

**PENDAL**  
GROUP

# Modern Slavery Statement





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## Scope and Purpose

This Modern Slavery Statement (MSS) applies across the Pendal Group (Group). The Group consists of Pendal Group Limited (including its Australian subsidiaries), J O Hambro Capital Management Limited (including its global subsidiaries), Thomson Seigel Walmsley (TSW)<sup>1</sup> and Regnan, our specialist ESG business unit.

Regulation to address modern slavery is now in place in several jurisdictions globally including the UK and Australia, key locations for Group operations. A number of other jurisdictions are also implementing forms of modern slavery regulation. We welcome these regulations and the wider global efforts to eliminate modern slavery.

As required by the Australian Modern Slavery Act 2018 (the Act), the Group has an obligation to report annually on the risk of modern slavery in its operations and supply chains. This MSS also covers our regulatory reporting requirements under the UK's Modern Slavery Act.

This MSS is for the financial year ending 30 September 2021 (FY21) and sets out the approach taken, and progress made, by the Group to identify and address modern slavery and human trafficking risks.

Pendal Group's Human Rights Statement provides further information which supports this MSS.

This MSS report has been approved by the Group Chief Risk Officer and the Pendal Group Board during March 2022.

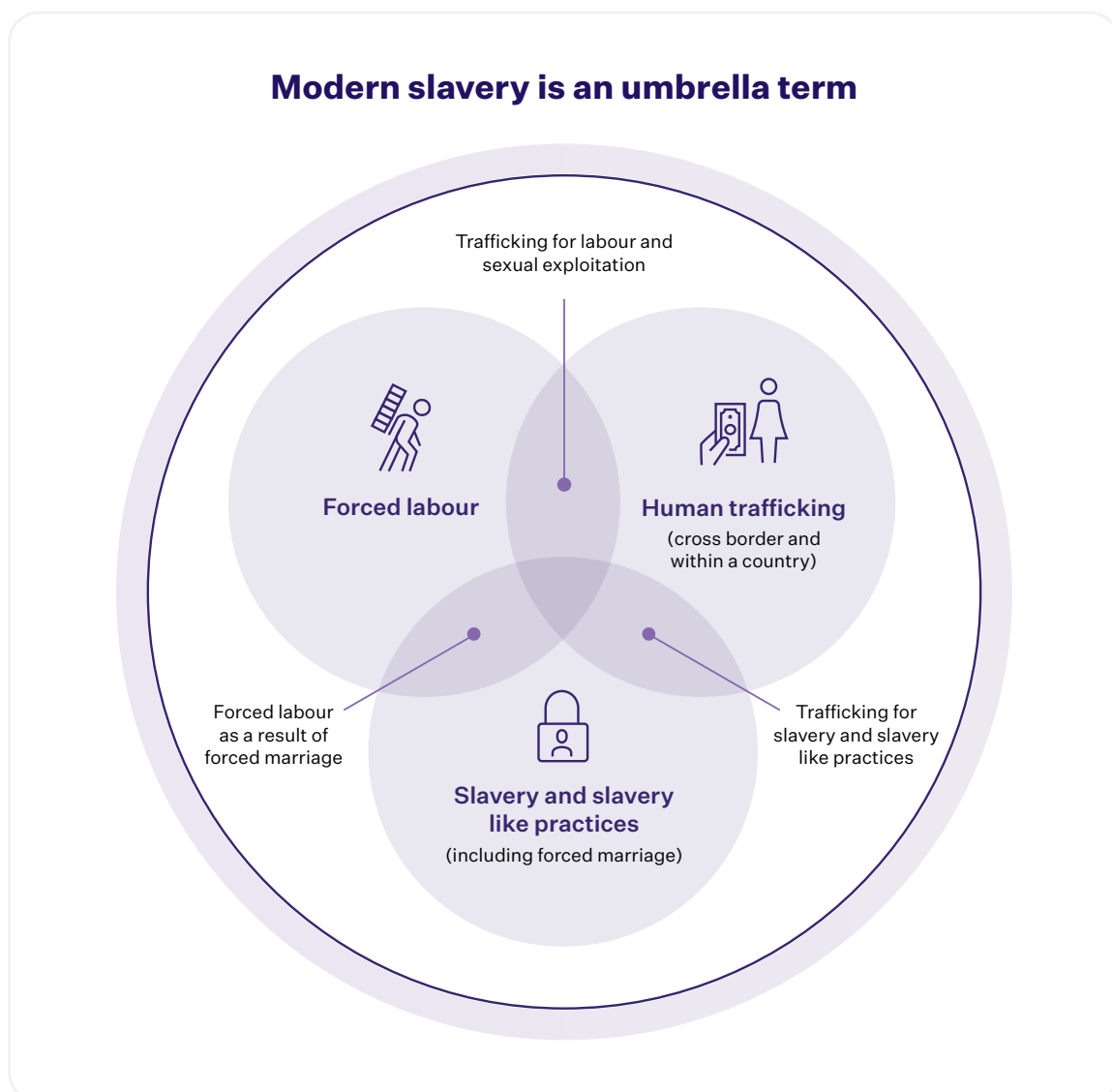
