

ASX Announcement

Scheme Booklet registered with ASIC

Sydney, Australia, 22 November 2022 - Pendal Group Limited (Pendal) (ASX: PDL) refers to its announcement that the Supreme Court of New South Wales has approved the convening of a meeting of Pendal shareholders to consider and vote on the proposed acquisition of Pendal by Perpetual Limited (Perpetual) (ASX: PPT) by way of a Scheme of Arrangement (Scheme) and approving the distribution to Pendal shareholders of the scheme booklet providing information about the Scheme (Scheme Booklet).

Scheme Booklet

Pendal confirms that the Scheme Booklet has now been registered with the Australian Securities and Investment Commission (ASIC). A copy of the Scheme Booklet, including a sample proxy form and virtual meeting online guide is attached to this announcement and is available online at pendalgroup.com/scheme/

The Scheme Booklet (including the Independent Expert's Report (IER) and Notice of Scheme Meeting) and proxy form are expected to be despatched to Pendal shareholders on 23 November 2022 in the manner described in the announcement made on Monday, 21 November 2022.

Independent Expert's Report

The Scheme Booklet contains the IER prepared by Kroll Australia Pty Ltd (Kroll).

The report concludes that the Scheme is fair and reasonable and therefore, the Scheme is in the best interests of Pendal shareholders, in the absence of a superior proposal.

The Independent Expert's conclusion should be read in the context of the full IER and the Scheme Booklet.

Pendal Board's recommendation

The Pendal Board continues to unanimously recommend its shareholders vote in favour of the Scheme in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Pendal shareholders.

Subject to those same qualifications, each Pendal director intends to vote or procure the voting of all Pendal shares held or controlled by them in favour of the Scheme.

Details of Scheme Meeting

As also announced on 21 November 2022 the Scheme Meeting, at which Pendal shareholders will vote on the proposed Scheme, is scheduled to be held at 10:00am (Sydney time) on Friday, 23 December 2022 which is being held as a hybrid meeting at The Fullerton Hotel, 1 Martin Place, Sydney and using the online platform provided by Link Market Services at <https://meetings.linkgroup.com/PDLSM22>

The Scheme can only be implemented if, in addition to the satisfaction (or waiver where applicable) of all other conditions precedent, it is approved by the requisite majorities, being:

- at least 75% of the total number of votes cast on the Scheme resolution at the Scheme Meeting; and
- unless the Court orders otherwise, a majority in number (more than 50%) of eligible Pental Shareholders present and voting at the Scheme Meeting.

Shareholders are encouraged to vote by attending in person or alternatively by ensuring the proxy form accompanying the Scheme Booklet is completed and received by Pental's share registry by 10:00am (Sydney time) on Wednesday, 21 December 2022.

Further information

For more information, Pental shareholders are encouraged to refer to the Scheme Booklet. If they have any questions in relation to the Scheme Booklet, the Scheme or their shareholding, they are advised to contact Pental's Shareholder Information Line on 1300 038 212 (within Australia) and +61 2 9066 4052 (from overseas) at any time between 9:00am and 5:00pm (Sydney time), Monday to Friday.

For enquiries, please contact:

Investors / analysts

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This announcement has been authorised for release by the Board of Pental Group Limited.

Scheme Booklet

Pendal Group Limited
ACN 126 385 822

VOTE IN FAVOUR

For the acquisition by Perpetual Limited ACN 000 431 827
(**Perpetual or PPT**) of 100% of the shares in Pendal Group Limited
ACN 126 385 822 (**Pendal or PDL**) by way of Scheme of Arrangement.

The Pendal Directors unanimously recommend that Pendal Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal.

The Independent Expert has concluded that the Scheme is fair and reasonable and is in the best interests of Pendal Shareholders in the absence of a Superior Proposal.

The Scheme Meeting is scheduled to be held at 10:00am on Friday 23 December 2022 at The Fullerton Hotel, 1 Martin Place, Sydney.

