (UPAT), increased during the year to $194.2 million (2021: $165.3 million), up 17.5 per cent and underlying earnings per share rose to 50.7 cents per share, a 5.3 per cent increase.

During the year the Group's funds under management (FUM) declined by 24.9 per cent to $104.5 billion (2021: $139.2 billion) due to a weaker market environment and net outflows of $14.0 billion, as clients globally de-risked portfolios. For the 12 months to 30 September 2022, the MSCI ACWI Index in local currency terms declined by 17.7 per cent while the S&P 500 (-16.8 per cent), All Ordinaries Index (-12.5 per cent) and FTSE 100 (-2.7 per cent) also fell.

The US saw net outflows of $5.6 billion as clients repositioned their international equity portfolios in response to rising geopolitical tensions and inflationary concerns. In the EUKA region there were outflows of $3.9 billion, substantially across global equities and the UK and European strategies. Flows did see an improvement in the September 2022 quarter, and there were positive inflows into the impact and sustainable product range through the year. Australia also saw net outflows of $4.5 billion, particularly from larger institutional clients, while there were positive flows in the higher margin wholesale channel, a pleasing outcome given the challenging environment.

The Group's operating revenue increased by 8.2 per cent to $629.7 million (2021: $581.9 million). Base management fees for the financial year were $577.0 million, a 10.4 per cent increase on the prior year due to higher average FUM levels (+15.2 per cent) which included the first full year of FUM relating to the acquisition of Thompson, Siegel & Walmsley LLC (TSW) in July 2021. Average fee margins for the Group were at 46 basis points (bps) (2021: 48 bps) reflecting the addition of TSW and its lower margin institutional book. Performance fees were $51.9 million (2021: $57.5 million), with notable contributions from the JOHCM Global Select strategy and the Pendal MicroCap strategy.

Total operating expenses increased 6.7 per cent to $403.2 million (2021: $377.8 million), largely attributable to the TSW acquisition and ongoing strategic initiatives including the build out of European distribution capabilities and migration of Australian back-office services to Northern Trust. Costs were closely managed through the year in light of the decline in FUM, contributing to an expansion of the operating margin to 36.0 per cent (2021: 35.1 percent) while the overall compensation ratio of 46.8 per cent (2021: 47.3 per cent) was stable.

Non-operating items had a significant impact on statutory profits for the year, as market volatility resulted in losses on the Group's seed investment portfolio of $37.3 million which unwound investment gains in the prior year of $38.7 million. Amortisation and impairment charges relating to the Group's intangible assets totalled $45.2 million for the year (2021: $12.1 million), following the addition of substantial investment management contract intangibles on the acquisition of TSW in 2021.

Reconciliation of Statutory NPAT to UPAT	2022 $'000	2021 $'000
Statutory NPAT	112,767	164,702
Amortisation and impairment of intangibles[1]	45,176	12,104
Net (gains)/losses on financial assets held at fair value through profit or loss (FVTPL)[2]	37,337	(38,743)
Transaction and integration costs[3]	12,403	16,002
Adjust for tax effect	(13,529)	11,236
Underlying profit after tax (UPAT)	194,154	165,301

[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 Thompson, Siegel & Walmsley LLC (TSW) during the 2021 Financial Year and the proposed Scheme of Arrangement with Perpetual Limited during the 2022 Financial Year.

Strategic priorities

The Group made progress on its strategic priorities during the 2022 Financial Year, including expansion of our global distribution footprint in key growth markets, broadening our product offering and ESG/ RI capabilities and streamlining our global infrastructure.

During the 2022 Financial Year, two TSW funds were added to the Group's proprietary mutual fund range and the combined US sales team began working together on cross-selling opportunities. The Group expanded its regulatory licence with the Central Bank of Ireland (CBI) which has enabled branches to be established in Paris and Munich and broadened the distribution capability into continental Europe.

The ESG/ RI product offering was expanded with the launch of the Regnan Sustainable Water and Waste strategy for the UK and European markets, with the strategy receiving encouraging initial client support.

The global operating platform was further streamlined during the year with the separation from Westpac back-office services for the Australian business and transition to global custodian, Northern Trust.

The Global Executive Committee welcomed two new members, strengthening global functional representation on the Committee, with the addition of Mr Justin Howell, Group Chief Operations Officer (previously Chief Operating Officer of Pendal Australia) and Ms Claudia Henderson, Group Chief Human Resources Officer.

Proposed Scheme of Arrangement with Perpetual Limited (Perpetual)

Pendal Group announced on 25 August 2022 that it had entered into a binding Scheme Implementation Deed (SID) with Perpetual Limited (ASX: PPT) under which 100% of Pendal's shares would be acquired for consideration of 1 Perpetual share for every 7.5 Pendal shares plus $1.976 cash for each Pendal share.[4]

The Scheme is conditional upon Pendal shareholder approval at a Scheme Meeting, Court approval, regulatory approvals and certain other conditions outlined in the SID.

The Scheme Booklet, containing information in relation to the transaction, the reasons for the Pendal Board of Directors' recommendation, an Independent Expert's Report and details of the Scheme, is expected to be released to the ASX in November 2022. Pendal appointed Kroll Australia Pty Ltd as the Independent Expert.

Subject to Court approval, the Scheme Meeting is expected to be held in December 2022 and, if approved, the transaction is expected to complete in January 2023.

The Pendal Board unanimously recommends that Pendal shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert concluding (and continuing to conclude) that the Scheme is in the best interests of shareholders. Pendal Directors intend to vote all shares they hold or control in favour of the Scheme, subject to these same conditions.

Board changes

Mr Andrew Fay retired at the conclusion of the AGM in December 2021, having served on the Board since 2011. Mr Fay made a meaningful and significant contribution to the Group as Chair of the Audit and Risk Committee and subsequently as Chair of the Remuneration and Nominations Committee.

In January 2022, Mr James Evans retired as Chairman of Pendal Group Limited, having served on the Board since 2010 and as Chairman since 2013. During this time, Mr Evans played a valuable role in developing the business from an Australian-only fund manager into a global asset management business, with the Group acquiring the UK-headquartered J O Hambro Capital Management (JOHCM) which then expanded into the US market, and most recently acquiring the US-based TSW in 2021.

Mrs Deborah Page AM was appointed as Chair of the Board of Pendal Group effective on Mr Evans' retirement. Mrs Page has served on the Board since 2014, including as Chair of the Audit and Risk Committee since 2016.

Mr Ben Heap was appointed as an independent non-executive Director of Pendal Group Limited effective 1 March 2022. An experienced ASX-listed director, Mr Heap brings to the Board international expertise in the asset management industry as well as deep knowledge in new technologies.

---

[4] Pendal shareholders will also have the flexibility of a mix and match option under the Scheme where they are able to elect maximum cash or maximum share Scheme Consideration, subject to applicable caps. The cash component of the Scheme Consideration would be reduced by the amount of Pendal Group's final 2022 dividend.

Dividends

The Directors have resolved to pay a final dividend of 3.5 cents (100 per cent franked[5]) per share (2021: 24.0 cents per share 10 per cent franked) on ordinary shares. The amount of the final dividend has been considered with regard to the proposed Scheme and expected timing of implementation, noting that the cash component of the Scheme consideration would be reduced by the amount of the final dividend. The amount of dividend, which has not been recognised as a liability at 30 September 2022, is $12.9 million (2021: $89.1 million). The Company paid an interim dividend of 21.0 cents per share ($77.6 million) on 1 July 2022.

Equity dividends on ordinary shares		2022 $'000	2021 $'000
(a)	**Dividends declared and paid during the financial year**		
	Final 10 per cent franked[5] dividend for the 2021 Financial Year: 24.0 cents per share (2020 Financial Year: 22.0 cents per share 10 per cent franked)	88,520	68,532
	Interim 10 per cent franked[5] dividend for the 2022 Financial Year: 21.0 cents per share (2021 Financial Year: 17.0 cents per share 10 per cent franked)	77,558	53,122
		166,078	**121,654**
(b)	**Dividends proposed to be paid subsequent to the end of the financial year and not recognised as a liability**		
	Final dividend for the 2022 Financial Year 3.5 cents (100 per cent franked) per share (2021 Financial Year: 24.0 cents per share 10 per cent franked)	12,923	89,053

Significant changes in the state of affairs

There have been no other significant changes in the state of affairs of Pendal Group during the 2022 Financial Year.

Matters subsequent to the end of the financial year

There are no matters or circumstances which are not otherwise reflected in the 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[6] 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.

[5] The whole of the unfranked amount of the dividend was Conduit Foreign Income, as defined in the *Income Tax Assessment Act 1997 (Cth)*.
[6] Refer to the Letter from the Chairman and Group CEO and Global Operating Review on pages 2 to 15 of the Annual Report accompanying this Directors' Report.

A message from the Chair of the People, Culture and Remuneration Committee

On behalf of the Board, I present the Pendal Group Remuneration Report for the 2022 Financial Year. Our Remuneration Report is designed to demonstrate the link between strategy, performance and remuneration outcomes for Key Management Personnel and report on the remuneration arrangements for Non-Executive Directors (NEDs). We also provide an overview of our remuneration approach for key employee groups, namely our investment managers and sales teams given their significant role in our business.

The Group’s Global Reward Framework is made up of three key principles that are directly linked 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 culture expectations and 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.

In the 2022 Financial Year, Pendal Group's Board and management maintained their strong focus on building a best-in-class global investment management platform while ensuring that the company continues to attract and retain some of the most respected investment talent in the world. The Group also continued to adhere to its policy of maintaining the alignment between its employees and shareholders.

No fixed remuneration increases were awarded to the Global Executive Committee (GEC) in the 2022 Financial Year, other than statutory superannuation increases applicable to those based in Australia. The Group’s overall performance has been reflected in the GEC’s variable remuneration outcomes, with Short Term Incentive (STI) outcomes aligned to individual performance against Key Performance Indicators (KPIs). The average outcome was 99 per cent of target and 54 per cent of maximum opportunity. The Group CEO and Managing Director, Nicholas Good, received 94 per cent of target and 47 per cent of maximum opportunity.

The Board believes the outcomes for the 2022 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 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 2019 Long Term Incentive (LTI), due to vest in 2022, did not meet their targets, Pendal Group executives forfeited 100 per cent of their original 2019 LTI grants.

The most significant event this year was the Board’s approval of Perpetual Limited’s offer to acquire Pendal Group, which involved extensive due diligence by the Board, management and our advisors and ultimately resulted in the company entering into a binding Scheme Implementation Deed with Perpetual. The Directors unanimously view the offer to be in the best interests of our shareholders, evaluating it as an opportunity for both companies to realise growth goals on a more accelerated basis, and enable our clients to have access to a greater diversity of investment solutions.

Perpetual’s proposal and the Scheme process requires a number of conditions to be fulfilled, with a timeframe for completion expected to reach into January 2023. The Board was mindful of the significant impact the proposal response has had on the workload of key individuals, as well as the uncertainty it created over a sustained period. This has necessitated focused leadership to maintain ongoing business performance. In response to the changed circumstances arising from the Perpetual proposal, the Board approved retention and incentive mechanisms for key individuals and undertook a reweighting of the GEC’s KPIs. The Board view these arrangements as essential to driving the best possible outcome for shareholders. Further details about them are outlined in Section 3.

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

- Reviewed the market effectiveness and design features of existing variable remuneration frameworks in Australia, UK and the USA, with an additional focus to harmonise design elements where practically possible;
- Recommended the Board composition for Pendal USA Inc and JOHCM Inc, as well as remuneration arrangements for the Group Chief Operations Officer and Group Chief Human Resources Officer;
- Broadened the scope of the Remuneration and Nominations Committee, to include an enhanced focus on people and culture, naming it the People, Culture and Remuneration Committee and updating the Committee Charter. This included delegating matters related to the composition and remuneration of the Group Board and Subsidiary Boards to a newly formed Governance and Nominations Committee;
- Amended relevant employee contracts to provide for the behaviour and conduct requirements of the UK Investment Firms Prudential Regime;
- Agreed post Fund Linked Equity fund manager revenue share arrangements;
- Approved conversion and issuance of new offer letters under the Fund Linked Equity Scheme; and
- Received independent remuneration benchmarking for GEC and NEDs from an external consultant.

We continue to remain fully committed to providing an environment where our employees can flourish while ensuring we deliver investment excellence to our clients and striving to maximise value for our shareholders.

Christopher Jones

Chair of the People, Culture and Remuneration Committee

Introduction to the 2022 Remuneration Report

The Directors are pleased to present the Remuneration Report for the year ended 30 September 2022. 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 (GEC) holds such authority within the Pendal Group and are the reportable Executives for the 2022 Financial Year. From 1 October 2021 to 30 September 2022, the KMP for the Pendal Group were the Non-Executive Directors (NEDs) of the Company and the members of the GEC.

Andrew Fay retired from the Pendal Board at the conclusion of the 2021 Annual General Meeting on 10 December 2021. Following the retirement of James Evans as the Chairman of the Board effective from 17 January 2022, Deborah Page, who has been serving as an independent Non-Executive Director since April 2014, was appointed as Chairman. In March 2022, Ben Heap was appointed as an independent Non-Executive Director.

Justin Howell was appointed to the role of Group Chief Operations Officer in November 2021. Claudia Henderson joined Pendal as the Group Chief Human Resources Officer in January 2022.

Non-Executive Directors during the 2022 Financial Year

Name	Position	Term as KMP
Deborah Page AM[1]	Chairman	Effective from 17 January 2022
Sally Collier	Director	Full year
Christopher Jones	Director	Full year
Kathryn Matthews	Director	Full year
Ben Heap	Director	Effective from 1 March 2022
Former Non-Executive Directors		
James Evans	Chairman	Retired 17 January 2022
Andrew Fay	Director	Retired 10 December 2021

1 Deborah Page has been serving as an independent Non-Executive Director of Pendal Group since April 2014.

Global Executive Committee during the 2022 Financial Year

Name	Position	Term as KMP
Nick Good	Group Chief Executive Officer and Managing Director	Full year
Alexandra Altinger	Chief Executive Officer, JOHCM UK/Europe and Asia	Full year
Richard Brandweiner	Chief Executive Officer, Australia	Full year
Claudia Henderson[1]	Group Chief Human Resources Officer	Effective from 24 January 2022
Justin Howell[2]	Group Chief Operations Officer	Effective from 1 November 2021
John Reifsnider	Chief Executive Officer, Pendal USA	Full year
Bindesh Savjani	Group Chief Risk Officer	Full year
Cameron Williamson	Group Chief Financial Officer	Full year

Notes:

1 Claudia Henderson joined Pendal Group as the Group Chief Human Resources Officer, effective from 24 January 2022 and became a member of the GEC. The disclosures in this report are from that date onwards.