<sup>1</sup> Acquired in July 2021



## Respecting Human Rights

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

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



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



## Organisational Structure

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

As at 30 September 2021, the Group had approximately 450 employees, annual fee revenue of AUD 581.9 million and Funds Under Management (FUM) of AUD 139.2 billion.

### Subsidiaries and controlled entities

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

## Our Business Model

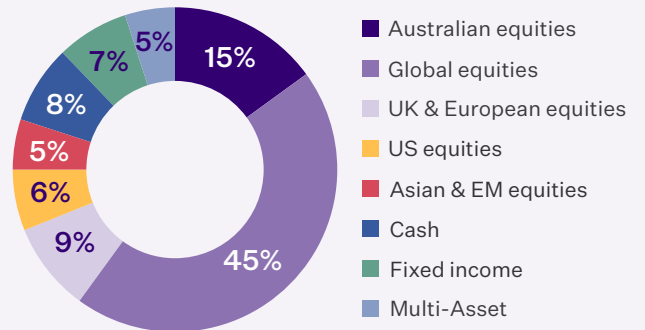
The Group is focused on delivering superior investment returns for clients through active fund management. Our clients include institutions such as pension funds, sovereign wealth funds and insurance companies, as well as high net worth individuals and not-for-profit and community organisations. The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

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

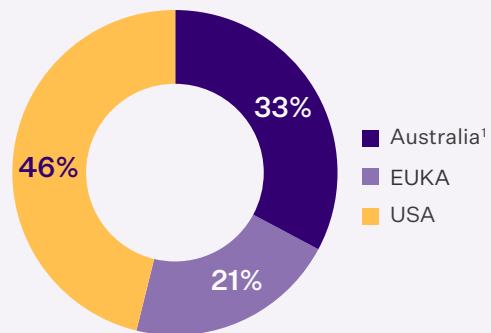
We are regulated by the Australian Securities Investments Commission (ASIC), UK Financial Conduct Authority (FCA), US Securities and Exchange Commission (SEC), Monetary Authority of Singapore (MAS) and the Central Bank of Ireland (CBI).

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

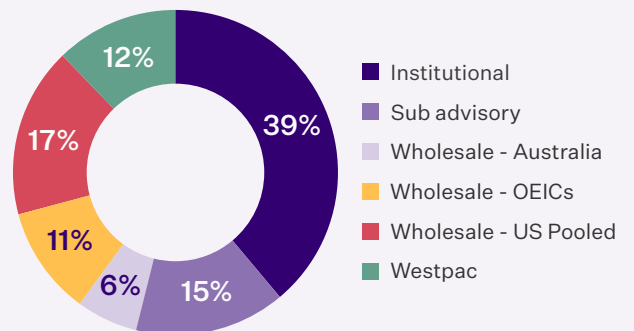
FUM by asset class<sup>1</sup>



FUM by geography<sup>1</sup>  
(client domicile)