Your vote is important to determine if the Scheme proceeds.

Financial adviser



ADARA
PARTNERS
— BRIDGING WORLDS —

Legal adviser

KING & WOOD
MALLESONS
金杜律师事务所

Important Notices

General

Shareholders are encouraged to read this Scheme Booklet in its entirety before making a decision as to how to vote on the resolution to be considered at the Scheme Meeting.

Purpose of Scheme Booklet

The purpose of this Scheme Booklet is to explain the terms of the Scheme and the manner in which the Scheme will be considered and implemented, if approved, and to provide such information as is prescribed or otherwise material to the decision of Shareholders whether or not to approve the Scheme. This Scheme Booklet includes the explanatory statement and other information required to be sent to Shareholders under Part 5.1 of the Corporations Act in relation to the Scheme.

This Scheme Booklet is not a prospectus lodged under Chapter 6D of the Corporations Act in respect of the New Perpetual Shares. Section 708(17) of the Corporations Act provides that an offer of shares does not need disclosure under Chapter 6D if it is made under a compromise or arrangement under Part 5.1 of the Corporations Act and approved at a scheme meeting held as a result of an order made by a court under section 411(1) or (1A) of the Corporations Act.

Responsibility for information

Pendal is responsible for the Scheme Booklet other than the Perpetual Information, Independent Expert's Report and the Investigating Accountant's Report.

The Perpetual Information concerning Perpetual, the Combined Group and the intentions, views and opinions of any Perpetual Group member contained in this Scheme Booklet (other than any information provided by Pendal to Perpetual or obtained from Pendal's public filings on ASX regarding the Pendal Group contained in, or used in the preparation of, the information regarding the Combined Group) has been prepared by Perpetual and is the responsibility of Perpetual. Perpetual and its directors and officers do not assume any responsibility for the accuracy or completeness of this Scheme Booklet (other than the Perpetual Information).

The Independent Expert, Kroll Australia Pty Ltd, has prepared the Independent Expert's Report in relation to the Scheme contained in Annexure A and takes responsibility for that report. None of Pendal, Perpetual and their respective directors, officers and advisers assume any responsibility for the accuracy or completeness of the Independent Expert's Report.

The Investigating Accountant, KPMG, has prepared the Investigating Accountant's Report in relation to the Scheme contained in Annexure B and takes responsibility for that report. None of Pendal, Perpetual and their respective directors, officers and advisers assume any responsibility for the accuracy or completeness of the Investigating Accountant's Report.

ASIC and ASX

A copy of this Scheme Booklet was provided to ASIC under section 411(2) of the Corporations Act and registered by ASIC under section 412(6) of the Corporations Act. ASIC has been given the opportunity to comment on

this Scheme Booklet in accordance with section 411(2) of the Corporations Act. ASIC has been requested to provide a statement, in accordance with section 411(17) (b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the time of the hearing on the Second Court Date. Neither ASIC nor its officers take any responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet has been lodged with ASX. Neither ASX nor its officers take any responsibility for the contents of this Scheme Booklet.

Court

The Court is not responsible for the contents of this Scheme Booklet and, in ordering that the Scheme Meeting be held, the Court does not in any way indicate that the Court has approved or will approve the terms of the Scheme. An order of the Court under section 411(1) of the Corporations Act is not an endorsement of, or any other expression of opinion on, the Scheme.

Notice of the Second Court Hearing

At the Second Court Hearing, the Court will consider whether to approve the Scheme following the vote at the Scheme meeting.

Any Shareholder has the right to appear at the Second Court Hearing, expected to be held at 9:15am on Wednesday, 11 January 2023 at the Supreme Court of New South Wales.

Any Shareholder who wishes to oppose approval of the Scheme at the Second Court Hearing may do so by filing with the Court and serving on Pendal a notice of appearance in the prescribed form together with any affidavit that the Shareholder proposes to rely on.