2 Justin Howell was appointed to the Group Chief Operations Offer role as of 1 November 2021 and became a member of the GEC. 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 are further details 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 (EPS) 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

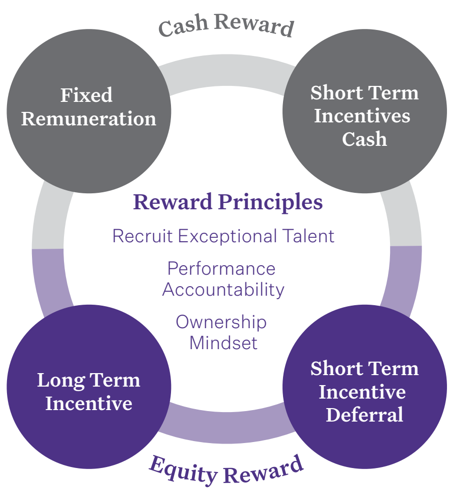
- Set to attract exceptional talent
- Benchmarked to market and rewards individuals for the skills, attributes and accountabilities in the role and includes salary, benefits and any statutory entitlements

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 are provided on page 42 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:

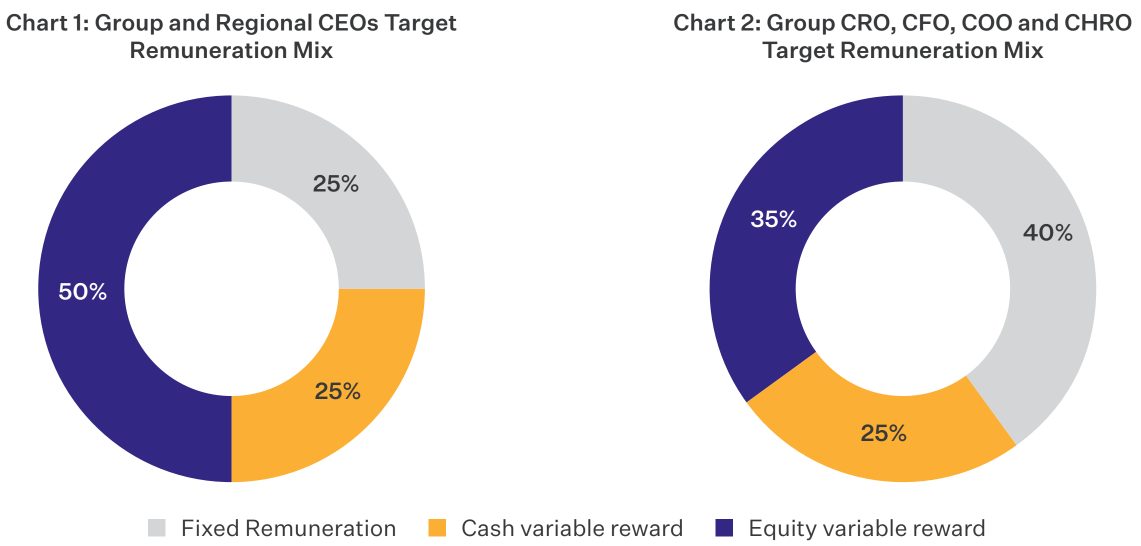
- Employees being ineligible for a variable remuneration payment if they exhibit poor risk behaviours;
- Incorporating risk management performance measures in all GEC members' scorecards;
- Reviewing the alignment between remuneration outcomes and performance achievement for incentive plans on an annual 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 People, Culture and Remuneration 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 GEC 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

Special Arrangements in response to Perpetual Offer

Since the initial proposal from Perpetual in April 2022, the Board and a Pendal transaction team, which includes some GEC members, have been required to take on additional responsibilities and high workloads, on top of their normal duties and accountabilities.

To drive the best possible results for shareholders, the Board used a combination of discretionary measures to fairly compensate critical talent who were involved in the response to the Perpetual offer, acknowledging the material change in their workload over a sustained period as they work toward obtaining shareholder and final court approvals for the Scheme of Arrangement, which is expected to extend to early 2023.

Three arrangements were implemented to retain and incentivise employees, namely:

1. To incentivise focused leadership through the negotiation with Perpetual, the Board reweighted the KPIs in each GEC member’s balanced scorecard, adding a ‘Response to the Perpetual Proposal’ KPI. The weighting applied for this KPI to each GEC member was differentiated to reflect their relative contribution to the due diligence and Scheme processes. Fifty percent of the amount awarded to the Group CEO in respect of this KPI is payable within the overall 2022 Financial Year STI outcome, with the balance contingent on the successful implementation of the Scheme. For other GEC members, 70 per cent of the amount attributable to this KPI is payable within their overall 2022 Financial Year STI outcome, while the balance is contingent on the successful implementation of the Scheme.
2. In order to retain our critical leadership during this extended period of uncertainty, the Board approved a cash retention payment for eligible GEC members of up to 50 per cent of their fixed remuneration (or base salary for overseas located members). One hundred percent of the retention payment is payable on the successful implementation of the Scheme, however should the Scheme not progress to completion, then 30 per cent of the total amount will become payable. This payment does not apply if the combination of the retention and unvested equity that would vest at transaction close exceeds 150 per cent of fixed remuneration.
3. To fairly compensate eligible GEC members for the significant work volume sustained over a long period of time, the Board also approved a discretionary cash payment of, on average, up to 55 per cent of fixed remuneration (or base salary for overseas located members). For GEC members, other than the Group CEO, 70 per cent was awarded at 30 September 2022 and is payable in December 2022, and 30 per cent is contingent on the successful implementation of the Scheme. For the Group CEO, 50 per cent was awarded at 30 September 2022 and is payable in December 2022, while the balance is contingent on the successful implementation of the Scheme.

Group CEO Remuneration

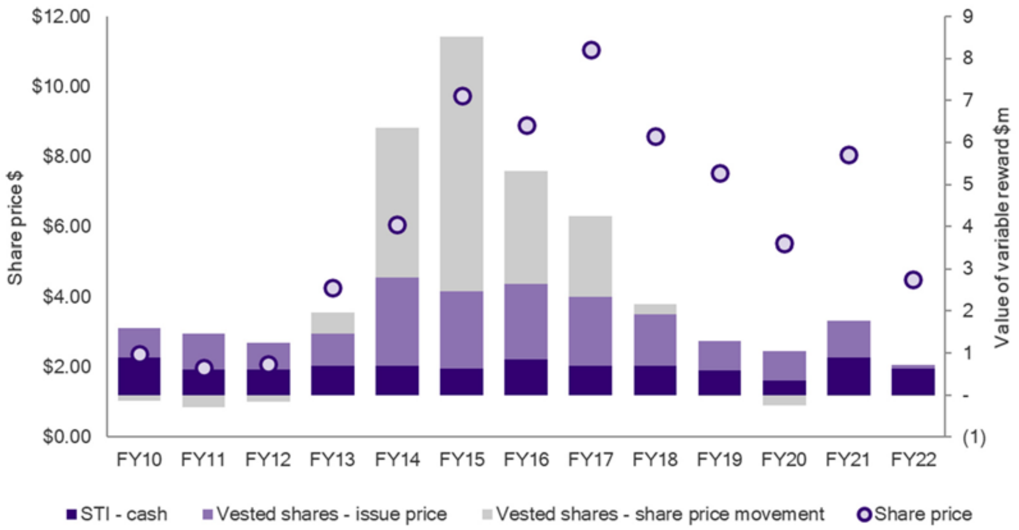
Details of Mr Good’s remuneration package is summarised in this section:

- 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 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 provide a direct link to real earnings and shareholder value creation in the medium to long term. Pendal Group 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 1: Group CEO's Variable Reward over time



1 FY10 to FY20 represents the previous Group CEO's remuneration.

2 FY21 onwards represents Nick Good's remuneration. The table below outlines the Group CEO's remuneration structure.

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

<table>
<tr><th>Remuneration component</th><th>Description</th></tr>
<tr><td>Fixed Remuneration</td><td>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.</td></tr>
<tr><td>Target STI</td><td>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 2022 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 2022 Financial Year, the Group CEO's KPIs included the following.
<table>
<tr><td>Financial</td><td>Underlying Profit after Tax (UPAT)
Base Management Fee Revenue (targets previously agreed with Board)</td></tr>
<tr><td>Deliver on Growth priorities</td><td>Deliver on strategic objectives that support building Pendal's global business
Distribution capability, successfully execute on the global operating platform plan; and
Develop product diversification strategy.</td></tr>
<tr><td>Business management</td><td>Progress towards the development of effective employee retention and reward frameworks; and
Strengthening of succession plans.</td></tr>
<tr><td>Investment performance</td><td>Deliver exceptional investment performance.</td></tr>
<tr><td>Risk management and operational effectiveness</td><td>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.</td></tr>
<tr><td>Response to the Perpetual Proposal</td><td>Successful leadership of the business in response to the Perpetual offer and focus on shareholder outcomes.</td></tr>
</table>
The Group CEO's performance against these KPIs is outlined in Section 5 of this Report.</td></tr>
</table>

Remuneration component	Description
LTI grant	At Pendal's 2021 AGM, Mr Good was granted an initial award of restricted Pendal Group Limited (PDL) Performance Share Rights (PSRs) for no consideration. The number of PSRs to be offered were 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 PDL 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 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 of 30 September 2022, approximately 9.3 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 Group 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 2022 Financial Year, it should be noted that the Trustee of the Pendal Group Employee Benefit Trust acquired a total of 8,565,028 PDL shares at an average price of $6.84 totalling $58.6 million. These securities were acquired to satisfy the Pendal Group's obligations under various employee equity plans.

The number of shares allocated to employees at grant date is based on the value of the equity award they received as part of their variable reward outcome.

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, JOHCM 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 typically 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 GEC 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 2019 were tested against performance hurdles at the end of the 2022 Financial Year. Vesting outcomes for 2019 PRS awards are set out in Graphs 4a and 4b.	Corporate roles including the Group CEO and other GEC 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 2022 Financial Year, the Equity Strategies, Income & Fixed Interest 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 JOHCM Fund Linked Equity (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 Remuneration 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 individual performance and contribution to the overall success of the business. Compulsory deferral into PDL equity and eligible TSW funds applies to this plan.	Fund managers
JOHCM Long-Term Retention Equity	The JOHCM Long-Term Incentive Retention Equity 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 JOHCM Group teams managing funds in the early phase of their development, the business offers an 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.

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, decreases during the 5 year vesting period, 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 during the 5 year vesting period. 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 2022 Financial Year 763,948 PDL shares were issued or allocated to satisfy the remaining conversion of the FLE scheme.

Investment strategies participating in the FLE Scheme represents FUM of $1.0 billion as at 30 September 2022. Based on the FUM as at 30 September 2022, the value of PDL equity that may be granted to participants in the FLE Scheme is approximately $3.6 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 $3.6 million in PDL equity, this would equate to 0.7 million newly issued shares based on a theoretical PDL share price of $5.07 in accordance with the FLE Scheme rules. The 0.7 million shares would increase the fully diluted share count by 0.2 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	2023	2024	2025	2026+
Estimated number of shares to be issued (m)	-	-	-	0.7

Notwithstanding the share issuance under the FLE Scheme, shareholders' portion of revenue from the investment strategies increases during the 5 year vesting period of PDL shares (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 Scheme, 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 incentive 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 People, Culture and Remuneration Committee, provides oversight of remuneration and incentive policies. This includes specific recommendations on remuneration packages and other terms of employment for senior executives, and fund managers.

In summary, the People, Culture and Remuneration Committee is 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;
- Recommend 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; and
- Provide oversight over the Company's strategic human resource initiatives, including diversity, culture and leadership.

During the 2022 Financial Year, the Board and the People, Culture and Remuneration Committee actioned the following significant items in relation to remuneration arrangements in the table below.

Significant matters considered during the 2022 Financial Year

Reviewed and updated KPIs and recommended retention arrangements and discretionary payments in response to the Perpetual proposal	Reviewed the Implications of a potential transaction for remuneration arrangements Recommended to the Board the addition of a Perpetual transaction specific KPI to be applicable for all GEC members, and use of discretionary payments for key employees involved in the Perpetual proposal response. These arrangements were implemented to fairly compensate, retain and incentivise critical talent for the material change in their workload. The payments also acknowledge the period of uncertainty and the significant timeframe to receive shareholder approval and fulfil the final court approval of the Scheme of Arrangement, which is expected to extend to early 2023.
Conducted a review of existing reward schemes and corporate remuneration arrangements	Ongoing evaluation of market effectiveness and design features of variable remuneration frameworks in Australia, UK and the USA, with an additional focus to harmonise design elements where practically possible. Amended relevant employee contracts to provide for the behaviour and conduct requirements of the UK Investment Firms Prudential Regime. Agreed post Fund Linked Equity fund manager revenue share arrangements which are market competitive and aligned with growth
Recommended Board composition for Pendal USA Inc and JOHCM Inc, as well as remuneration arrangements for group executives	Recommended to the Board the Board composition of Pendal USA Inc (Pendal USA) and JOHCM (USA) Inc (JOHCM USA) and appointment of their respective members. Recommended to the Board the remuneration arrangements for the Group Chief Operations Officer and Group Chief Human Resources Officer.
Updated 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 JOHCM FLE Scheme.
Broadened the scope of Remuneration and Nominations Committee, naming it the People, Culture and Remuneration Committee and updating the Committee Charter	As a reflection of broadening the scope of the Remuneration and Nominations Committee, its name was changed to the People, Culture and Remuneration Committee. The newly formed Governance and Nominations Committee is responsible for Board remuneration and composition.
Received independent GEC and NED remuneration benchmarking from an external consultant	Reviewed KMP and NED remuneration against benchmark data from ASX listed and UK and US peer financial groups.

Engagement of remuneration consultants

The People, Culture and Remuneration 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 People, Culture and Remuneration Committee's conditions of engagement have been observed is also required.

By observing these requirements, the People, Culture and Remuneration 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 People, Culture and Remuneration Committee's appointed remuneration advisor.
No consultants were engaged to provide recommendations to the People, Culture and Remuneration 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
- PwC and Korn Ferry provided market updates on variable remuneration practices across Australia, UK and the US.

5. Link between remuneration outcomes and group performance

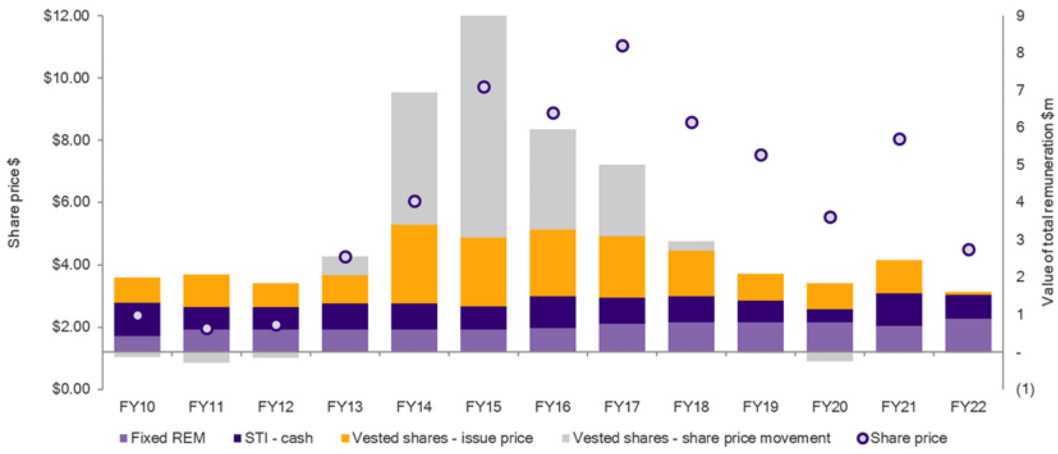
Pendal Group's position against peer groups

Graph 2 below outlines Nick Good's annual total remuneration since his appointment as the Group CEO (from April 2021) relative to share price performance. It bears noting that the Company did not have an LTI scheme for the previous Group CEO, 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 is determined at grant, ensuring 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 former Group CEO remained unchanged since employment 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 link between the group performance and his remuneration outcomes.