FUM by channel<sup>1</sup>



<sup>1</sup> Data as at 30 September 2021

<sup>2</sup> Includes Australia and New Zealand



## Our Operations and Supply Chain

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

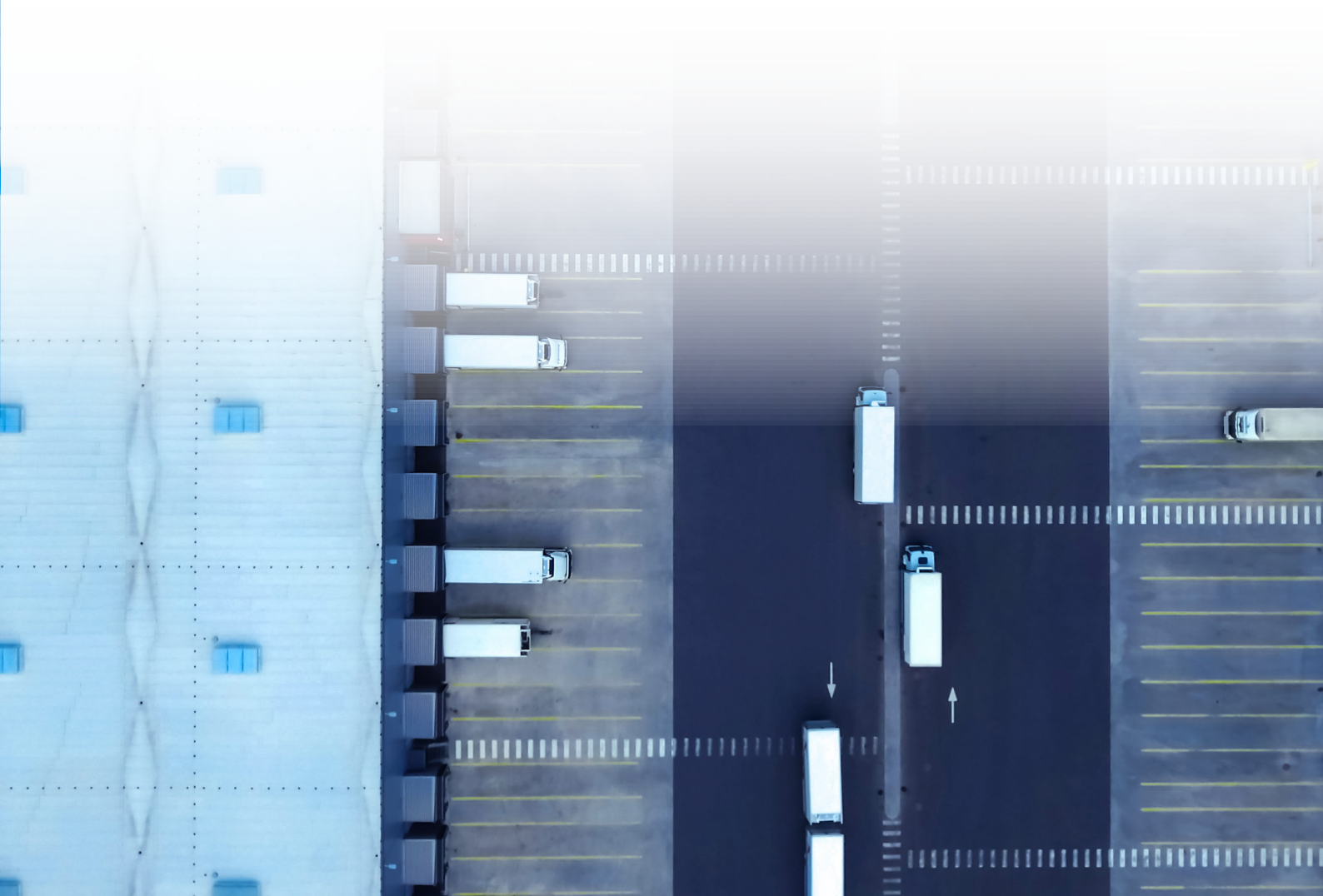
Our operations and supply chain include third parties and outsourced providers appointed for the purpose of providing investment services and supporting the business operations, which are asset management related.