Future matters and intentions

Certain statements in this Scheme Booklet relate to the future. These statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual conduct, market conditions, results, performance or achievements of Pendal, Perpetual or the Combined Group to be materially different from future conduct, market conditions, results, performance or achievements expressed or implied by those statements or that could cause the future conduct to be materially different from historical conduct. Such risks, uncertainties, assumptions and other important factors include, among other things, general economic conditions, exchange rates, interest rates, the regulatory environment, competitive pressures, selling price and market demand.

Other than as required by law neither Pendal, Perpetual nor any other person gives any representation, assurance or guarantee that the events expressed or implied in any forward-looking statements in this Scheme Booklet will actually occur. You are cautioned about relying on any such forward-looking statements in this Scheme Booklet.

These forward-looking statements in this Scheme Booklet only reflect views held as at the date of this Scheme Booklet. Additionally, statements of the intentions of Perpetual reflect Perpetual's present intentions as at the date of this Scheme Booklet and may be subject to change.

Subject to the Corporations Act and any other applicable laws or regulations, Pental and Perpetual disclaim any duty to update any forward-looking statements other than with respect to information that they become aware of prior to the Scheme Meeting which is material to a Pental Shareholders' decision whether or not to vote in favour of the Scheme.

No investment advice

This Scheme Booklet does not constitute, and should not be taken as, financial product advice and has been prepared without reference to the investment objectives, financial situation and particular needs of individual Shareholders. This Scheme Booklet should not be relied upon as the sole basis for any investment decision in relation to the Scheme or your Shares. Before making an investment decision in relation to the Scheme or your Shares, including any decision to vote for or against the Scheme, you should read this Scheme Booklet and consider, with or without the assistance of a financial adviser, whether that decision is appropriate in the light of your particular investment needs, objectives and financial circumstances. If you are in any doubt about what you should do, you should consult your legal, financial or other professional adviser before making any investment decision in relation to the Scheme or your Shares.

Shareholders outside Australia

The release, publication or distribution of this Scheme Booklet (electronically or otherwise) may be restricted by law or regulation in jurisdictions other than Australia and if you are outside Australia and come into possession of this Scheme Booklet, you should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws and regulations.

This Scheme Booklet complies with the disclosure requirements applicable in Australia, which may be different to those in other countries.

Financial information in this Scheme Booklet has been prepared in accordance with Australian International Financial Reporting Standards (AIFRS) and is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act.

Australian disclosure requirements and AIFRS may differ from those applicable in other jurisdictions.

This Scheme Booklet and the Scheme do not in any way constitute an offer of shares in any place in which, or to any person to whom, it would be unlawful to make such an offer.

If you are an Ineligible Foreign Shareholder, you will not be able to receive New Perpetual Shares. New Perpetual Shares that would otherwise be issued to these shareholders under the Scheme will be issued to the Sale Agent to be sold on ASX, with the Sale Proceeds to be paid to Ineligible Foreign Shareholders, after deducting applicable brokerage, taxes, duty, currency conversion costs and other costs and charges. For details regarding Ineligible Foreign Shareholders and foreign selling restrictions that apply in connection with the Scheme, you should refer to section 4.8.

Taxation implications of the Scheme

Section 9 provides a general outline of the Australian income tax, capital gains tax, GST and stamp duty consequences for Shareholders who dispose of their Pental Shares to Perpetual in accordance with the Scheme. It does not purport to be a complete analysis or to identify all potential tax consequences nor is it intended to replace the need for specialist tax advice in respect of the particular circumstances of individual Shareholders.

Shareholders who are subject to taxation outside Australia should also consult their tax adviser as to the applicable tax consequences of the Scheme in the relevant jurisdiction.

Implied value

Part of the Scheme Consideration that Shareholders will receive is New Perpetual Shares. Any reference to the implied value of the Scheme Consideration should not be taken as an indication that the implied value is fixed. The implied value of the Scheme Consideration will vary with the market price of the New Perpetual Shares.