As can be seen from Graph 2, 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 increased 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 2: Group CEO's Total Remuneration over time



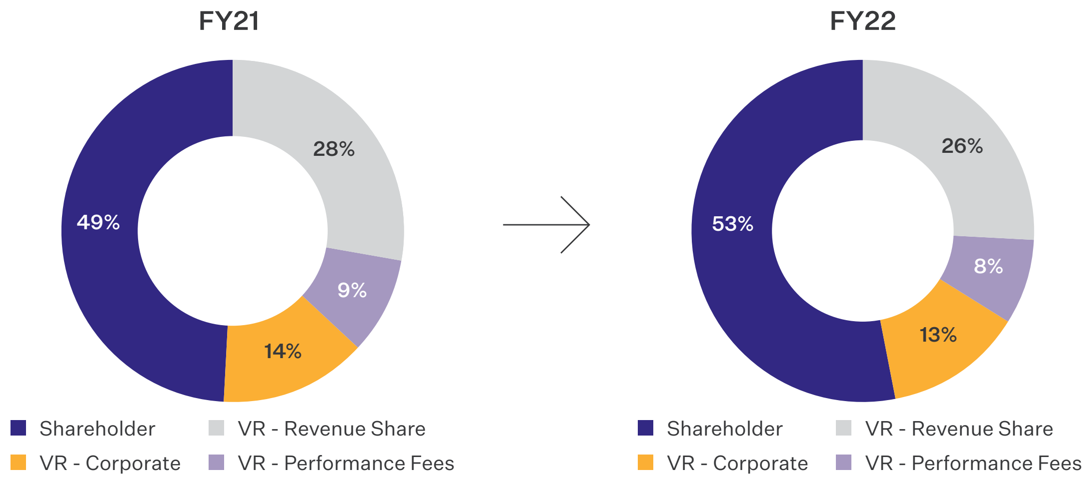
1 FY21 represents Nick Good's actual remuneration which is prorated to take into account his change in role on 1 April 2021 and excludes payments for deferred remuneration forgone following the commencement of his employment.

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.

Chart 3: Share of reward[1]



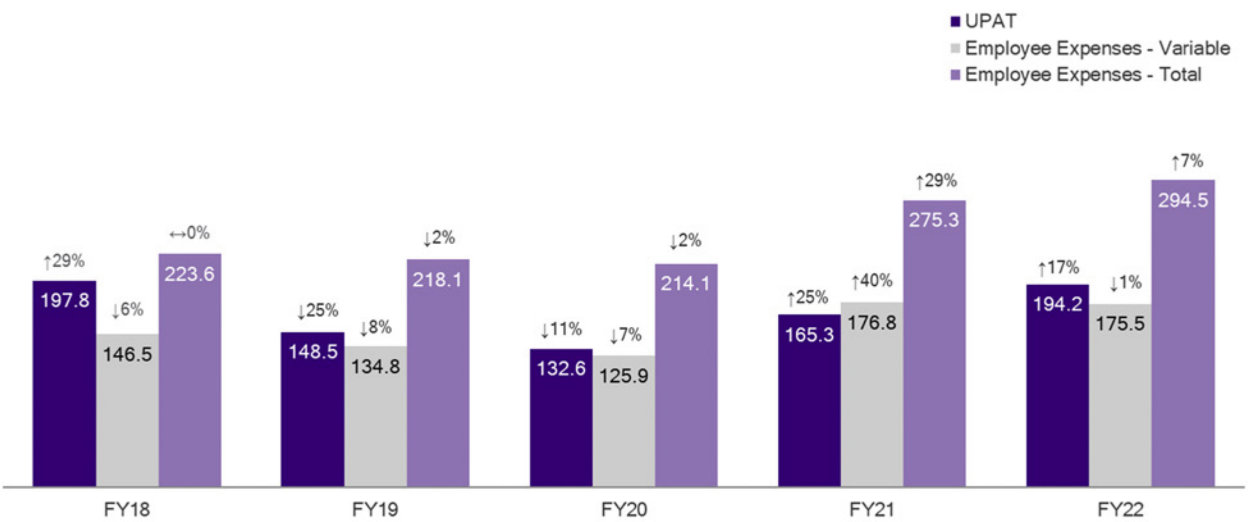
1 Share of reward reflects total employee remuneration and Underlying profit after tax (UPAT) attributed to shareholders.

Graph 3 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 are 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 GEC. 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).

In the 2022 Financial Year, variable and total employee expenses reflect a year where overall business revenue and profits were higher. Total employee expenses include both variable and fixed expenses. While variable employee expenses were comparable to the prior year, the increase in fixed employee expenses was predominantly due to a full year of TSW employee cost, as well as the cost of business expansion in the European region.

Graph 3: VR outcomes compared to Company performance over the last five years



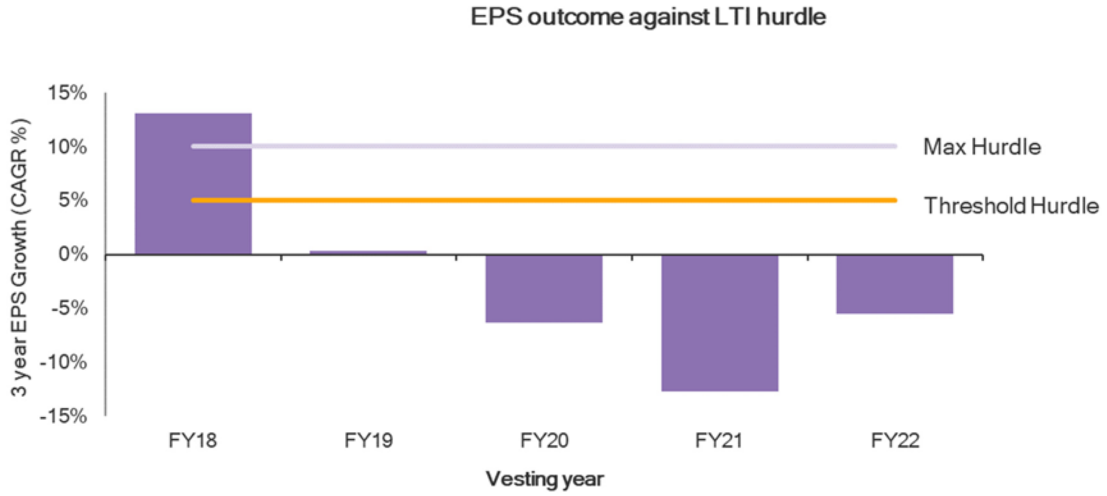
Vesting of LTI grants

The 2019 Financial Year LTI grants awarded to the Group CEO and other GEC 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:

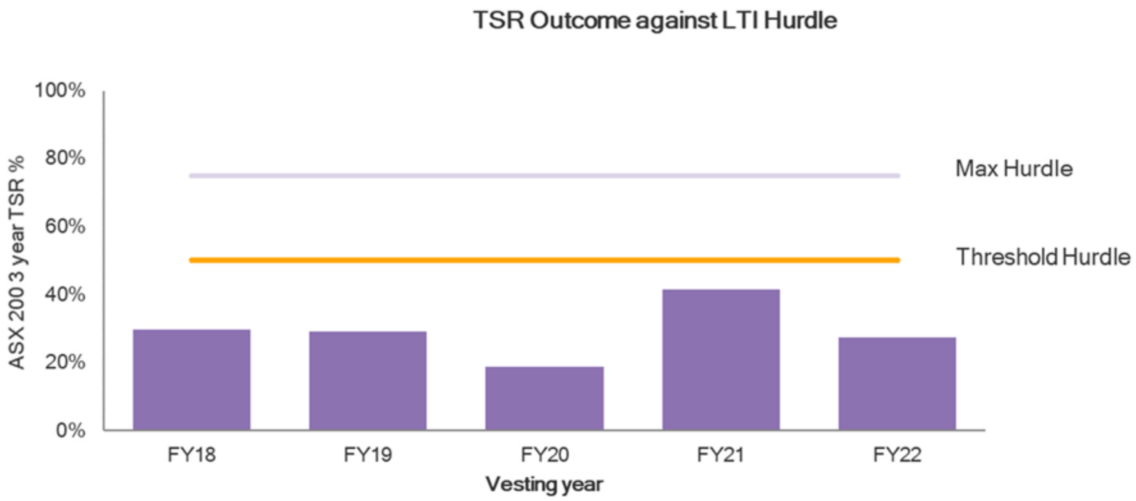
1. Fully Diluted Cash EPS growth: 50 per cent of award. Target range of greater than 5 per cent to 10 per cent annual compound growth. Cash EPS over the three year performance period was below 5 per cent, therefore the Cash EPS portion of the award did not vest.
2. TSR: 50 per cent of award. Target range 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.

Graphs 4a and 4b 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 4a: Performance Reward Scheme – EPS outcome achieved at the end of each performance period against the LTI hurdle for the last five years



Graph 4b: 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 in relation to peer executives which is 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.

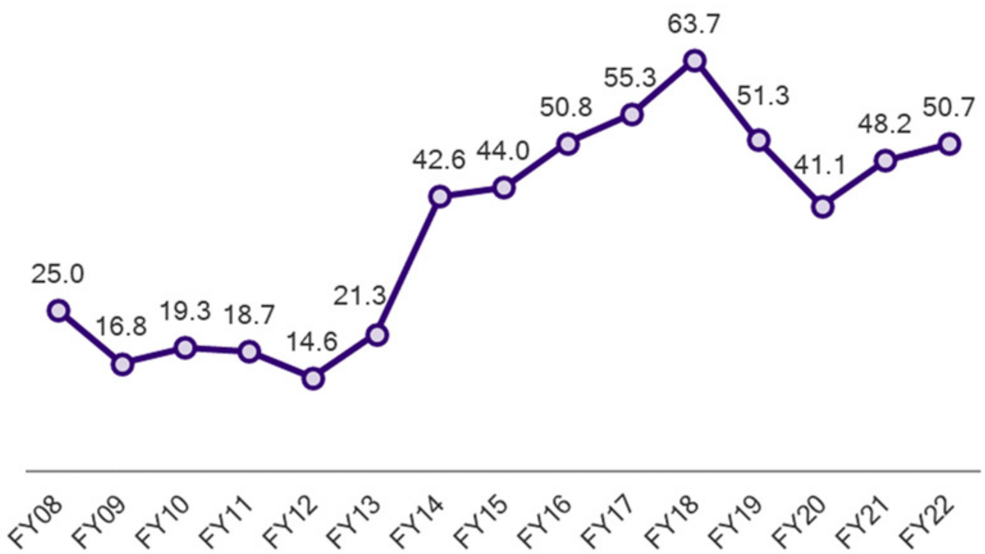
Since the Company was listed in 2007, Cash Net Profit After Tax (Cash NPAT) has been used as the alternative profit measure in announcing the performance of the business. Cash NPAT will continue to be used when assessing the performance outcome of the 2019 LTIs as it constituted one of the applicable 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).

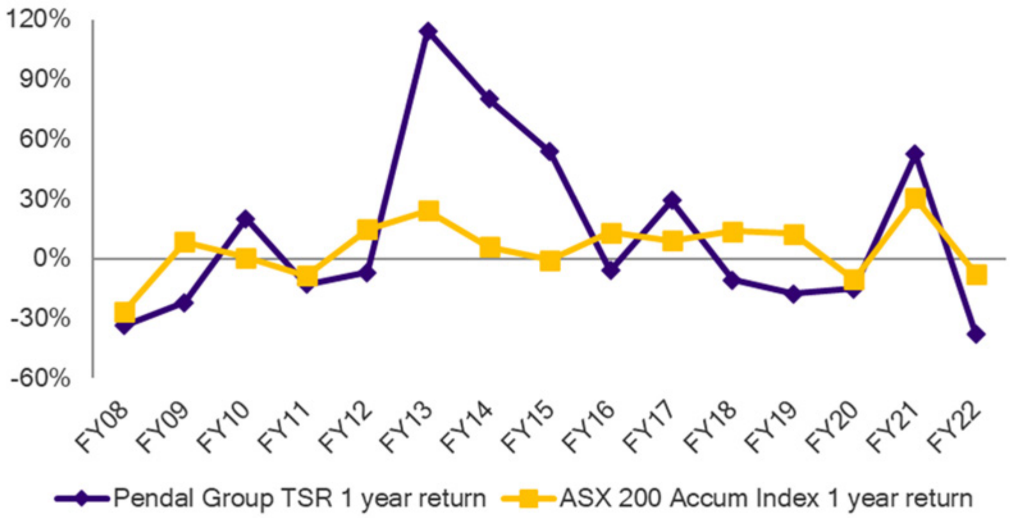
The EPS hurdles of 5-10% have been set by the Board to encourage management to build a business that is sustainable through various economic cycles, irrespective of whether markets rise or fall. The Board set the 5-10% band for Cash and Underlying EPS vesting by considering the evidence and expectations 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 5a and 5b below provide a historical overview of Pendal Group's Cash and Underlying EPS and TSR relative performance against the S&P/ASX 200 Accumulation Index.

Graph 5a: 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 5b: Pendal yearly TSR and yearly S&P/ASX200 Accumulation Index over time



Group CEO and other Global Executive Committee members' performance outcomes in the 2022 Financial Year

Group CEO performance and short term incentive outcome

The 2022 Financial Year STI outcome for Mr Good reflects the Board's assessment of his performance against his KPIs including the financial and non-financial measures as outlined below.

To reflect the significance and importance of the Perpetual offer to acquire Pendal, and to achieve the best possible outcome for Pendal's shareholders, the Board reweighted Mr Good's KPIs, and assigned a 75% weighting to the 'Response to the Perpetual Proposal' KPI in support of his leadership and management of the business and all Pendal stakeholders.

Mr Good's performance against the specific 'Response to the Perpetual Proposal' KPI was rated by the Board as 'above target'. Fifty percent of the STI outcome which is driven by this KPI will be paid within his overall 2022 Financial Year STI outcome, while the payment of the balance will take place in the event that Perpetual's acquisition of Pendal Group is completed.

Mr Good's original 2022 Financial Year performance measures remained unchanged however their relative weightings have been reduced in the overall performance assessment by the increased weighting assigned to the 'Response to the Perpetual Proposal' KPI.