Our supply chain typically consists of outsourced service providers such as administrators, custodians, registry

providers, data and technology providers and external investment managers.

These are typically long-term relationships, and ongoing oversight is carried out via our governance processes and as part of our regulatory responsibilities. The Group currently has approximately 1400 suppliers.

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



## Managing Modern Slavery Risks in Our Business

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

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

- 1. Vulnerable populations:** Low skilled, temporary jobs, migrant workers or minorities.
- 2. High and medium risk geographies:** Lack of regulation or enforcement agencies, poor track records on corruption and human rights, prevalence of criminal organisations.
- 3. Business models:** Structured around high-risk practices. For example, complex and long supply chains with several intermediaries along the chain, oligopolistic industries, labour intensive industries or short lead times.
- 4. High-risk product and services categories:** Often sector specific. For example, agriculture, mining, apparel industry, construction and building materials and electronics.
- 5. Complex organisational structures and operations:** Where control and oversight can be diminished.

As the COVID-19 pandemic continues to impact on societies and the global economy, we continue to monitor the implications for business risk.

Where relevant, we have started to consider these risks in our modern slavery risk assessment process. To date we have not identified additional material modern slavery risks in our supply chain. However we continue to monitor elevated risks identified within our investment holdings and respond accordingly (see case study on page 15).





## Key Areas of Progress

Building on the activities outlined in our FY20 Modern Slavery Statement, we continue to progressively improve our analysis and approach to managing modern slavery risk.

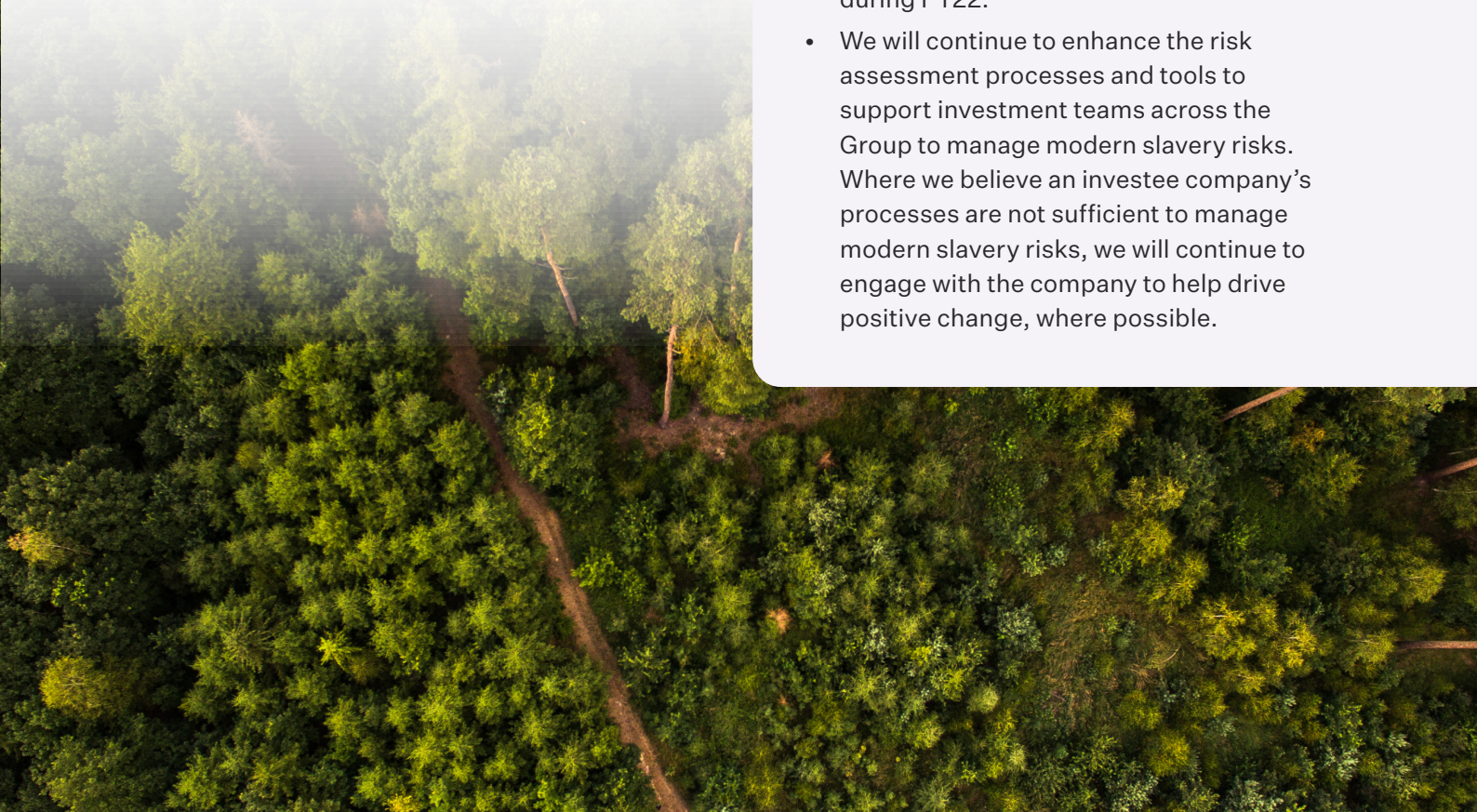
### During FY21 we have:

- Undertaken further liaison with higher risk suppliers.
- Included modern slavery clauses in supplier contracts.
- Developed and delivered targeted modern slavery training for portfolio managers.
- Begun the expansion of our modern slavery assessment tool across our global portfolios.
- Continued involvement in modern slavery related industry forums and initiatives.
- Carried out 23 global modern slavery related company engagements.

These initiatives are further detailed in the Key Risks and Actions section.

### Further enhancements underway

- We are continuing to engage with suppliers identified as higher risk in order to better understand their operations, downstream suppliers, and determine whether any further actions are required by the Group to better manage modern slavery risk.
- We will continue to leverage technology and data to enhance our human rights-related company and country risk assessments, and to make better use of monitoring services, which alert us to potential incidents, across the Group.
- We have developed a Group wide Modern Slavery Policy which was approved by the Pendal Group Audit and Risk Committee (ARC) in February 2022 and will embed sound modern slavery practices across the whole Group's operations. This will be accompanied by modern slavery training within TSW as part of our ongoing integration of TSW into the Group during FY22.
- We will continue to enhance the risk assessment processes and tools to support investment teams across the Group to manage modern slavery risks. Where we believe an investee company's processes are not sufficient to manage modern slavery risks, we will continue to engage with the company to help drive positive change, where possible.



## Key Risks and Actions

### Our Operations

We continue to monitor and assess potential modern slavery risks within our operations, supply chain and investments.

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

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



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

- 1. Business Model:** We are a global investment management business, and do not have subsidiaries or offices based in countries that we inherently consider to be high risk in terms of modern slavery practices. We operate in a highly regulated environment and are compliant with requirements for managing modern slavery risks.
- 2. Governance:** We have a robust approach to governance with a range of oversight committees and assurance functions. Our Code of Conduct, which all staff must abide by both in terms of its strict requirements and spirit, acts as a further risk management tool.
- 3. Policies and Procedures:** We have a range of specific employee related policies and procedures, including whistleblowing, grievance, employment screening (including work eligibility checks), employment working conditions and workplace behaviour. We have developed a Group Modern Slavery Policy (approved by the ARC in February 2022). There are also a number of compliance policies that contribute to the management of modern slavery risks including those relating to anti-money laundering and anti-bribery and corruption.
- 4. Training:** In addition to our ongoing people and compliance training programme, during FY21 we also carried out mandatory modern slavery training for all new starters across the Group and rolled out targeted training for investment teams (excludes TSW).



## Our Supply Chain

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

We have approximately 1400 suppliers globally. The material suppliers are typically listed and regulated financial services entities who employ skilled, permanent workers. Many of these operate within jurisdictions with regulatory responsibilities to report on their exposure to modern slavery, and to have in place appropriate risk management practices.