If you are an Ineligible Foreign Shareholder, this also applies to the New Perpetual Shares which will be issued to the Sale Agent and sold on ASX by the Sale Agent. Any cash remitted to you from the net proceeds of such sales will depend on the market price of Perpetual Shares at the time of sale by the Sale Agent.

Privacy

Pental, Perpetual and their respective share registries may collect personal information in the process of implementing the Scheme. The personal information may include the names, addresses, contact details and security holdings of Shareholders and the names of persons appointed by Shareholders as proxies, attorneys or corporate representatives at the Scheme Meeting. The collection of some of this personal information is required or authorised by the Corporations Act.

The primary purpose of collecting this personal information is to assist Pental in the conduct of the Scheme Meeting and to enable the Scheme to be implemented by Pental in the manner described in this Scheme Booklet. The personal information may be disclosed to print and mail service providers, authorised securities brokers and any other service provider to the extent necessary to effect the Scheme.

If the information outlined above is not collected, Pental may be hindered in, or prevented from, conducting the Scheme Meeting and implementing the Scheme.

Shareholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. Such individuals should contact Pental's Share Registry on +61 1300 792 077 (within Australia) if they wish to exercise these rights.

Shareholders who appoint a named person to act as their proxy, attorney or corporate representative should ensure that they inform that person of the matters outlined above.

Important Notices

The Privacy Policy of Pental is available at <https://www.pentalgroup.com/privacy> and contains information about how an individual may access personal information about the individual that is held by Pental, seek the correction of such information or make a privacy related complaint and how such a complaint will be dealt with.

Notice to Shareholders in the United States

Pental and Perpetual intend to rely on an exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10) thereof in connection with the consummation of the Scheme and the issuance of the New Perpetual Shares. Approval of the Scheme by an Australian court will be relied upon by Pental and Perpetual for purposes of qualifying for the Section 3(a)(10) exemption.

The Court will be aware at the time of the First Court Hearing that approval of the Scheme by the Court will be relied upon by Pental and Perpetual for the purpose of qualifying for the Section 3(a)(10) exemption.

US shareholders of Pental should note that the Scheme is made for the securities of an Australian company in accordance with the laws of Australia and the Listing Rules. The Scheme is subject to disclosure requirements of Australia that are different from those of the United States.

It may be difficult for you to enforce your rights and any claim you may have arising under US federal securities laws since Pental and Perpetual are located in Australia and some or all of their respective officers and directors are not residents of the United States. You may not be able to sue Pental, Perpetual, or their respective officers or directors in Australia for violations of the US securities laws. It may be difficult to compel Pental and its affiliates to subject themselves to a US court's judgment.

You should be aware that Perpetual may purchase securities otherwise than under the Scheme, such as in open market or privately negotiated purchases.

The Scheme Booklet has not been filed with or reviewed by the US Securities and Exchange Commission or any state securities authority and none of them have passed upon or endorsed the merits of the Scheme or the accuracy, adequacy or completeness of the Scheme Booklet. Any representation to the contrary is a criminal offence.

The New Perpetual Shares to be issued pursuant to the Scheme have not been, and will not be, registered under the US Securities Act or the securities laws of any US state or other jurisdiction in reliance on exemptions from registration under applicable securities laws. The Scheme is not being made in any US state or other jurisdiction where it is not legally permitted to do so.

US shareholders of Pental are advised to consult their own tax advisors to determine the particular US tax consequences of the Scheme in light of their particular situation, as well as any tax consequences that may arise under the laws of any relevant foreign, state, local or other taxing jurisdiction.

Notice to Shareholders in the Czech Republic, France, Germany, Ireland and Spain

This Scheme Booklet is not a prospectus under Regulation (EU) 2017/1129 of the European Parliament and the Council of the European Union (the "Prospectus Regulation").