	Description of key performance indicators and performance			
	Performance Measure	**Key Performance Indicators (KPIs)**	**Weighting**	**FY22 Performance Against KPIs**
Short-Term Incentive	Financial	Underlying Profit After Tax Base management fee revenue	8%	UPAT was close to target however was below threshold. Net flows did not meet the target. *Below target*
	Strategic Priorities	Deliver on strategic objectives that support building Pendal's global business distribution capability, successfully execute on the global operating platform plan and develop product diversification strategy.	6%	Continued to enhance Pendal's global business distribution capability with specific focus on developing the US integration and cross selling opportunities; delivering on the European sales build-out and accelerating growth in wholesale channels in Australia. Launched Water & Waste fund in UK and Europe. Despite the effective steps taken to execute on the global operating platform plan, progress against the target has been slow particularly due to external factors. Satisfactory progress was achieved in continuous improvement of internal control environment and completion of corporate projects. Progress made against developing product diversification strategy with several product ideas in the R&D pipeline. *Slightly below target*

Description of key performance indicators and performance

Performance Measure	Key Performance Indicators (KPIs)	Weighting	FY22 Performance Against KPIs
Business Management	Progress towards the development of effective employee retention and reward frameworks and strengthen succession plans.	6%	Despite significant steps taken throughout the year, further improvement is required to fully deliver on this objective. Progress was made with succession planning, recruitment of key positions, employee communications and reviewing reward frameworks. *Slightly below target*
Investment Performance	Deliver exceptional investment performance.	2.5%	Key investment strategies outperforming with 73% of FUM over three years above benchmarks and 85% of FUM over five years above benchmarks. *At target*
Risk Management	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 developing plans to bring Risk Tolerances into line with the Board's guidelines	2.5%	The quality of the risk reporting remained high. In addition to the introduction of more regular GEC updates, generally positive control assurance provided by auditors, no material gaps or regulatory matters were reported, and action items were implemented. Maintained the key governance processes and introduced IT and operational enhancements, however, several incidents in the EUKA business detracted from overall progress. Continued to monitor Risk Tolerances and contributed to developments of other key actions being taken across the Group. *At target*
Response to the Perpetual Proposal	Successful leadership of the business in response to the Perpetual offer and focus on shareholder outcomes	75%	Successfully delivered through strong leadership and commitment to internal and external stakeholders while managing the steady-state needs of the business. Ensured the global executive leadership team were aligned on all aspects of the Perpetual bid engagement and due diligence process. Achieved an increase to the original bid price for shareholders. *Above target*

Long-Term Incentive Award	Description of Long-Term Incentive Award performance hurdles and outcome
	For Mr Good's LTI award for which performance was measured over three years from 1 October 2019 to 30 September 2022, 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 2019 Financial Year.

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 GEC. The recommendations are presented to the People, Culture and Remuneration 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 determines 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. This financial year, each GEC member was also assigned a 'Response to the Perpetual Proposal' KPI in alignment with the Group CEO. The weighting of this KPI for each member differed according to their relative contribution to the due diligence and Scheme processes.

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 at least annually. The Group CEO reviews the performance of the GEC members annually with the People, Culture and Remuneration 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 2022 and 2021 Financial Years

The table below sets out the STI outcomes for each GEC member (each a KMP), for the 2022 and 2021 Financial Years. STI outcomes are awarded in both cash and Pendal shares with deferred vesting on the shares. The total STI outcomes exclude amounts that are dependent on the completion of the proposed Scheme of Arrangement with Perpetual.

The number of shares granted to each KMP is subject to the STI outcome with a portion paid in deferred PDL shares. 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 awarded ($)	Total STI awarded as % STI Maximum
Nick Good[3,4]	22	623,722	623,722	1,247,444	47%
	21	881,267	426,420	1,307,687	70%
Alexandra Altinger[5]	22	392,920	168,394	561,314	40%
	21	571,952	381,301	953,253	68%
Richard Brandweiner	22	450,238	450,238	900,476	62%
	21	413,810	413,810	827,620	69%
Claudia Henderson[3,6]	22	261,086	97,427	358,513	64%
	21	-	-	-	-
Justin Howell[7]	22	274,584	142,416	417,000	58%
	21	-	-	-	-
John Reifsnider[3,8]	22	196,213	196,213	392,426	23%
	21	102,144	102,144	204,288	67%
Bindesh Savjani[5]	22	337,995	144,855	482,850	67%
	21	447,119	191,623	638,742	88%
Cameron Williamson	22	319,871	218,582	538,453	67%
	21	358,193	193,115	551,308	69%
Total	**22**	**2,856,629**	**2,041,848**	**4,898,476**	**-**
	21	**2,774,485**	**1,708,412**	**4,482,897**	**-**

Notes to Table 1a

1 Equity-based remuneration represents the actual short term equity awarded for performance for the 2022 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 to be allocated for the 2022 Financial Year award will be determined closer to the allocation date.

3 Nick Good, John Reifsnider and Claudia Henderson are remunerated in US Dollars. An average exchange rate of 0.7126 (2021:0.7519) has been applied to convert their total STI to Australian dollars for the 2022 Financial Year.

4 Nick Good was appointed as the Group CEO, effective from 1 April 2021. His STI outcome for the 2021 Financial Year was apportioned between the terms of his employment as Group CEO and the previous terms of his employment as CEO, JOHCM USA (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).

5 Alexandra Altinger and Bindesh Savjani are remunerated in Pound Sterling. An average exchange rate of 0.5577 (2021:0.5493) has been applied to convert their total STI to Australian dollars for the 2022 Financial Year.

6 Claudia Henderson commenced her employment as the Group CHRO with Pendal Group on 24 January 2022. Her STI for the 2022 Financial Year was applicable to the period that she was employed by the Group.

7 Justin Howell was appointed as the Group COO on 1 November 2021. His remuneration for the 2022 Financial Year was applicable to the period that he was a KMP.

8 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 was applicable to the period that he was employed by the Group.

Table 1b: Global Executive Committee remuneration – actual or realised remuneration received in the 2022 and 2021 Financial Years (Non-IFRS)

This table shows the actual remuneration paid to, and the equity which vested for, each GEC member (each a KMP) in the 2022 and 2021 Financial Years. This includes:

- Fixed remuneration received during the year;
- The cash component of STI awarded in 2022 and 2021;
- Deferred STI equity awarded in prior years that vested in 2022 and 2021;
- LTI equity awarded in prior years that vested in 2022 and 2021; 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]	22	899,874	623,722	186,712	-	120,095	369,773	2,200,176
	21	694,906	881,267	614,849	844,067	31,483	508,046	3,574,618
Alexandra Altinger[1,3]	22	559,440	392,920	72,877	-	34,803	-	1,060,040
	21	567,996	571,952	44,082	-	10,677	-	1,194,707
Richard Brandweiner[3]	22	553,092	450,238	140,505	-	55,593	-	1,199,428
	21	550,766	413,810	160,211	-	32,479	-	1,157,266
Claudia Henderson[1,10]	22	346,960	261,086	-	-	-	175,414	783,460
	21	-	-	-	-	-	-	-
Justin Howell[11]	22	584,418	274,584	33,326	-	13,901	-	906,228
	21	-	-	-	-	-	-	-
John Reifsnider[1,12]	22	584,418	196,213	13,068	-	6,683	-	800,382
	21	101,133	102,144	-	-	-	-	203,277
Bindesh Savjani[1,3]	22	642,199	337,995	109,787	-	32,574	-	1,122,555
	21	640,816	447,119	282,857	-	31,056	-	1,401,848
Cameron Williamson[3]	22	452,529	319,871	64,847	-	22,482	-	859,729
	21	450,553	358,193	85,797	-	12,691	-	907,234
Total Global Executive Committee Remuneration	**22**	**4,622,928**	**2,856,629**	**621,122**	**-**	**286,131**	**545,187**	**8,931,997**
	21	**3,006,170**	**2,774,485**	**1,187,796**	**844,067**	**118,386**	**508,046**	**8,438,950**

Notes to Table 1b

1 Nick Good, John Reifsnider and Claudia Henderson are remunerated in US Dollars. An average exchange rate of 0.7126 (2021:0.7519) has been applied to convert their remuneration to Australian dollars for the 2022 Financial Year. Alexandra Altinger and Bindesh Savjani, are remunerated in Pounds Sterling. An average exchange rate of 0.5577 (2021:0.5493) has been applied to convert their remuneration to Australian dollars for the 2022 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).

3 The 2022 Financial Year fixed remuneration for Richard Brandweiner and Cameron Williamson did not increase from the 2021 Financial Year. The difference is attributable to changes to the Australian superannuation guarantee contributions, effective from 1 July 2022. The 2022 Financial Year fixed remuneration for Alexandra Altinger and Bindesh Savjani did not increase from the 2021 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 2022 Financial Year and paid in December 2022. The 2022 Financial Year amounts were determined after performance reviews were completed and were approved by the Board. It should be noted there may be changes to 2022 Financial Year 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 2022 are treated as vesting in the 2022 Financial Year. The equity value has been calculated as the number of securities that vested during the year ended 30 September 2022, multiplied by the closing PDL share price on the date of vesting (i.e. 1 October 2022).

6 The LTI granted in the 2019 Financial Year did not vest in 2022 as it did not meet the minimum performance hurdles for TSR and Cash EPS. The LTI granted in the 2018 Financial Year did not vest in 2021 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 his employment in 2019 was pro-rated for a two year term and measured on 1 October 2021 following his appointment as Group CEO from 1 April 2021. The portion of LTI awards for which performance hurdles were met as of 1 October 2021 have 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 2022 and 2021 in relation to Performance Share Right LTI awards because they did not vest.

9 Other payments to Nick Good and Claudia Henderson represent 2022 Financial Year cash payments for deferred remuneration foregone following the commencement of their employment. A further payment for deferred remuneration foregone is scheduled to be paid to Nick Good in the next financial year, 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 applicable to the period that he was employed by the Group.

11 Claudia Henderson commenced employment as the Group CHRO with Pendal Group on 24 January 2022. Her remuneration for the 2022 Financial Year is applicable to the period that she was employed by the Group.

12 Justin Howell was appointed as Group COO on 1 November 2021. His remuneration for the 2022 Financial Year is applicable to the period he was a KMP.

Table 1c: Statutory remuneration for the Global Executive Committee in the 2022 and 2021 Financial Years

The table below details the statutory accounting expense of all remuneration-related items for each GEC member (each a KMP) in relation to both the 2022 and 2021 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 7 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]	22	841,987	623,722	64,680	57,887	-	339,308	203,253	120,095	676,071	2,927,003
	21	631,733	881,267	49,962	63,173	-	513,148	493,811	31,483	508,046	3,172,623
Alexandra Altinger[1,3]	22	555,854	392,920	10,169	3,586	-	150,749	257,639	34,803	-	1,405,720
	21	564,355	571,952	9,078	3,641	-	164,801	622,860	10,677	-	1,947,364
Richard Brandweiner[3]	22	525,592	450,238	-	27,500	3,181	307,748	169,348	55,593	238,000	1,777,200
	21	525,141	413,810	-	25,625	8,111	305,737	273,404	32,479	-	1,584,307
Claudia Henderson[1,11]	22	338,774	261,086	25,943	8,186	-	30,965	-	-	459,088	1,124,042
	21	-	-	-	-	-	-	-	-	-	-
Justin Howell[12]	22	420,229	274,584	-	21,365	5,101	83,759	18,221	13,901	184,327	1,021,487
	21	-	-	-	-	-	-	-	-	-	-
John Reifsnider[1,13]	22	561,325	196,213	48,022	23,092	-	80,459	67,481	-	-	976,592
	21	101,133	102,144	4,175	-	-	31,773	-	-	-	239,225
Bindesh Savjani[1,3]	22	584,820	337,995	13,727	57,379	-	151,512	77,287	32,574	199,328	1,454,622
	21	582,560	447,119	12,822	58,256	-	263,044	124,002	31,056	-	1,518,859
Cameron Williamson[3]	22	425,029	319,871	-	27,500	6,877	133,430	84,669	22,482	320,116	1,339,974
	21	424,928	358,193	-	25,625	8,095	116,042	136,702	12,691	-	1,082,276
Total Global Executive Committee Remuneration	**22**	**4,253,610**	**2,856,629**	**162,541**	**226,495**	**15,159**	**1,277,930**	**877,898**	**279,448**	**2,076,930**	**12,026,640**
	21	**2,829,850**	**2,774,485**	**76,037**	**176,320**	**16,206**	**1,394,545**	**1,650,779**	**118,386**	**508,046**	**9,544,654**

Notes to Table 1c:

1 Nick Good, Claudia Henderson and John Reifsnider are remunerated in US Dollars. An average exchange rate of 0.7126 (2021:0.7519) has been applied to convert their remuneration to Australian dollars for the 2022 Financial Year. Alexandra Altinger and Bindesh Savjani are remunerated in Pounds Sterling. An average exchange rate of 0.5577 (2021:0.5493) has been applied to convert their remuneration to Australian dollars for the 2022 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).

3 The 2022 Financial Year fixed remuneration for Richard Brandweiner and Cameron Williamson did not increase from the 2021 Financial Year. The difference is attributable to changes to the Australian superannuation guarantee contributions, effective from 1 July 2022. The 2022 Financial Year fixed remuneration for Alexandra Altinger and Bindesh Savjani did not increase from the 2021 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 2022 Financial Year and paid in December 2022. The 2022 Financial Year amounts were determined after performance reviews were completed and were approved by the Board. The cash component of STI excludes amounts that are dependent on the completion of the proposed Scheme of Arrangement with Perpetual. It should be noted there may be changes to the 2022 Financial Year amounts following final approval of the relative proportions of cash and equity as part of the annual remuneration review cycle.

5 Non-monetary benefits include 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 2019 LTI grant measured in 2022, 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 2022 of the likely level of vesting of the EPS hurdled LTI. For the 2019 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 2019 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 2022 and 2021 in relation to Performance Share Rights.

10 Other remuneration includes the portion of future discretionary and retention cash payments awarded in the 2022 Financial Year related to the proposed Scheme of Arrangement with Perpetual Limited, that is not contingent on the transaction being completed. For further information about these payments, please refer to Section 3 of the report. Other payments to Nick Good and Claudia Henderson also include 2022 Financial Year cash payments for deferred remuneration foregone following the commencement of their employment. A further payment for deferred remuneration foregone is scheduled to be paid to Nick Good in the next financial year, subject to employment conditions.

11 Claudia Henderson commenced employment as Group CHRO with Pendal Group on 24 January 2022. Her remuneration for the 2022 Financial Year is applicable to the period that she was employed by the Group.

12 Justin Howell was appointed as Group COO on 1 November 2021. His remuneration for the 2022 Financial Year is applicable to the period that he was a KMP.

13 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 applicable to the period that he was employed by the Group.

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 2022 and 2021 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[2]		Equity as a percentage of total remuneration[3]	
Current KMP	2022 (%)	2021 (%)	2022 (%)	2021 (%)	2022 (%)	2021 (%)
Nick Good	56	39	21	28	23	33
Alexandra Altinger	41	30	28	30	31	40
Richard Brandweiner	45	35	25	26	30	39
Claudia Henderson[4]	74	-	23	-	3	-
Justin Howell[5]	62	-	27	-	11	-
John Reifsnider	65	44	20	43	15	13
Bindesh Savjani	59	43	23	29	18	28
Cameron Williamson	58	42	24	33	18	25

Notes to Table 2:

1 Fixed remuneration includes salary and fees, non-monetary benefits, post-employment benefits,long service leave, cash payments for deferred remuneration foregone following the commencement of employment and the portion of future discretionary and retention cash payments awarded in the 2022 Financial Year related to the proposed Scheme of Arrangement with Perpetual Limited, that is not contingent on the transaction being completed.