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





## Our Supply Chain (continued)

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

- 1. Due Diligence:** We have established supplier selection policies and processes. These include detailed due diligence and credential verification elements for material suppliers such as jurisdiction analysis, adequacy of policies and procedures, and compliance with regulatory responsibilities. Information on our supply chain operations is gathered at the outset of a new supplier relationship, and thereafter monitored and reviewed using a risk-based approach. All material suppliers are reviewed at least annually, if not more frequently.
- 2. Governance:** Our governance and oversight practices involve various committees - including outsourcing committees where senior management regularly monitors and reviews the performance of material suppliers and identifies potential areas for improvement.
- 3. Risk Assessment and Compliance:** We have developed a risk assessment framework and rated all of our suppliers. Factors that contribute to the assessment include geographical risk assessment, business model, increased levels of outsourcing, and higher volumes of temporary workers/manual labour. This has resulted in 34 suppliers being rated as high risk. For the high-risk suppliers we sent a request for all these suppliers to confirm their approach to managing modern slavery risks via sign off of an in house developed Modern Slavery Compliance Statement. Going forward, we will continue to carry out deeper analyses and where appropriate, engagement and validation will be conducted on moderate/lower rated suppliers.  
  
Due to the global reach of certain suppliers, we acknowledge there is a risk that further outsourcing will take place by some of our suppliers. Examples of this could be in areas such as office maintenance, catering, delivery staff, or cleaning. We acknowledge that these indirect risks are harder to identify/ manage and we continue to develop our risk assessment framework, engagement plans and compliance sign-off requirements, to help seek further comfort that our suppliers are managing modern slavery related risks within their own supply chain.
- 4. Contract Management:** Our suppliers are expected and in some cases contractually obliged to notify us of breaches of laws and regulations which may affect our services. We continue to implement modern slavery clauses in new and re-negotiated contracts, where practicable included modern slavery clauses in 22 supplier contracts (since June 2020).
- 5. Engagement:** During FY21, we continued our engagement with key suppliers. This included discussing the impacts of COVID-19 on their operations and the services they provide to the Group, and where appropriate, providing support to our suppliers.



## Our Investments

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

As at 30 September 2021, we managed circa AUD 139 billion on behalf of clients. Our investments are primarily in companies trading on listed markets and often in companies who themselves have regulatory obligations to ensure they manage modern slavery risks.

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

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

We aim to manage modern slavery investment risks in two main ways: 1) through our investment decision-making and 2) through direct engagement with companies and issuers. Our investment decision-making and engagement processes continue to evolve to help assess modern slavery risks.

#### Investment Decision-making

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

In this regard, we onboarded two new controversy monitoring services from third-

party providers to support our identification of relevant incidents. For example, instances where companies have breached human rights norms or labour standards or there may be evidence of issues in their supply chain.

We also got access to a new human rights risk service, which provides additional country-level insights with respect to human rights abuses.

Building on our work from FY20, during FY21 we undertook an initial exercise to extend our risk assessments to cover our Group-wide global equities holdings. Building an internal assessment framework that can be deployed at scale by leveraging third party data, we were able to undertake an initial assessment of modern slavery risk exposure to provide insights to our investment teams of holdings requiring additional due diligence.

Separately, we divested one holding due to an unacceptable level of modern slavery risk and in an instance where we believed engagement would likely be unsuccessful.

Our two Australian and global equities assessment tools contributed to shaping engagement activity undertaken during FY2021. Collectively across the Group, 23 modern slavery-related engagements were held.



## Our Investments (continued)

### Engagement

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

Regnan engagement has focused on encouraging market-leading practices from those companies viewed as well placed and/or committed to making

a meaningful difference to managing modern slavery risks. Engagement has therefore focused on raising the benchmark against which others will be assessed to encourage the broader adoption of these practices. In some instances the Pendal and Regnan teams have jointly engaged merging these risk management and best practice perspectives to drive change.

FY21 also saw engagement commence with high risk companies within the JOHCM portfolio drawing on the experiences of Australian colleagues (see case study on page 16).