Therefore, the Scheme Booklet has not been, and will not be, registered with or approved by any securities regulator or supervisory authority in the European Union. Accordingly, this Scheme Booklet may not be made available, nor may the New Perpetual Shares be offered for sale or exchange, in the European Union except in circumstances that do not require the obligation to publish a prospectus under the Prospectus Regulation.

In accordance with Article 1(4) of the Prospectus Regulation, an offer of New Perpetual Shares in the Czech Republic, France, Germany, Ireland and Spain is limited:

- to persons who are "qualified investors" (as defined in Article 2(e) of the Prospectus Regulation);
- to fewer than 150 other natural or legal persons, except in France; and
- in any other circumstance falling within Article 1(4) of the Prospectus Regulation.

Notice to Shareholders in New Zealand

This Scheme Booklet is not a New Zealand disclosure document and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Financial Markets Conduct Act 2013 or any other New Zealand law.

The offer of New Perpetual Shares under the Scheme is being made to existing shareholders of Pental in reliance upon the Financial Markets Conduct (Incidental Offers) Exemption Notice 2021 and, accordingly, this Scheme Booklet may not contain all the information that a disclosure document is required to contain under New Zealand law.

Notice to Shareholders in Singapore

This Scheme Booklet and any other document relating to the Scheme have not been, and will not be, registered as a prospectus with the Monetary Authority of Singapore and the Scheme is not regulated by any financial supervisory authority in Singapore. Accordingly, statutory liabilities in connection with the contents of prospectuses under the Securities and Futures Act 2001 (the "SFA") will not apply.

This Scheme Booklet and any other document relating to the Scheme may not be made the subject of an invitation for subscription, purchase or receipt, whether directly or indirectly, to persons in Singapore except pursuant to exemptions in Subdivision (4) Division 1, Part 13 of the SFA, including the exemption under section 273(1)(c) of the SFA, or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Any offer is not made to you with a view to New Perpetual Shares being subsequently offered for sale to any other party in Singapore. You are advised to acquaint yourself with the SFA provisions relating to on-sale restrictions in Singapore and comply accordingly.

This Scheme Booklet is being furnished to you on a confidential basis and solely for your information and may not be reproduced, disclosed, or distributed to any other person. Any investment referred to in this Scheme Booklet may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about such investment.

Pendal is not in the business of dealing in securities or holds itself out, or purports to hold itself out, to be doing so. As such, Pendal is not licensed nor exempted from dealing in securities or carrying out any other regulated activities under the SFA or any other applicable legislation in Singapore.

Notice to Shareholders in Jersey

This Scheme Booklet may be distributed in Jersey only to shareholders in Pendal. No offer or invitation to subscribe for New Perpetual Shares may be made to the public in Jersey.

Notice to Shareholders in Switzerland

The New Perpetual Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange or on any other stock exchange or regulated trading facility in Switzerland. Neither this Scheme Booklet nor any other offering material relating to the New Perpetual Shares constitutes a prospectus or a similar notice as such terms are understood pursuant to art. 35 of the Swiss Financial Services Act (FinSA) or the listing rules of any stock exchange or regulated trading facility in Switzerland. Neither this Scheme Booklet nor any other offering material relating to the New Perpetual Shares may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Scheme Booklet nor any other offering material relating to the New Perpetual Shares have been, or will be, filed with or approved by any Swiss regulatory authority or authorized review body. In particular, this Scheme Booklet will not be filed with, and the offer of New Perpetual Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA).

This Scheme Booklet may be distributed in Switzerland only to existing shareholders of Pendal and is not for general circulation in Switzerland.

Notice to Shareholders in United Kingdom

Neither this Scheme Booklet nor any other document relating to the Scheme has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Perpetual Shares.

