Australian Shareholders' Association

Australian Shareholders' Association Limited
Suite 1A Level 2
20 Loftus Street Sydney NSW 2000
GPO Box 359 Sydney NSW 2001
t 02 9252 4244
f 02 9252 4966
e share@asa.asn.au
ABN 40 000 625 669

Company	Pendal
Code	PDL
Meeting	AGM
Date	11 December 2020
Venue	Virtual meeting via agmlive.link
Monitor	Sue Erbag, (assisted by) Orlene Mckinlay

Number attendees at meeting	68 visitors (virtual attendees unknown)
Number of holdings represented by ASA	141
Value of proxies	$2,580,838
Number of shares represented by ASA	391,036
Market capitalisation	$2.2bn
Were proxies voted?	Yes, on a poll
Pre AGM Meeting?	Yes, with Chairman James Evans, and NED Andrew Fay

Progress made however still falling short

Overall, considering this was the first online only AGM held by Pendal, the meeting was handled well with shareholders able to ask questions almost unrestricted (other AGMs have had tight parameters for asking questions eg questions put forward via written text only with limited characters.) The process felt democratic and open with attendees able to gain assistance from Link market services when needed.

Whilst Pendal Group have made some positive changes to their remuneration structure, Pendal is still falling short of ASA guidelines, with its peers using higher financial performance weightings for KPIs and higher EPS hurdles for cash eps rights. This year risk management is an area of focus and we have found the information in the annual report, regards Pendal's existing risk management processes, lacking in sufficient detail.

FUM

There has been a continuation in the fall in funds under management (FUM) and further declines in profits. Of course, this is also true for most Investment funds during the year, with the coronavirus being the primary driver in out/inflows from funds, due firstly to a flight to cash by investors in the early stages of the virus outbreak and later a move back into equities as hope returned to investors. These unusual circumstances have made it difficult to clearly understand what impact the changes Pendal has actioned in prior years have had on its performance during the year.

Westpac continued its run off of its legacy book, which impacted fund outflows by $2.6bn. Brexit also continued to weigh on fund outflows, with European redemptions totalling $3.3bn. Pendal's total FUM fell to $92.4bn FY20, compared with $100.4bn in FY19.

This drop in UK/Europe FUM was partially offset by an increase in FUM in the US of $2.5bn. Performance fees saw a positive turn around with an increase of $7.5m to $13.4m. Average funds under management (FUM), a major profit driver was down 4% to $94.8bn. The closing share price was down on the previous year at $5.46 ($8.92).

NED Reviews

During our Pre-AGM meeting and again at the AGM meeting we asked about 360-degree reviews for non-executive directors (NEDs), this review is a performance evaluation tool. We repeated this question at the AGM because at the pre-AGM meeting, we found the chairman's answer to be vague, he had stated that the last completed review was 3 years ago and a new one was due. It should not take a whole year to get all board members (9) to respond to acceptable board performance questions. Unfortunately, we did not gain any further clarification regards this review in the AGM.

Risk Management

We asked about Automated Risk Management Systems both at the Pre-AGM meeting and at the AGM. At the GM, the CEO Emilio Rodriguez, acknowledged that there were a number of automated systems managing risk, however there were manual workarounds to tie the systems together. He said there were plans to improve risk management further. He did not however respond to our question regards an Enterprise Risk Management System.

Re-election James Evans (Chairman) and Deborah Page (NED)

Regards the re-election of James Evans and Deborah Page, we voted For these resolutions. Both Directors have held their roles for less than 9 years and are not over committed in terms of workloads as per ASA guidelines.

Remuneration Report and CEO LTI

The Against vote this year for the remuneration report was 2.03%, down from 2.88% in 2019. We continued to point out that the incentive hurdles are too low and do not fully reflect or align with shareholders' interests but at the same time we did recognise that there was improvement in the remuneration calculations, in comparison to 2019. We consequently voted Against the package.

The ASA also voted open proxies against the CEO grant of share rights; the against vote totalled 1.49% versus 2.78% in 2019.