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



## CASE STUDY

## Engagement on Modern Slavery within the Cotton Industry

During the year we engaged with companies operating in a number of jurisdictions with potential links to high risk regions for cotton growing and manufacturing. This included in China's Xinjiang province which has been the subject of allegations of modern slavery and other human rights abuses, resulting in import bans in a number of markets.

### Focus of engagement

Teams from Pendal, Regnan and JOHCM have all engaged on this issue, often working in collaboration to share insights and best practice. Drawing on the insights developed as part of our own in-house research, and in discussions with a number of human rights experts, academics, NGOs and peer organisations, our engagement typically sought:

- Evidence of awareness and effective oversight from the board, including adequate consideration of regulatory risk given the announcement of import bans in the US and Canada and emerging regulation in other jurisdictions.
- The publishing of factory lists to provide assurances that the companies' supply chains have been mapped and can be effectively monitored. This information also assists in our own assessment of modern slavery risk and provides an additional avenue by which concerns can be identified and raised by a range of actors, including NGOs and civil society, to support enhanced detection and prompt action.

- Adequate controls to monitor ESG risks, including modern slavery, within supply chains – both from manufacturers and growers.
- DNA testing of cotton to confirm its origin where financially practicable.
- Participation in collaborative initiatives within the sector.
- Enhanced disclosure of activities already underway, including by smaller companies where reporting has been less extensive.
- Consideration of alternate textiles, including raw substitutes as well as the use of recycled materials.

### Progress

To date this engagement has contributed to securing:

- Greater awareness amongst the board of the interest of shareholders in this issue, including expectations that investigations will extend beyond tier one suppliers.
- Clear acknowledgement of the need to expand stakeholder mapping to tier two, three and four suppliers.
- Public confirmation of plans to consolidate suppliers to support more effective oversight.
- Greater board visibility of the resources and expertise available within the organisations engaged to support its risk management efforts.

## CASE STUDY

## Engagement on Modern Slavery within the Cotton Industry (continued)

### Divestment

Despite this progress there was one instance where we were not able to secure the necessary comfort that our concerns would be addressed. The stock was one held in the portfolio for a number of years, with more detailed research undertaken immediately after we identified increased risks as a result of changes in the external operating environment.

This included seeking both further details and action from the company. However, given the elevated levels of risk and our assessment of the low likelihood of success from continued engagement we made the decision to sell the stock. Consistent with our governance model for the management of modern slavery risk this issue, and ultimately the decision to divest, was overseen by the Global Chief Risk Officer.

### Procedural change to enhance effectiveness

As a result we are currently reviewing our procedures to better log such instances and share the insights gathered across our investment teams globally. We have already completed a number of training sessions to raise awareness of the specifics of this case and will seek to further formalise this process to achieve greater consistency and more effectively manage risk across the Group. For instance, exploring whether the expansion of existing exclusions should include companies with unacceptable levels of modern slavery risk and where engagement is deemed to be unlikely to achieve meaningful change.





## Grievance Mechanisms and Remediation

We provide our employees and other stakeholders with various channels to raise grievances related to any illegal or unethical behaviour, including in relation to human rights and modern slavery.

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

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

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



## Our Approach to Assessing Effectiveness

We continue to make progress in managing modern slavery risks, and acknowledge that further advances are required.

We acknowledge that our assessment of the effectiveness of these actions is still in the early stages of development.

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

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

Our Group-wide Incident Management framework, including remediation, is a key part of our broader Risk and Compliance framework. Modern slavery incidents will be covered by these frameworks in the same way that other incidents are addressed and employees have been made aware of the need to escalate areas of increased risk of modern slavery where these are identified. Incidents are identified, assessed and managed with the key objective being that we ensure our clients are treated equitably

(do not lose out due to any errors we make) and that we learn from any mistakes and continue to improve our processes and controls. We can confirm that to date there have been no modern slavery related incidents reported in any of our global businesses.

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

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

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

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



## Our Commitment

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



**Nick Good**

Pendal Group Chief Executive Officer

March 2022

This statement has been prepared by Pendal Group Limited ACN 126 385 822 and the information contained within is current as at 31 March 2022.

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

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

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