2 Cash VR represents the cash component of STI awarded for performance during the 2022 and 2021 Financial Years, including that portion of the cash component of STI attributable to the proposed Scheme of Arrangement with Perpetual Limited that is not contingent on the transaction being completed.

3 The equity component represented in this table includes the equity-based remuneration awarded for the 2022 and 2021 Financial Years and long- term incentives, including that portion of the equity component of STI attributable to the proposed Scheme of Arrangement with Perpetual Limited that is not contingent on the transaction being completed.

4 Claudia Henderson commenced employment as Group CHRO with Pendal Group on 24 January 2022. Her remuneration for the 2022 Financial Year is applicable to the period that she was employed by the Group.

5 Justin Howell was appointed as Group COO on 1 November 2021. His remuneration for the 2022 Financial Year is that applicable to the period he was a KMP.

Share based-payments

Details of the shares in PDL granted as compensation to the Group CEO and other GEC 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 2022 (#)	Proportion of award vested (%)	Proportion of award forfeited (%)
Group CEO						
Nick Good	31-Dec-19	137,263	8.59	25,643	96	-
	2-Dec-21	61,997	5.79	12,399	20	-
Other Global Executive Committee Members						
Alexandra Altinger	3-Dec-20	27,238	7.02	5,476	40	-
	2-Dec-21	55,437	5.79	11,087	20	-
Richard Brandweiner	6-Dec-18	23,813	8.18	4,762	80	-
	5-Dec-19	33,522	8.06	6,704	60	-
	3-Dec 20	42,175	7.02	8,435	40	-
	2-Dec-21	60,164	5.79	12,032	20	-
Justin Howell	6-Dec-18	2,475	8.18	495	80	-
	5-Dec-19	8,409	8.06	1,682	60	-
	3-Dec-20	10,627	7.02	2,126	40	-
	2-Dec-21	61,997	5.79	3,271	20	-
John Reifsnider	2-Dec-21	14,850	5.79	2,970	20	-
Bindesh Savjani	15-Mar-19	66,275	8.94	9,589	100	-
	5-Dec-19	20,261	8.06	4,052	60	-
	3-Dec 20	28,476	7.02	5,695	40	-
	2-Dec-21	27,860	5.79	5,572	20	-
Cameron Williamson	7-Dec-17	11,712	10.69	2,342	100	-
	6-Dec-18	12,696	8.18	2,539	80	-
	5-Dec-19	12,507	8.06	2,501	60	-
	3-Dec 20	8,697	7.02	1,740	40	-
	2-Dec-21	28,077	5.79	5,616	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.

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

Pendal Group's remuneration policy focuses on driving performance and creating shareholder alignment in the longer term. We do this by providing our GEC 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.

Global Executive Committee	Date of 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 2022 (#)
Nick Good	31-Dec-19	Performance Share Rights	60,491	6.72	8.93	1-Oct-22	-	60,491	-
	23-Oct-20	Performance Share Rights[4]	104,853	-	6.80	1-Oct-21	104,853	-	-
	3-Dec-20	Performance Share Rights	76,285	5.10	7.02	1-Oct-23	-	-	76,285
	21-Dec-21	Performance Share Rights	125,418	1.52	5.45	1-Oct-24	-	-	125,418
Alexandra Altinger	5-Dec-19	Performance Share Rights	123,984	5.86	8.33	1-Oct-22	-	123,984	-
	3-Dec-20	Performance Share Rights	163,187	5,10	7.02	1-Oct-23	-	-	163,187
	2-Dec-21	Performance Share Rights	112,395	2.28	5.79	1-Oct-24	-	-	112,395
Richard Brandweiner	5-Dec-19	Performance Share Rights	81,651	5.86	8.33	1-Oct-22	-	81,651	-
	3-Dec-20	Performance Share Rights	108,448	5.10	7.02	1-Oct-23	-	-	108,448
	2-Dec-21	Performance Share Rights	72,306	2.28	5.79	1-Oct-24	-	-	72,306
Justin Howell	5-Dec-19	Performance Share Rights	9,526	5.86	8.33	1-Oct-22	-	9,526	-
	3-Dec-20	Performance Share Rights	12,110	5.10	7.02	1-Oct-23	-	-	12,110
	2-Dec-21	Performance Share Rights	9,339	2.28	5.79	1-Oct-24	-	-	9,339
John Reifsnider	2-Dec-21	Performance Share Rights	50,171	2.28	5.79	1-Oct-24	-	-	50,171
Bindesh Savjani	5-Dec-19	Performance Share Rights	37,195	5.86	8.33	1-Oct-22	-	37,195	-
	3-Dec-20	Performance Share Rights	48,956	5.10	7.02	1-Oct-23	-	-	48,956
	2-Dec-21	Performance Share Rights	33,718	2.28	5.79	1-Oct-24	-	-	33,718
Cameron Williamson	5-Dec-19	Performance Share Rights	40,825	5.86	8.33	1-Oct-22	-	40,825	40,825
	3-Dec-20	Performance Share Rights	54,224	5.10	7.02	1-Oct-23	-	-	54,224
	2-Dec-21	Performance Share Rights	36,153	2.28	5.79	1-Oct-24	-	-	36,153

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 LTI 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 2019 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 the 2021 Remuneration Report. The performance share rights that did meet the performance hurdles are shown as vested in this table.

Table 5: Equity components of variable remuneration for Group CEO and other Global Executive Committee members

The table below outlines STI deferred equity and Performance Share Rights awarded to the previous and current Group CEO and other GEC members with an associated vesting schedule for the 2022 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 that may vest in future years[1]				
Global Executive Committee	**Date of grant**	**Face value of equity grants ($)**	**Fair value of equity grants at grant ($)**	**Minimum total value of grant yet to vest ($)**	**FY23 ($)**	**FY24 ($)**	**FY25 ($)**	**FY26 ($)**	**FY27 onwards ($)**
Nick Good	31-Dec-19	1,116,024	1,179,089	Nil	83,512	-	-	-	-
	3-Dec-20	422,060	462,288	Nil	-	462,288	-	-	-
	2-Dec-21	426,420	358,963	Nil	71,790	71,790	71,790	71,790	71,802
	21-Dec-21	1,040,799	437,082	Nil	-	-	437,082	-	-
Alexandra Altinger	3-Dec-20	196,694	192,194	Nil	38,442	38,442	38,442	38,427	-
	3-Dec-20	902,853	988,914	Nil	-	988,914	-	-	-
	2-Dec-21	381,302	320,980	Nil	64,194	64,194	64,194	64,194	64,205
	2-Dec-21	932,662	453,516	Nil	-	-	453,516	-	-
Richard Brandweiner	6-Dec-18	225,000	194,790	Nil	38,953	38,953	-	-	-
	5-Dec-19	270,000	270,187	Nil	54,034	54,034	54,050	-	-
	3-Dec-20	303,000	296,069	Nil	59,214	59,214	59,214	59,214	-
	3-Dec-20	600,000	657,195	Nil	-	657,195	-	-	-
	2-Dec-21	413,810	348,350	Nil	69,665	69,671	69,671	69,671	69,671
	2-Dec-21	600,000	291,755	Nil	-	-	291,755	-	-
Justin Howell	6-Dec-18	23,392	20,246	Nil	4,049	4,049	-	-	-
	5-Dec-19	67,732	67,777	Nil	13,557	13,557	13,549	-	-
	3-Dec-20	76,348	74,602	Nil	14,925	14,918	14,918	14,918	-
	3-Dec-20	67,000	73,387	Nil	-	73,387	-	-	-
	2-Dec-21	112,483	94,690	Nil	18,939	18,939	18,939	18,939	18,933
	2-Dec-21	77,500	37,685	Nil	-	-	37,685	-	-
John Reifsnider	2-Dec-21	102,144	85,982	Nil	17,196	17,196	17,196	17,196	17,196
	2-Dec-21	416,320	202,442	Nil	-	-	202,442	-	-
Bindesh Savjani	5-Dec-19	163,191	163,304	Nil	32,659	32,659	32,659	-	-
	3-Dec-20	204,584	199,902	Nil	39,979	39,979	39,979	39,986	-
	3-Dec-20	270,856	296,673	Nil	-	296,673	-	-	-
	2-Dec-21	204,584	161,309	Nil	32,262	32,262	32,262	32,262	32,262
	2-Dec-21	270,856	136,052	Nil	-	-	136,052	-	-
Cameron Williamson	7-Dec-17	119,960	125,201	Nil	25,036	-	-	-	-
	6-Dec-18	119,960	103,853	Nil	20,769	20,769	-	-	-
	5-Dec-19	100,472	100,806	Nil	20,158	20,158	20,174	-	-
	3-Dec-20	62,487	61,053	Nil	12,215	12,208	12,208	12,208	-
	3-Dec-20	300,000	328,597	Nil	-	328,597	-	-	-
	2-Dec-21	193,115	162,566	Nil	32,517	32,517	32,511	32,511	32,511
	2-Dec-21	300,000	145,879	Nil	-	-	145,879	-	-

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 GEC 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 GEC 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
Claudia Henderson	3 months
Justin Howell	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
	Claudia Henderson	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.
	Justin Howell	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
	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.
	Claudia Henderson	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.
	Justin Howell	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 GEC 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.

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

Post-employment restraint

Employment agreements for the Group CEO and other GEC 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, with the exception of Cameron Williamson, Group Chief Financial Officer, who has a three month post-employment restraint period.

8. Non-Executive Director remuneration

NED remuneration in the 2022 Financial Year

NED annual fee pool

For the 2022 Financial Year, $1.39 million (70%) of the shareholder approved NED annual fee pool was used.

The increase in the annual fee pool for Non-Executive Directors to $2,000,000 was approved at Pendal's 2021 Annual General Meeting, with effect from 1 January 2022. Any fees paid to Directors of Pendal Group Limited for subsidiary board appointments form part of the fee pool for Non-Executive Directors.

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 and subsidiaries. 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.

A summary of the annual fees payable to NEDs during the 2022 Financial Year are set out in the table below.

No changes were made to Board or Committee fees for Australian based NEDs during the year ended 30 September 2022. Effective as of 1 March 2022, fees for NEDs based outside of Australia have been set in Australian dollars, with the relevant directors paid in their local currency equivalent, at spot rates on the date of payment. Fee arrangements were introduced this year for Pendal Group Board NEDs who served on subsidiary boards and for the Chair of the newly formed Governance and Nominations Committee. Additional fees were not paid to members of the Governance and Nominations Committee, which was attended by all Pendal Group NEDs.

No NED Board or Committee fee increases are proposed for the next financial year.

Non-Executive Director fees

Pendal Group Board fees	Fee Policy (AUD for Australian directors)	Fee Policy (AUD for offshore directors)
Board Chairman	400	-
Other Non-Executive Directors	160	176

Pendal Group Board Committee fees	Fee policy ($'000s)	
Audit & Risk Committee – Chair	40	44
Audit & Risk Committee – Member	20	22
People, Culture and Remuneration Committee – Chair	40	44
People, Culture and Remuneration Committee – Member	20	22
Governance and Nominations Committee- Chair	10	10
Governance and Nominations Committee- Member	-	-
Subsidiary Board - Chair	40	44
Subsidiary Board - Member	20	22

Retirement allowances

No allowance is payable on the retirement of NEDs. Superannuation payments are made in line with legislative requirements.

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. Trade restrictions which precluded NEDs from purchasing shares in the Company in the second half of this financial year, in large part due to the receipt of the Perpetual offer in early April 2022, have resulted in Deborah Page not yet reaching the higher shareholding required of the Chairman since her appointment to this role on 17 January 2022. It has also precluded Sally Collier, Kathryn Matthews and Christopher Jones from purchasing shares in the Company in the second half of this financial year and therefore resulted in these NEDs not continuing to meet the minimum shareholding requirement of Directors having regard to the impact of the reduction in the share price. The number of Pendal Group shares held by each NED is set out in Table 7.

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 2022 and 2021 Financial Years are shown in Table 6 below.

Table 6: 2022 and 2021 Financial Years' Non-Executive Director remuneration

	FY	Fees ($)	Superannuation ($)	Total ($)
Current NEDs				
Deborah Page[1]	22	338,462	24,722	363,184
	21	200,000	19,269	219,269
Sally Collier	22	213,877	21,607	235,485
	21	200,000	19,269	219,269
Ben Heap[2]	22	107,038	10,923	117,962
	21	-	-	-
Christopher Jones[3]	22	264,035	-	264,035
	21	218,114	-	218,114
Kathryn Matthews[3]	22	221,171	-	221,171
	21	234,830	-	234,830
Former NEDs				
James Evans[4]	22	124,615	8,276	132,891
	21	400,000	25,625	425,625
Andrew Fay[5]	22	46,154	4,615	50,769
	21	200,000	19,269	219,269
Total	**22**	**1,315,352**	**70,144**	**1,385,496**
	21	**1,445,676**	**83,432**	**1,529,108**

Notes to Table 6:

1 Deborah Page was appointed as Chairman on 17 January 2022.

2 Ben Heap was appointed as an independent non-executive Director on 1 March 2022.

3 Christopher Jones and Kathryn Matthews are remunerated in US Dollars and Pound Sterling, respectively. The Australian dollar equivalents were calculated using spot exchange rates on the date of each payment until 1 March 2022, from which date fees for Christopher Jones and Kathryn Matthews were set in Australian dollars and converted to US Dollars and Pound Sterling respectively using a spot exchange rate on the date of each payment.

