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10 September 2020

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Investor number: <Investor No>

Dear Investor

Changes to the Pendal Ethical Share Fund (APIR: RFA0025AU, ARSN 096 328 219)

We are writing to notify you of some important changes relating to the Pendal Ethical Share Fund (**Fund**).

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 12 October 2020.

Investment strategy

From 12 October 2020, the Fund will be a high conviction, values-oriented, concentrated portfolio of typically 15-35 stocks that invests in businesses that in our view, in aggregate, provide a net benefit to Australia's future economy and society.

Pendal will adopt a principles-based approach in identifying the Fund's investments which aims to:

- Avoid companies whose industries, business models and products or services are not sustainable or cause significant harm, having regard to what we believe most investors would want to avoid in a values-based investment portfolio.
- Invest in companies that demonstrate, or offer or enable more sustainable practices, business models or products and services.
- Invest in companies that advance or participate in the transition of the Australian economy to one that is more sustainable.
- Engage with management of companies in which we invest to manage risk, effect change and realise potential value over the long term.

From 12 October 2020, the following exclusionary criteria will apply to the Fund.

In managing the Fund, we avoid investing in companies which:	
Fossil Fuels	<ul style="list-style-type: none"> • directly undertake fossil fuel exploration or extraction (specifically, coal, oil and gas); or • earn more than 10% of their revenue from fossil fuel-based power generation, or from fossil fuel refinement or distribution (coal, oil and gas); or • earn more than 10% of their revenue from the provision of supplies or services which relate specifically to the fossil fuel exploration or production industries (coal, oil and gas)
Uranium	<ul style="list-style-type: none"> • directly undertake uranium mining for weapons or power generation; or • earn more than 10% of their revenue from nuclear energy-based power generation
Logging	<ul style="list-style-type: none"> • earn more than 10% of their 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 • earn more than 10% of their revenue from the indirect provision of gambling (for example, through telecommunications platforms)
Pornography	<ul style="list-style-type: none"> • produce pornography; or • earn more than 10% of their revenue from the distribution or retailing of pornography
Weapons	<ul style="list-style-type: none"> • produce or distribute controversial weapons (such as cluster munitions, landmines, biological and chemical weapons), or supply goods or services specifically relating to controversial weapons; or • produce or distribute non-controversial weapons or military equipment; or • produce or distribute civilian firearms, or supply goods or services specifically related to firearms, or to firearm manufacturers
Alcohol	<ul style="list-style-type: none"> • produce alcoholic beverages; or • earn more than 10% of their revenue from the distribution or retailing of alcoholic beverages
Tobacco	<ul style="list-style-type: none"> • produce tobacco (including e-cigarettes and inhalers); or • earn more than 10% of their 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 Testing	<ul style="list-style-type: none"> • directly undertake animal testing for cosmetic products
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 an ethical fund, which have evolved considerably since the Fund was launched in 2001.

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

The investment team will be applying a framework that places a greater focus on stocks and industries that meet our investment criteria, responsible investment priorities and philosophy, resulting in a high conviction, values-oriented, concentrated portfolio that is expected to deliver better risk-adjusted returns for investors in the Fund.

Transition into the new investment strategy

The changes will require a number of stocks in the Fund to be sold from 12 October 2020, 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 0.95% p.a.

About the Fund's Portfolio Manager

The Fund will continue to be managed by Crispin Murray, Head of Equities.

Crispin was appointed as Head of Equities in 2003 and is responsible for overseeing Pental's Australian Equities business and currently manages A\$15 billion of funds under management.

In managing the Fund, he will be supported by the Pental Australian Equities Team, a team of 19, 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 11 October 2020 and from 12 October 2020) is available on www.pentalgroup.com.

If you have any questions about your investment or the Fund's changes, please contact us on 1800 813 886 (for Australian investors) or +612 9155 4051 (for overseas investors) from Monday to Friday, 8.00am 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 advisor and/or tax accountant.

Thank you for your continued support.

Yours sincerely

A handwritten signature in black ink, appearing to read 'J White'.

Joanne White
Head of Client Services
Pandal Group Limited