

3 March 2021

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Pendal Group Limited
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Dear Investor

Changes to the Pendal Sustainable Australian Share Fund (APIR: WFS0285AU, ARSN 097 661 857)

The Fund's investment strategy, including how we take labour standards and environmental, social and ethical considerations into account when selecting, retaining or realising investments of the Fund, will be changing from 7 April 2021.

Investment strategy

Effective from 7 April 2021, Pendal will apply our sustainability assessment framework to the Fund's investments which draws on both qualitative and quantitative inputs to determine which companies meet our sustainability criteria.

Our sustainability assessment framework considers a company's characteristics, including:

- The extent to which its products or services are beneficial to the environment and/or society;
- The manner in which it conducts its business and employs leading sustainability practices; and
- Its management of its environmental, social and governance (ESG) risks.

The Fund typically favours companies which demonstrate leading sustainability characteristics under this assessment framework, and typically avoids those which rate poorly. The Fund may invest in companies which do not rate well but otherwise meet our minimum sustainability and exclusionary screen criteria. Any investment in the Fund, regardless of its sustainability assessment, must also pass our rigorous fundamental investment criteria before being owned in the portfolio.

In addition to employing a sustainability assessment framework, the Fund utilises exclusionary screens to avoid companies involved in industries or business activities which cause significant social and/or environmental harm.

In managing the Fund, we avoid investing in companies which:

Fossil Fuels	<ul style="list-style-type: none"> - directly extract or explore for fossil fuels (specifically, coal, oil and gas); or - derive 10% or more of their total revenue from fossil fuel-based power generation, or from fossil fuel refinement or distribution (coal, oil and gas)*; or - derive 10% or more of their total revenue from the provision of supplies or services which relate specifically to fossil fuel extraction or exploration (coal, oil and gas)* <p>*Companies with a climate transition plan may be exempted from this exclusion, provided that they have in place a Paris Agreement aligned transition plan and produce climate-related financial disclosures annually, which in both cases we consider credible.</p>
Uranium	<ul style="list-style-type: none"> - derive 10% or more of their total revenue from directly mining uranium for the purpose of nuclear power generation
Logging	<ul style="list-style-type: none"> - derive 10% or more of their total revenue from unsustainable forestry or forest products, including non-Forest Stewardship Council certified forest products or non-Roundtable on Sustainable Palm Oil certified palm oil production
Gambling	<ul style="list-style-type: none"> - directly manufacture, own or operate gambling facilities, gaming services or other forms of wagering; or - derive 10% or more of their total revenue from the indirect provision of gambling (for example, through telecommunications platforms)
Pornography	<ul style="list-style-type: none"> - produce pornography; or - derive 10% or more of their total revenue from the distribution or retailing of pornography
Weapons	<ul style="list-style-type: none"> - manufacture or distribute controversial weapons (such as cluster munitions, landmines, biological or chemical weapons, nuclear weapons, blinding laser weapons, incendiary weapons, and/or non-detectable fragments); or - manufacture non-controversial weapons or armaments (including civilian firearms or military equipment); or - derive 10% or more of their total revenue from the distribution or retailing of non-controversial weapons or armaments (including civilian firearms or military equipment)
Alcohol	<ul style="list-style-type: none"> - derive 10% or more of their total revenue from the distribution or retailing of alcoholic beverages
Tobacco	<ul style="list-style-type: none"> - produce tobacco (including e-cigarettes and inhalers); or - derive 10% or more of their total revenue from the distribution of tobacco (including e-cigarettes and inhalers) or supply of goods or services specifically related to the tobacco industry (for example, packaging or promotion)
Animal cruelty	<ul style="list-style-type: none"> - directly undertake animal testing for cosmetic products - directly undertake live animal export
Predatory lending practices	<ul style="list-style-type: none"> - directly provide products or services with lending practices that are unfair or deceptive to ordinary borrowers, including small amount short term loans at higher than commercial rates of interest (for example, payday loans, pawn loans or the use of aggressive sales tactics)
Breaches/Misconduct	<ul style="list-style-type: none"> - we consider to have been found to have significant breaches of social or environmental norms or regulations, or are subject to serious and substantiated allegations of unethical conduct, which we consider have not been remedied or adequately addressed

Why are we making the changes?

We believe it is in the best interests of investors for the new and tighter exclusionary criteria to be implemented for the Fund. These screens are expected to better meet investors' expectations regarding the holdings of a sustainable fund, which have evolved considerably since the Fund was launched in 2001.

Most notably, investors in sustainable funds have increasingly sought to avoid allocating capital to companies whose activities significantly contribute to climate change. For this reason, we will be applying tighter fossil fuel-related screens in the Fund.

Transition into the new investment strategy

The changes will require a number of stocks in the Fund to be sold from 7 April 2021, as these stocks do not meet the new exclusionary criteria. These stocks are relatively liquid and we expect to be able to complete the sell down within one day under normal market conditions.

Management fee

There is no change to the management fee of the Fund which will remain at an issuer fee of 0.85% p.a.

About the Fund's Portfolio Manager

The Fund will continue to be managed by Rajinder Singh in Pental Australian Equities Team who has more than 18 years' industry experience.

In managing the Fund, he will be supported by the Pental Australian Equities Team, a team of 20, one of the largest fundamental Australian Equities Team in the market.

What do you need to do?

No action is required. You will be able to continue to invest or withdraw from the Fund.

An updated Product Disclosure Statement (**PDS**) providing information on the Fund's investment strategy (up to 7 April 2021 and from 7 April 2021) is available on www.pentalgroup.com.

If you have any questions about your investment or the Fund's changes, please contact us on 1300 346 821 (for Australian investors) or +612 9220 2499 (for overseas investors) from Monday to Friday, 8.30am to 5:30pm (Sydney time).

For any questions regarding how these changes may impact your own financial situation we recommend that you speak to your financial adviser and/or tax accountant.

Thank you for your continued support.

Yours sincerely



Joanne White
Head of Client Services
Pental Group Limited