4 James Evans retired as Chairman on 17 January 2022.

5 Andrew Fay retired from the Pendal Board on 10 December 2021.

9. Director and Global Executive holdings

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

Table 7: Director and Global Executives' holdings

			In the 2022 Financial Year:					
	Type of holding	Equity held at 1 Oct 2021	Number of securities acquired	Number of securities granted as remuneration	Holdings at date of change as KMP	Exercise, lapse or forfeiture of Performance share rights	Number of securities disposed	Equity held at 30 Sep 2022
Non-Executive Directors								
Deborah Page[1]	Ordinary	48,817	-	-	-	-	-	48,817
Sally Collier	Ordinary	28,412	-	-	-	-	-	28,412
Ben Heap	Ordinary	-	-	-	20,000	-	-	20,000
Christopher Jones	Ordinary	32,000	-	-	-	-	-	32,000
Kathryn Matthews[2]	Ordinary	25,000	-	-	-	-	-	25,000
Former Non-Executive Directors								
James Evans	Ordinary	71,912	-	-	(71,912)	-	-	-
Andrew Fay	Ordinary	76,845	-	-	(76,845)	-	-	-
Total for Non-Executive Directors		**282,986**	**-**	**-**	**(128,757)**	**-**	**-**	**154,229**
Global Executive Committee								
Nick Good	Ordinary	111,956	-	61,997	-	104,853	-	278,806
	Performance share rights	451,335	-	125,418	-	(314,559)	-	262,194
Alexandra Altinger	Ordinary	27,378	-	55,437	-	-	(5,476)	77,339
	Performance share rights	287,171	-	112,395	-	-	-	399,566
Richard Brandweiner	Ordinary	83,280	-	60,164	-	-	-	143,444
	Performance share rights	259,031	-	72,306	-	(68,932)	-	262,405
Claudia Henderson	Ordinary	-	-	-	-	-	-	-
	Performance share rights	-	-	-	-	-	-	-
Justin Howell	Ordinary	-	-	16,354	25,744	-	-	42,098
	Performance share rights	-	-	9,339	21,636	-	-	30,975
John Reifsnider	Ordinary	265,727	-	14,850	-	-	-	280,577
	Performance share rights	-	-	50,171	-	-	-	50,171
Bindesh Savjani	Ordinary	86,512	-	27,860	-	-	(5,000)	109,372
	Performance share rights	117,375	-	33,718	-	(31,224)	-	119,869
Cameron Williamson	Ordinary	50,856	-	28,077	-	-	-	78,933
	Performance share rights	129,515	-	36,153	-	(34,466)	-	131,202
Total for Global Executive Committee		**1,870,136**	**-**	**704,239**	**47,380**	**(344,328)**	**(10,476)**	**2,266,951**

Notes to Table 7:

1 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, 42,613.94 units in Pendal Focus Australian Share Fund, 30,890.60 units in Pendal Horizon Fund and 76,226 units in Pendal Global Select Fund.

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

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.

2022 Corporate Governance Statement

Pendal Group's 2022 Corporate Governance Statement can be viewed on the Group's website at pend.al/CGS-2022.

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 Mr Brett Entwistle has commenced as the lead audit partner for the first year ended 30 September 2022.

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 60.

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

Deborah Page AM
Chairman
4 November 2022

Nicholas Good
Managing Director and Group Chief Executive Officer
4 November 2022

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Pendal Group Limited for the year ended 30 September 2022, 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.

Brett Entwistle
Partner
PricewaterhouseCoopers

Sydney
4 November 2022

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

Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2022

	Notes	2022 $'000	2021 $'000
Revenue			
Investment management fees		577,774	524,400
Performance fees		51,924	57,508
Total revenue	**B2**	**629,698**	**581,908**
Other income	**B2**	**(18,569)**	**45,508**
Expenses			
Employee expenses			
Salaries and related expenses		216,813	216,159
Amortisation of employee equity grants	D2	42,640	44,196
Amortisation of employee deferred remuneration		38,318	14,978
Professional services		24,370	33,136
Information, technology and data		25,483	25,556
Fund administration		24,837	20,409
Depreciation, amortisation and impairment		56,542	22,040
General office and administration		9,790	13,544
Business development and promotion		15,742	11,210
Occupancy		2,514	3,496
Investment management		2,492	3,071
Finance costs		2,635	1,737
Total expenses		**462,176**	**409,532**
Profit before income tax		**148,953**	**217,884**
Income tax expense	B5	36,186	53,182
Profit after tax attributable to shareholders		**112,767**	**164,702**
Earnings per share for profit attributable to shareholders		**Cents**	**Cents**
Basic earnings per share	B4	31.8	52.0
Diluted earnings per share	B4	31.0	50.6
		$'000	**$'000**
Profit after tax for the financial year		**112,767**	**164,702**
Other comprehensive income for the financial year			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	C3	6,430	22,414
Gain / (loss) on derivative hedging instruments	C3	5,252	(1,396)
Other comprehensive income, net of tax		**11,682**	**21,018**
Total comprehensive income for the financial year attributable to shareholders		**124,449**	**185,720**

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 2022

	Notes	2022 $'000	2021 $'000
Current assets			
Cash and cash equivalents	B6	316,364	297,742
Trade and other receivables		73,821	96,520
Current tax assets		13,196	7,141
Derivatives		–	659
Prepayments		9,842	9,430
Total current assets		**413,223**	**411,492**
Non-current assets			
Property, plant and equipment		8,569	10,639
Right-of-use assets	F2	33,685	39,898
Financial assets held at fair value through profit or loss (FVTPL)	C5	201,540	287,214
Deferred tax assets	B5	42,636	42,134
Intangible assets	F1	901,750	930,220
Total non-current assets		**1,188,180**	**1,310,105**
Total assets		**1,601,403**	**1,721,597**
Current liabilities			
Trade and other payables		43,909	57,002
Employee benefits	D1	114,331	139,836
Lease liabilities	F2	5,825	8,234
Derivatives		718	–
Current tax liabilities		21,791	28,707
Total current liabilities		**186,574**	**233,779**
Non-current liabilities			
Employee benefits	D1	1,381	7,979
Lease liabilities	F2	30,852	35,774
Borrowings	C6	53,830	48,570
Deferred tax liabilities	B5	8,550	11,263
Total non-current liabilities		**94,613**	**103,586**
Total liabilities		**281,187**	**337,365**
Net assets		**1,320,216**	**1,384,232**
Equity			
Contributed equity	C2	867,572	876,333
Reserves	C3	243,738	245,682
Retained earnings		208,906	262,217
Total equity		**1,320,216**	**1,384,232**

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 2022

	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 October 2021		**876,333**	**245,682**	**262,217**	**1,384,232**
Profit for the financial year		–	–	112,767	112,767
Other comprehensive income for the financial year		–	11,682	–	11,682
Total comprehensive income for the financial year		–	**11,682**	**112,767**	**124,449**
Transactions with owners in their capacity as owners:					
Treasury shares acquired	C2	(58,560)	–	–	(58,560)
Treasury shares released	C2	49,799	(49,799)	–	–
Share-based payments	C3	–	36,173	–	36,173
Dividends paid	C4	–	–	(166,078)	(166,078)
Balance at 30 September 2022		**867,572**	**243,738**	**208,906**	**1,320,216**
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**

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 2022

	Notes	2022 $'000	2021 $'000
Cash flows from operating activities			
Fees and other income received		672,227	591,720
Interest received		154	2
Distributions from investment funds		11,945	389
Expenses paid		(426,799)	(315,075)
Fund application settlement amounts received / (paid)		1,336	(1,466)
Income tax paid		(58,838)	(46,765)
Net cash inflows from operating activities	**B6**	**200,025**	**228,805**
Cash flows from investing activities			
Payments for acquisition of subsidiary, net of cash acquired		–	(379,024)
Payments for property, plant and equipment		(637)	(1,910)
Payments for financial assets held at FVTPL		(48,077)	(84,437)
Proceeds from sales of financial assets held at FVTPL		93,204	57,233
Payments for IT development		(1,977)	(360)
Proceeds from / (payments for) derivative hedging instruments		8,069	(3,445)
Net cash inflows/ (outflows) from investing activities		**50,582**	**(411,943)**
Cash flows from financing activities			
Proceeds from share issue (net of costs)		–	375,264
Proceeds from borrowings		–	47,958
Payments for purchase of treasury shares		(58,560)	(29,467)
Interest and other financing costs		(1,300)	(444)
Payments for leases		(9,338)	(8,809)
Fund application settlement amounts (paid) / received		(1,336)	1,466
Dividends paid		(166,078)	(116,291)
Net cash (outflows) / inflows from financing activities		**(236,612)**	**269,677**
Net increase in cash and cash equivalents		**13,995**	**86,539**
Cash and cash equivalents at the beginning of the financial year		297,742	207,485
Effects of exchange rate changes on cash and cash equivalents		4,627	3,718
Cash and cash equivalents at the end of the financial year		**316,364**	**297,742**

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	E2
Intangibles	F1

The Group has considered the impact of environmental, social and governance (ESG) risk as well as the volatile economic environment 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. The Group will continue to monitor these risks and the impact they have on the financial statements.

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 2022 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 the year ended 30 September 2022 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.

(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	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Revenue	145,374	160,209	169,486	177,580	314,838	244,119	629,698	581,908
Inter-segment revenue	(4,862)	(4,803)	115,074	130,150	(110,212)	(125,347)	–	–
Total segment revenue	**140,512**	**155,406**	**284,560**	**307,730**	**204,626**	**118,772**	**629,698**	**581,908**
Operating expenses	(126,590)	(140,970)	(184,538)	(191,127)	(92,116)	(45,736)	(403,244)	(377,833)
Inter-segment expense	5,580	8,568	4,502	(1,952)	(10,082)	(6,616)	–	–
Total segment expenses	**(121,010)**	**(132,402)**	**(180,036)**	**(193,079)**	**(102,198)**	**(52,352)**	**(403,244)**	**(377,833)**
Operating profit before income tax	**19,502**	**23,004**	**104,524**	**114,651**	**102,428**	**66,420**	**226,454**	**204,075**

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). 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:

	2022 $'000	2021 $'000
Operating profit before income tax	226,454	204,075
Amortisation and impairment of intangibles[1]	(45,176)	(12,104)
Net (losses)/gains on financial assets held at FVTPL[2]	(37,337)	38,743
Transaction and integration costs[3]	(12,401)	(16,002)
Non-operating items	17,413	3,172
Statutory profit before income tax	**148,953**	**217,884**

B2. Revenue and other income

	2022 $'000	2021 $'000
Management, fund and trustee fees	577,014	522,795
Performance fees	51,924	57,508
Other revenue	760	1,605
Total revenue	**629,698**	**581,908**
Net (losses)/gains on financial assets held at FVTPL	(37,337)	38,729
Distributions from investment funds	15,689	5,095
Net foreign exchange gains	2,925	1,682
Interest income	154	2
Total other income	**(18,569)**	**45,508**
Total revenue and other income	**611,129**	**627,416**

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 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.

[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 2021 Financial Year and the proposed Scheme of Arrangement with Perpetual Limited during the 2022 Financial Year.

B3. Finance costs

	2022 $'000	2021 $'000
Interest and finance charges on lease liabilities	1,336	1,292
Interest and finance charges on borrowings	1,299	445
Total finance costs	**2,635**	**1,737**

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	2022	2021
Profit attributable to shareholders of the Company ($'000)	**112,767**	**164,702**
Weighted average number of ordinary shares on issue ('000)	382,963	343,180
Weighted average number of treasury shares ('000)	(28,084)	(26,223)
Weighted average number of ordinary shares ('000)	**354,879**	**316,957**
Basic earnings per share (cents per share)	**31.8**	**52.0**

Diluted earnings per share	2022	2021
Profit attributable to shareholders of the Company ($'000)	**112,767**	**164,702**
Weighted average number of ordinary shares on issue ('000)	382,963	343,180
Weighted average number of treasury shares ('000)	(28,084)	(26,223)
Weighted average number of deferred shares ('000)	3,545	5,725
Weighted average number of options ('000)	5,297	2,599
Weighted average number of ordinary shares and potential ordinary shares ('000)	**363,721**	**325,281**
Diluted earnings per share (cents per share)	**31.0**	**50.6**

B5. Taxation

(a) Income tax expense

The income tax expense attributable to profit comprises:

	2022 $'000	2021 $'000
Current income tax		
Current tax on profits for the year	45,038	54,115
Adjustments for current tax of prior periods	(1,160)	408
Total current tax expense	**43,878**	**54,523**
Deferred income tax		
Decrease/ (increase) in deferred tax assets	(5,860)	(2,179)
Increase/ (decrease) in deferred tax liabilities	(1,832)	838
Total deferred tax expense/ (benefit)	**(7,692)**	**(1,341)**
Income tax expense attributable to continuing operations	**36,186**	**53,182**

(b) Reconciliation of income tax expense

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

	2022 $'000	2021 $'000
Profit before income tax	**148,953**	**217,884**
Income tax calculated at the Australian tax rate of 30% (2021: 30%)	44,686	65,365
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Employee equity grant amortisation	346	259
Acquisition transaction costs	–	5,157
Sundry non-assessable/ non-deductible items	(5,080)	(4,089)
Differences in overseas tax rates	(15,963)	(20,076)
State, local and withholding taxes	8,780	6,285
Deferred tax assets of prior years derecognised/ (recognised) in the current year	4,654	(553)
Effect on deferred taxes of changes in tax rates	(77)	426
Adjustments for current tax of prior financial year	(1,160)	408
Income tax expense	**36,186**	**53,182**

(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 24.3% (2021: 24.4%). 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% (2021: 30%) on Australian taxable income, 19% (2021: 19%) on UK taxable income, 21% (2021: 21%) on US federal taxable income and 17% (2021: 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:

	2022 $'000	2021 $'000
Deferred tax: share-based payment transactions	6,467	(6,346)
Income tax amounts debited/ (credited) to equity	**6,467**	**(6,346)**

(e) Deferred tax balances

Deferred tax balances comprise temporary differences attributable to:

	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	2022 $'000	2022 $'000	2021 $'000	2021 $'000
Employee equity grants	17,029	–	25,596	–
Employee benefits	20,406	–	24,160	–
Accrued expenses and prepayments	64	693	1,248	504
Property, plant and equipment	188	731	205	709
Business related costs	2,013	–	–	–
Right-of-use assets	–	7,939	–	9,810
Lease liabilities	8,740	–	10,703	–
Intangible assets	1,565	8,550	1,062	11,263
Financial assets held at FVTPL	4,040	375	–	9,827
Borrowing costs	80	–	120	–
Foreign exchange gains and losses	–	1,751	–	110
Total deferred tax assets and liabilities	**54,125**	**20,039**	**63,094**	**32,223**
Set-off deferred tax balances	(11,489)	(11,489)	(20,960)	(20,960)
Net deferred tax assets and liabilities	**42,636**	**8,550**	**42,134**	**11,263**

(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
2022						
Deferred tax assets	42,134	5,860	1,109	(6,467)	–	**42,636**
Deferred tax liabilities	(11,263)	1,832	881	–	–	**(8,550)**
2021						
Deferred tax assets	28,931	2,179	772	6,346	3,906	**42,134**
Deferred tax liabilities	(10,148)	(838)	(277)	–	–	**(11,263)**

(g) Unrecognised temporary differences

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

	2022 $'000	2021 $'000
Foreign currency translation	**81,056**	**88,776**
Unrecognised deferred tax liabilities relating to the above temporary differences	24,317	26,633

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

	2022 $'000	2021 $'000
Profit after tax for the financial year	112,767	164,702
Adjustments for non-cash expense items:		
Depreciation and write-off of fixed assets	10,619	9,144
Amortisation and impairment of intangibles	45,923	12,895
Amortisation of employee equity grants	42,640	44,196
Reinvested distribution income	(3,410)	(4,730)
Net loss/(gain) on sale of financial assets held at FVTPL	37,337	(38,729)
Interest and finance costs	2,635	1,737
Net exchange differences	(2,924)	(1,682)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	22,699	(13,832)
Increase in prepayments	(412)	(1,443)
Increase in deferred tax assets	(6,969)	(4,353)
(Decrease)/increase in trade and other payables	(13,093)	16,216
(Decrease)/increase in employee benefits	(32,103)	33,913
(Decrease)/increase in current tax liabilities	(12,971)	8,253
(Decrease)/increase in deferred tax liabilities	(2,713)	2,518
Net cash inflow from operating activities	**200,025**	**228,805**

(b) Cash and cash equivalents

	2022 $'000	2021 $'000
Cash at bank and on hand	195,820	233,061
Cash management trust units at call	111,509	64,681
Restricted cash in escrow	9,035	–
Total cash and cash equivalents	**316,364**	**297,742**

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 and cash equivalents include investments in cash management trusts managed by the Group. Cash management trust units are highly liquid investments redeemable at call that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Restricted cash in escrow

Restricted cash in escrow relates to deferred employee remuneration that is held by Pendal Group in trust until certain conditions have been satisfied. A corresponding employee benefit liability is recognised on the Consolidated Statement of Financial Position.

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 generates capital through free cash flows 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 Board regularly reviews the Group's free cash flow generation, cash and cash equivalents, borrowings, seed investments, tax and other financial factors including the share price in order to maintain an optimal capital structure.

ii) Capital distribution

Surplus capital is typically returned to shareholders in the form of annual dividends, with the Company's current dividend policy targeting a pay out of 80% - 95% of UPAT. In light of the proposed Scheme of Arrangement with Perpetual Limited and expected timing of implementation if approved, a lower payout ratio has been applied in the 2022 Financial Year, noting that the cash component of the Scheme consideration would be reduced by the amount of the final dividend.

During the year, the Group announced that it intended to commence an on-market share buy-back of up to $100 million, which was subsequently deferred in light of a potential change of control event.

iii) Capital risk management

Cash profits generated from offshore business units, beyond working capital, 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. During the financial year, the Group's structure of corporate entities was reorganised to streamline and enhance governance and capital efficiency within the Group.

iv) Proposed Scheme of Arrangement with Perpetual Limited (Perpetual)

Pendal Group announced on 25 August 2022 that it had entered into a binding Scheme Implementation Deed (SID) with Perpetual Limited (ASX: PPT) under which 100% of Pendal's shares would be acquired for consideration of 1 Perpetual share for every 7.5 Pendal shares plus $1.976 cash for each Pendal share.

The Scheme is conditional upon Pendal shareholder approval at a Scheme Meeting, Court approval, regulatory approvals and certain other conditions outlined in the SID. Subject to Court approval, the Scheme Meeting is expected to be held in December 2022 and, if approved, the transaction is expected to complete in January 2023.

Pendal Group's capital management policies continue to be applied up to the date of implementation of the Scheme, with certain modifications to preserve the Group's capital structure during this period, including declining to issue new Pendal shares, implement share buybacks or increase borrowings, while delivering a minimum cash balance upon completion.

v) 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 2022 was $7.2 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 2022 in accordance with the ICAAP was $56.4 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 $1.2 million (£0.7 million) at 30 September 2022.
- JOHCM Funds (Ireland) Limited is authorised by the Central Bank of Ireland as a UCITS management company and is the manager of UCITS funds. During the 2022 Financial Year, JOHCM Funds (Ireland) Limited also became authorised as a MiFID investment firm, and was provided with additional equity capital by the Group to satisfy the new licence requirements. The level of regulatory capital required at 30 September 2022 was $5.9 million (€3.9 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 2022 was $6.8 million (S$6.3 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 2022 Financial Year.

C2. Contributed equity

	2022 $'000	2021 $'000
Ordinary shares 383,149,490 (2021: 382,677,887) each fully paid	1,021,001	1,021,001
Treasury shares 24,760,197 (2021: 24,340,538)	(153,429)	(144,668)
Total contributed equity 358,389,293 (2021: 358,337,349)	**867,572**	**876,333**

(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:

	2022 Shares '000	2022 $'000	2021 Shares '000	2021 $'000
Balance at the beginning of the financial year	382,678	1,021,001	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]	471	–	400	–
Dividend reinvestment plan	–	–	769	5,355
Balance at the end of the year	**383,149**	**1,021,001**	**382,678**	**1,021,001**

[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 and vesting restrictions. Movements in treasury shares during the financial year were as follows:

	2022 Shares '000	2022 $'000	2021 Shares '000	2021 $'000
Balance at the beginning of the year	(24,340)	(144,668)	(26,768)	(146,419)
Treasury shares acquired	(8,565)	(58,560)	(4,571)	(29,467)
Fund linked equity share issuance	(472)	–	(400)	–
Treasury shares released	8,617	49,799	7,399	31,218
Balance at the end of the year	**(24,760)**	**(153,429)**	**(24,340)**	**(144,668)**

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

	2021 Shares '000	2021 $'000	2021 Shares '000	2021 $'000
Unallocated shares held by trustees	13,932	95,122	11,622	80,821
Shares allocated to employees	10,828	58,307	12,718	63,847
Balance at the end of the year	**24,760**	**153,429**	**24,340**	**144,668**

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 2021	201,950	67,764	1,440	(25,472)	245,682
Share-based payment expense	42,640	–	–	–	42,640
Deferred tax	(6,467)	–	–	–	(6,467)
Treasury shares released	(49,799)	–	–	–	(49,799)
Currency translation difference	–	6,430	–	–	6,430
Gain/(loss) on hedging activities	–	6,692	(1,440)	–	5,252
Balance at 30 September 2022	**188,324**	**80,886**	**–**	**(25,472)**	**243,738**

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**

C4. Dividends

Equity dividends on ordinary shares

		2022 $'000	2021 $'000
(i)	Dividends declared and paid during the Financial Year		
	Final 10 per cent franked[7] dividend for the 2021 Financial Year: 24.0 cents per share (2020 Financial Year: 22.0 cents per share 10 per cent franked)	88,520	68,532
	Interim 10 per cent franked[7] dividend for the 2022 Financial Year: 21.0 cents per share (2021 Financial Year: 17.0 cents per share 10 per cent franked)	77,558	53,122
		166,078	**121,654**
(ii)	Dividends proposed to be paid subsequent to the end of the Financial Year and not recognised as a liability		
	Final dividend for the 2022 Financial Year 3.5 cents (100 per cent franked) per share (2021 Financial Year: 24.0 cents per share 10 per cent franked)	12,923	89,053

Franked dividends

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

The franked portions of the final dividend proposed or paid after 30 September 2022 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 2023.

	2022 $'000	2021 $'000
Franking credits available for subsequent financial years	6,342	12,295

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 proposed 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 $5,747,242 (2021: $3,936,115).

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 was Conduit Foreign Income as defined in the *Income Tax Assessment Act 1997*.

C5. Financial assets held at FVTPL

	2022 $'000	2021 $'000
Unlisted securities		
Units held in pooled funds	199,113	264,061
Escrow units held in pooled funds[8]	2,427	23,153
Total	**201,540**	**287,214**

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 2021, Pendal USA Inc. entered into a US$35 million ($53.8 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.

	2022 $'000	2021 $'000
Current	–	–
Non-current	53,830	48,570
Total borrowings	**53,830**	**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

The existing $25 million multi-currency revolving loan facility with HSBC Bank Australia Limited and Westpac Banking Corporation 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:

	2022 $'000	2021 $'000
Financial assets		
Cash and cash equivalents	316,364	297,742
Trade and other receivables	73,821	96,520
Financial assets held at FVTPL	201,540	287,214
Derivatives	–	659
Total financial assets	**591,725**	**682,135**
Financial liabilities		
Trade and other payables	43,909	57,002
Derivatives	718	–
Lease liabilities	36,677	44,008
Borrowings	53,830	48,570
Total financial liabilities	**135,134**	**149,580**

(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:

	2022		2021	
	10% increase	10% decrease	10% increase	10% decrease
FUM ($ billion)	10.4	(10.4)	12.5	(12.5)
Statutory NPAT ($'000)	41,848	(42,007)	51,368	(51,448)

The sensitivity calculation is made on the basis of FUM as at 30 September 2022 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 the volatile economic environment. 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 the volatile economic environment. 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:

	2022		2021	
	10% increase $'000	10% decrease $'000	10% increase $'000	10% decrease $'000
Statutory NPAT ($'000)	14,471	(14,471)	19,104	(19,104)

(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 50 bps/ (25 bps) in the average of the effective interest rates over the year ended 30 September 2022 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 the volatile economic environment. This analysis assumes that all other variables remain constant.

	Profit or loss after tax		Equity	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Interest rates – increase by 50 bps (2021: 25 bps)	980	508	–	–
Interest rates – decrease by 25 bps (2021: 25 bps)	(490)	(508)	–	–

(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.

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 2022, the notional exposure of the Company's hedging instruments totalled $74.2 million (2021: $105.8 million). During the year, a gain of $5.3m was recognised on hedging activities (2021: $1.4m hedging loss).

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	Derivatives $'000	Net exposure $000
2022									
GBP	100,066	16,139	86,242	–	(21,581)	–	(22,266)	(718)	157,882
EUR	6,684	367	16,979	–	(1,139)	–	–	–	22,891
USD	55,685	36,099	124,123	–	(25,300)	(53,830)	(12,087)	–	124,690
SGD	14,449	201	2,040	–	(1,120)	–	(857)	–	14,713
CAD	501	869	–	–	–	–	–	–	1,370
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

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
2022				
GBP	9,844	(9,844)	5,944	(5,944)
EUR	2,289	(2,289)	–	–
USD	13,025	(13,025)	(556)	556
SGD	1,557	(1,557)	(86)	86
CAD	137	(137)	–	–
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

(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. Applying the AASB 9 simplified approach, 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 (2021: 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 (2021: AA-) and A- for HSBC (2021: A-) as rated by Standard & Poor's. 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
2022					
Trade and other payables	43,909	–	–	–	43,909
Lease liabilities	8,047	7,281	24,837	40,165	36,677
Borrowings	3,149	56,979	–	60,128	53,830
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

(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 classification of financial instruments within the fair value hierarchy and the valuation techniques used to determine their values are detailed below:

- 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
2022				
Financial assets				
Financial assets held at FVTPL:				
Units held in pooled funds[9]	–	199,113	–	199,113
Escrow units held in pooled funds[10]	–	2,427	–	2,427
Total financial assets	–	**201,540**	–	**201,540**
Financial liabilities				
Derivatives	–	718	–	718
Borrowings	–	53,830	–	53,830
Total financial liabilities	–	**54,548**	–	**54,548**
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**

(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.

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.

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.

---

[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.

Partnership interests

During the prior year, the Group disposed of an interest in James Hambro & Partners LLP (JH&P) which had been included in Level 3 of the fair value hierarchy, as the inputs to the asset valuation were not based on observable market prices and had been measured at an estimated price that would be received to sell the asset.

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
2022			
Balance at the beginning of the financial year	–	–	–
Gains recognised in profit and loss	–	–	–
Effects of foreign exchange movements	–	–	–
Balance at the end of the financial year	–	–	–
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	–	–	–

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

	2022 $'000	2021 $'000
Annual leave	3,302	3,333
Long service leave	2,360	2,797
Provision for incentives	108,669	133,706
Total current employee liabilities	**114,331**	**139,836**
Long service leave	604	974
Provision for incentives	777	7,005
Total non-current employee liabilities	**1,381**	**7,979**

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 $8.5 million (2021: $6.5 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.	Up to 14 years
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 5 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	$
2022										
Outstanding at 1 October	1,615,391		1,874,935		2,667,230		3,176,664		123,612	
Granted	536,062	3.91	570,720	4.04	–	–	797,141	5.79	–	–
Vested / Exercised	(17,888)	4.23	(104,853)	6.84	(681,336)	6.82	–	–	–	–
Forfeited	(343,457)		(113,066)		–		–		–	
Lapsed	(392,595)		(465,819)		(161,455)		–		–	
Outstanding at 30 September	1,397,513		1,761,917		1,824,439		3,973,805		123,612	
Exercisable at 30 September	–		–		–		**3,280,516**		–	
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**		–		–	

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 $5.79 (2021: $7.02). The weighted average remaining contractual life of outstanding nil cost options as at 30 September 2022 was 0.9 years (2021: 1.6 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 0.87%
- Volatility 35%
- Dividend yield 0%

The fair value of the TSR-hurdled performance share rights issued during the year was $2.28 (2021: $5.10) and for the Underlying EPS-hurdled performance share rights was $5.79 (2021: $7.02). The weighted average remaining contractual life of outstanding performance share rights at 30 September 2022 was 1.0 years (2021: 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 2022 Number	Fair value 2022 $	Equity grants 2021 Number	Fair value 2021 $
Total	5,635,692	5.68	3,279,172	6.95

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.

No new FLE awards were issued during the year. The Company allocated a total of 763,948 ordinary shares to two investment teams who converted their previously issued FLE awards, 471,603 of which were newly issued from share capital and 292,345 which were allocated from existing treasury shares (2021: 400,178 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 26 to 58 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:

	2022 $'000	2021 $'000
Total amortisation of employee equity grants	42,640	44,196

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 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.

Proposed Scheme of Arrangement with Perpetual

Under the Scheme Implementation Deed agreed between Pendal Group and Perpetual, Pendal Group must ensure all equity grants, share options and performance rights described above are vested, forfeited or lapsed and all restrictions are removed prior to the Scheme Record Date. The impact of the potential early vesting, forfeiture or lapse of equity grants, share options and performance rights has not been included in these consolidated financial statements given the proposed Scheme of Arrangement had not yet been approved as at 30 September 2022 and, as at the date of this report, the Scheme had not yet become effective.

D3. Key management personnel disclosures

(a) KMP compensation

	2022 $	2021 $
Short-term employee benefits	10,665,062	9,221,297
Post-employment benefits	296,639	284,752
Long-term benefits	15,159	30,083
Share-based payments	2,435,277	5,244,112
Total	**13,412,137**	**14,780,244**

(b) Shareholdings

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

	2022	2021
Held at the beginning of the year	2,417,429	2,318,324
Granted as remuneration	264,739	155,444
Exercise of performance share rights	104,853	–
Purchases and holdings on commencement as KMP	45,744	332,935
Sales and holdings on cessation as KMP	(1,667,967)	(389,274)
Held at the end of the year	**1,164,798**	**2,417,429**

(c) Other equity instruments

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

	2022	2021
Held at the beginning of the year	1,676,145	879,141
Granted as remuneration and held on commencement as KMP	461,136	946,405
Vested during the year	(104,853)	–
Lapsed during the year and held on cessation as KMP	(776,046)	(149,401)
Held at the end of the year	**1,256,382**	**1,676,145**

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	
	2022 $'000	**2021 $'000**
Profit for the financial year	170,168	136,252
Total comprehensive income for the financial year	**175,420**	**137,648**
Current assets	126,264	137,481
Total assets	**1,352,684**	**1,317,705**
Current liabilities	104,944	58,420
Total liabilities	**106,013**	**60,862**
Shareholders' equity:		
Contributed equity	888,714	894,845
Reserves		
Common control reserve	(25,471)	(25,471)
Share-based payment reserve	166,268	173,427
Net investment hedge reserve	(852)	(7,544)
Cash flow hedge reserve	–	1,440
Retained earnings	218,012	220,147
Total equity	**1,246,671**	**1,256,844**

(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 (2021: $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. Subsidiaries and controlled entities

			Equity holding	
Name	**Country of incorporation/ formation**	**Class of shares**	**2022 %**	**2021 %**
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	100
Thompson, Siegel & Walmsley LLC	USA	Ordinary	100	100
Pendal Group Limited Employee Equity Plan Trust *(terminated 28 September 2022)*	Australia	–	–	–
Pendal Group Employee Benefit Trust	Jersey	–	–	–
Pendal Group Employee Benefit Trust No.2 *(established 9 December 2021)*	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.

E3. 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
2022						
Cash and cash equivalents	–	–	111,509	–	–	111,509
Trade and other receivables	2,293	–	1,580	30,229	751	34,853
Financial assets held at FVTPL	–	–	–	205,145	–	205,145
Total Assets	**2,293**	–	**113,089**	**235,374**	**751**	**351,507**
Maximum exposure to loss	**2,293**	–	**113,089**	**235,374**	**751**	**351,507**
Net asset value of funds	3,952,377	1,037,002	6,571,300	28,989,087	77,450	40,627,216
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

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 $338,687,250 (2021: $375,189,721).

E4. Related party transactions

Compensation and other transactions with key management personnel are set out in Note D3 and the Remuneration Report on pages 26 to 58.

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 2022 Financial Year with values totalling approximately $1,887,331,787 (2021: $2,639,546,732) for subscriptions and $2,198,681,527 (2021: $3,788,353,769) 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
2022				
Net book value as at 1 October 2021	538,858	387,982	3,380	930,220
Additions	–	–	1,029	1,029
Acquisition of business[11]	310	–	–	310
Foreign exchange gain / (loss)	(14,419)	30,456	76	16,113
Amortisation expense	–	(26,235)	(1,519)	(27,754)
Impairment loss	–	(18,168)	–	(18,168)
Net book value as at 30 September 2022	**524,749**	**374,035**	**2,966**	**901,750**
Represented by:				
Cost	*524,749*	*510,068*	*9,713*	*1,044,530*
Accumulated amortisation and impairment	*–*	*(136,033)*	*(6,747)*	*(142,780)*
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)*

[11] The Group acquired Thompson, Siegel & Walmsley LLC (TSW), a US-based value-oriented investment management company, on 22 July 2021. The fair value of intangible assets acquired in the prior financial year has been revised in accordance with Accounting Standard AASB 3 *Business Combinations.* The effect of the revision has been to increase the fair value of goodwill recognised on acquisition by $0.3 million.

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:

	2022 $'000	2021 $'000
Fund management contracts – OEICs	33,204	44,298
Investment management contracts – segregated mandates (JOHCM)	1,531	2,699
Investment management contracts – sub-advisory and segregated accounts (TSW)	339,300	340,985
Total	**374,035**	**387,982**

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% (2021:11.8%), based on the cost of capital.

Impairment losses of $18.2 million (2021: $2.6 million), due to the re-measurement of the fund and investment management contracts to the lower of their carrying value and their recoverable amount, are 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.

Goodwill:

Goodwill has been derived from the following business combinations:

	2022 $'000	2021 $'000
Purchase of Pendal (formerly BTIM) effective 19 October 2007	233,300	233,300
Purchase of JOHCM effective 1 October 2011	230,436	250,810
Purchase of TSW effective 22 July 2021	61,013	54,748
Total	**524,749**	**538,858**

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 in the 2021 Financial Year 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 ($148.6 million) and Pendal US (comprising JOHCM US ($81.8 million) and TSW ($61.0 million)), respectively.

The recoverable amount of each CGU is determined as the higher of its fair value less costs of disposal and its value in use.

The fair value less costs of disposal methodology 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 3.0% (2021: 2.5%). The discount rate used to discount the cash flow projections is 11.8% for each CGU (2021: 11.8%) based on the cost of capital (post-tax) for each of the CGUs. 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 JOHCM (EUKA), JOHCM (US) or TSW CGUs to fall short of their respective carrying amounts as at 30 September 2022. However, an increase to the discount rate of 2% or a reduction in cash flow of 10% would cause the recoverable amount for the Pendal Australia CGU to fall short of its carrying amount at 30 September 2022. The current headroom for Pendal Australia is $20.6 million (2021: $81.0 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 12.5%, or the projected cash flows would need to reduce by 7.6%.

There has been no impairment of goodwill during the year ended 30 September 2022. 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 as applicable.

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 the higher of the 'fair value less cost of disposal' methodology and the 'value in use' 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

	2022 $'000	2021 $'000
Office space	33,262	39,436
Equipment	423	462
Right-of-use lease assets	**33,685**	**39,898**

Additions to right-of-use assets during the 2022 Financial Year were $0.9 million (2021:$11.0 million).

Lease liabilities

	2022 $'000	2021 $'000
Current	5,825	8,234
Non-current	30,852	35,774
Balance at the end of the financial year	**36,677**	**44,008**

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

	2022 $'000	2021 $'000
Finance costs	1,336	1,347
Depreciation charge of right-of-use assets:		
Office space	7,803	6,750
Equipment	110	255
Total lease related amounts in the Statement of Comprehensive Income	**9,249**	**8,352**

The total cash outflow for leases in 2022 was $9.3 million (2021: $8.8 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.

Proposed Scheme of Arrangement with Perpetual

Pendal Group has various contingent rights and obligations under the binding Scheme Implementation Deed (SID) entered into with Perpetual and announced on 25 August 2022 under which 100% of Pendal's shares would be acquired for consideration of 1 Perpetual share for every 7.5 Pendal shares plus $1.976 cash for each Pendal share. These include the right to receive or obligation to pay a fee of $23.0 million if the proposed Scheme is not implemented in specified circumstances. Pendal has also entered into arrangements with external advisers for services in relation to the proposed Scheme for which a proportion of fees is contingent upon implementation of the proposed Scheme. The payment of employee benefits of $4.3 million under certain remuneration arrangements with Group employees is also contingent upon implementation of the proposed Scheme, as described in the Remuneration Report.

Other

To the extent that Pendal Group, in the normal course of business, has incurred various contingent obligations at 30 September 2022, none of those contingent obligations is anticipated to result in any material loss.

F4. Remuneration of auditors

(a) Audit and other services – Australia

PricewaterhouseCoopers	2022 $	2021 $
Statutory audit services		
Audit and review of statutory financial reports of the parent covering the Group	496,571	395,924
Audit of statutory financial reports of controlled entities	55,074	76,134
Audit-related services		
Audit of Australian Financial Service Licences	19,872	27,925
Other assurance services		
Internal controls report (GS007)	87,024	84,489
Non-statutory review of Group financial information for Scheme Booklet	130,000	–
Agreed-upon procedures (AUP) reports	64,000	72,600
Non-audit related (other) services		
Transaction due diligence services	49,470	832,000
Remuneration advisory services	180,000	–
Total remuneration for services – Australia	**1,082,011**	**1,489,072**

(b) Audit and other services – outside of Australia

PricewaterhouseCoopers	2022 $	2021 $
Statutory audit services		
Audit and review of statutory financial reports of controlled entities	646,999	452,595
Audit-related services		
Financial Conduct Authority client assets report	166,891	138,174
Other assurance services		
Internal controls report (SOC1)	193,866	172,067
Non-audit related (other) services		
Fund reorganisation tax services	–	548,945
Total remuneration for services – outside of Australia	**1,007,756**	**1,311,781**

(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 $1,037,676 for the financial year (2021: $1,321,008), and $139,631 (2021: $135,564) 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 $907,410 for the financial year (2021: $570,954), and $409,505 (2021: $235,670) for other assurance services comprising tax compliance and consulting services.

F5. Subsequent events

Pendal Group announced on 25 August 2022 that it had entered into a binding Scheme Implementation Deed (SID) with Perpetual Limited (ASX: PPT) under which 100% of Pendal's shares would be acquired for consideration of 1 Perpetual share for every 7.5 Pendal shares plus $1.976 cash for each Pendal share.

The Scheme is conditional upon Pendal shareholder approval at a Scheme Meeting, Court approval, regulatory approvals and certain other conditions outlined in the SID. Subject to Court approval, the Scheme Meeting is expected to be held in December 2022 and, if approved, the transaction is expected to complete in January 2023.

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 2022

In the Directors' opinion:

a) the financial statements and notes set out on pages 61 to 99 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 2022 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.

Deborah Page AM
Chairman

Nicholas Good
Managing Director and Group Chief Executive Officer

4 November 2022

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 Company) 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 2022 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 2022
- 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

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

Liability limited by a scheme approved under Professional Standards Legislation.

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

- For the purpose of our audit, we used overall Group materiality of $6.8 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 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 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 Scope

- 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 teams, who performed audits 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 teams, we considered the level of involvement we needed to have in their 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 teams 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. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	How our audit addressed the key audit matter
Intangible Assets *Refer to Note F1 of the financial report* We considered this a key audit matter due to the financial significance of the intangible assets ($902 million as at 30 September 2022) and due to the complexity and judgements in determining their recoverable amount. This includes the use of judgements, estimates and assumptions about future fund flows and investment performance.	Our audit procedures on the goodwill asset 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 assumptions that, with hindsight, had been optimistic. • With the help of our valuation experts, assessing the assumptions for future revenue growth rates and assessing discount rates against external benchmarks. • Assessing if the disclosures in the financial report relating to goodwill are in accordance with the

Key audit matter	How our audit addressed the key audit matter
	requirements of Australian Accounting Standards. Our audit procedures on the fund and investment management contracts included, amongst others: • Selecting a sample of contracts and assessing the historical ability of the Group to forecast cash by comparing the last three years' actual results with prior forecasts to consider whether any forecasts included assumptions that, with hindsight, had been optimistic. • 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.
Employee remuneration *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.	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 Group,

Key audit matter	How our audit addressed the key audit matter
	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. • Assessing the disclosures in the financial report in light of our understanding and the requirements of Australian Accounting Standards.
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 \$630 million comprises: • Investment management fees (\$577 million) • Performance fees (\$52 million) • Other revenue (\$0.8 million)	Our audit procedures on the fee revenue recognised by Pendal Australia included, amongst others: • Obtaining the most recent report issued by the external providers of accounting and administration services setting out the controls in place at that service organisation. This report included an independent audit opinion over the 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 recognition policy was consistent with the requirements of Australian Accounting Standards. • Agreeing a sample of investment management and performance fees back to invoices and

Key audit matter	How our audit addressed the key audit matter
	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.

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 2022, 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 accordingly we do not express 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.

Responsibilities of the directors for the financial report

The directors of the Company 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 26 to 58 of the directors' report for the year ended 30 September 2022.

In our opinion, the remuneration report of Pendal Group Limited for the year ended 30 September 2022 complies with section 300A of the *Corporations Act 2001.*

Responsibilities

The directors of the Company 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

PricewaterhouseCoopers

Brett Entwistle
Partner

Sydney
4 November 2022

Shareholder Information

The shareholder information set out below is current as at 21 October 2022.

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 383,149,490 ordinary shares on issue, held by 28,468 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	69,720,039	18.20
2	J P Morgan Nominees Australia Pty Limited	57,108,703	14.91
3	Citicorp Nominees Pty Limited	41,778,732	10.90
4	Pacific Custodians Pty Limited <PDL Plans Ctrl A/C>	23,163,084	6.05
5	National Nominees Limited	10,918,446	2.85
6	Neweconomy Com Au Nominees Pty Limited <900 Account>	6,020,275	1.57
7	BNP Paribas Noms Pty Ltd <Drp>	5,261,326	1.37
8	Washington H Soul Pattinson And Company Limited	4,902,949	1.28
9	Equiniti Tst (Jersey) Ltd <PDL Emp Benefit Tst 3 A/C>	3,973,807	1.04
10	Equiniti Tst (Jersey) Ltd <PDL Emp Benefit Tst A/C>	3,868,892	1.01
11	BKI Investment Company Limited	2,920,833	0.76
12	Mutual Trust Pty Ltd	2,603,390	0.68
13	Vesta Investments Pty Ltd	2,093,032	0.55
14	BNP Paribas Noms(NZ) Ltd<Drp>	1,967,634	0.51
15	Equiniti Tst (Jersey) Ltd <PDL Emp Benefit Tst 1 A/C>	1,948,050	0.51
16	Equiniti Tst (Jersey) Ltd <PDL Emp Benefit Tst 2 A/C>	1,874,983	0.49
17	BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd <Drp A/C>	1,834,462	0.48
18	Equiniti Tst (Jersey) Ltd <PDL Emp Benefit Tst 4 A/C>	1,736,771	0.45
19	National Investment Holdings Pty Limited	1,715,800	0.45
20	Paul Brendan Hannan	1,047,691	0.27
Total for Top 20		**246,458,899**	**64.32**
Total Number of Shares		**383,149,490**	**100.00**

Shareholder Information

Distribution schedule

Holding	Number of shareholders	Number of shares	%
1 - 1,000	6,525	3,364,366	0.88
1,001 - 5,000	15,475	37,523,010	9.79
5,001 - 10,000	3,946	28,949,421	7.56
10,001 - 100,000	2,445	51,182,618	13.36
100,001 and over	77	262,130,075	68.41
Total	**28,468**	**383,149,490**	**100.00**

Unmarketable parcels of shares

There are 817 shareholders holding less than a marketable parcel of ordinary shares.

Substantial shareholders

The number of securities held by substantial shareholders and their associates as at 21 October 2022, as disclosed in substantial holding notices given to the Company, is set out below:

Holding	Number of shares	%
Blackrock Inc	23,678,403	6.17
First Sentier Investors Holdings Pty Limited	19,303,717	5.04
Mitsubishi UFJ Financial Group Inc	19,303,717	5.04
Pendal Group Limited (Employee Equity Plans including vested and unvested shares)	24,760,197	6.5
State Street Corporation	19,723, 434	5.15
Vanguard Group	19,191,240	5.009

BuyBack

The Company announced on 12 April 2022 an intention to undertake an on-market share buy-back of up to $100 million. Due to corporate activity, no shares have been bought back in accordance with that program as at the date of this annual report.

Restricted securities

There are 12,429,149 securities subject to voluntary escrow.

Unquoted securities

As at 21 October 2022, the Company had the following unquoted options and rights on issue under its Employee Equity Plans:

- 3,159,430 performance share rights
- 5,921,856 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 nil cost options.

Shareholder Calendar

Record date for final dividend	2 December 2022
2022 Annual General Meeting	28 February 2023
Payment date for final dividend	15 December 2022

Please note that the above dates are subject to change.

Glossary

$	Australian dollars, unless indicated otherwise
£ or GBP	Pounds sterling
2022 Financial Year or FY22	The financial year ended 30 September 2022
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
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
Pendal Funds	The managed investment schemes or unit trusts of which PFSL is the RE

1. As defined by the Global Impact Investing Network.

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 2022
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
Deborah Page AM
Nick Good (Group CEO)
Sally Collier
Ben Heap
Christopher Jones
Kathryn Matthews

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	2 December 2022
2022 Annual General Meeting	28 February 2023
Payment date for final dividend	15 December 2022

Please note the above dates are subject to change

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
www.fsc.org

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