This Scheme Booklet does not constitute an offer of transferable securities to the public within the meaning of the UK Prospectus Regulation or the FSMA. Accordingly, this Scheme Booklet does not constitute a prospectus for the purposes of the Prospectus Regulation or the FSMA.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 FSMA) received in connection with the issue or sale of the New Perpetual Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) FSMA does not apply to Pendal.

In the United Kingdom, this Scheme Booklet is being distributed only to, and is directed at, persons (i) who fall within Article 43 (members of certain bodies corporate) of the Financial Services and Markets Act 2000 (Financial

Promotions) Order 2005, or (ii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this Scheme Booklet relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Scheme Booklet.

Notice of Meeting

The Notice of Scheme Meeting is set out in Annexure F.

Pendal and Perpetual websites

The content of Pendal's and Perpetual's respective websites do not form part of this Scheme Booklet and Shareholders should not rely on their content.

Any references in this Scheme Booklet to a website is a textual reference for information only and no information in any website forms part of this Scheme Booklet.

Supplementary information

Pendal has established a Shareholder Information Line which you should call if you have any questions or require further information. The telephone numbers are +61 1300 038 212 (Australia) or +61 2 9066 4052 (overseas). The Pendal Shareholder Information Line is open between Monday and Friday from 9:00am to 5:00pm. Shareholders should consult their legal, financial or other professional adviser before making any decision regarding the Scheme.

In certain circumstances, Pendal may provide additional disclosure to Shareholders in relation to the Scheme after the date of this Scheme Booklet (see section 10.12 for more detail). To the extent applicable, Shareholders should have regard to any such supplemental information in determining how to vote in relation to the Scheme.

Interpretation

Capitalised terms and certain abbreviations used in this Scheme Booklet have the meanings set out in the Glossary at the back of this Scheme Booklet. The documents reproduced in the annexures to this Scheme Booklet may have their own defined terms, which are sometimes different from those in the Glossary.

Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Scheme Booklet. Any diagrams, charts, maps, graphs and tables appearing in this Scheme Booklet are illustrative only and may not be drawn to scale. All numbers are rounded unless otherwise indicated, accordingly actual calculations may differ from amounts set out in this Scheme Booklet. Any discrepancies between totals in tables or financial information, or in calculations, graphs or charts are due to rounding.

Unless otherwise specified, all references to \$, A\$, AUD and cents are references to Australian currency.

Unless otherwise stated, all references to times are references to Sydney time.

Date

This Scheme Booklet is dated 21 November 2022.

Important Dates and Expected Timetable for the Scheme

Key Dates

Date of the Implementation Deed	25 August 2022
Date of this Scheme Booklet	21 November 2022
First Court Hearing	21 November 2022
Scheme Meeting Proxies Last date and time for receipt of completed proxy forms for the Scheme Meeting	21 December 2022, at 10:00am
Scheme Meeting Record Date Time and date for determining eligibility to vote at the Scheme Meeting	21 December 2022, at 7:00pm
Scheme Meeting Further details relating to the Scheme Meeting are set out in the Notice of Scheme Meeting set out at Annexure F to this Scheme Booklet	23 December 2022, at 10:00am

If the Scheme Resolution is Passed by Pandal Shareholders

Second Court Date for approval of the Scheme	11 January 2023, at 9:15am
Effective Date This is the date on which the Scheme comes into effect and is binding on Pandal Shareholders Scheme Order lodged with ASIC and lodgement is announced on ASX Last day of trading in Pandal Shares on ASX (with Pandal Shares suspended from trading on ASX from close of trading)	12 January 2023
Scheme Record Date for determining entitlements to Scheme Consideration	16 January 2023
Implementation Date Payment of Scheme Consideration and transfer of Scheme Shares	23 January 2023

Note: All dates are indicative only and, among other things, are subject to all necessary approvals from the Court and regulatory authorities. Any changes to the above timetable will be announced to ASX and published on Pandal's website. Refer to section 4.4 for further details.

Letter from the Chairman of Pental

21 November 2022

Dear Pental Shareholder,

On behalf of the Pental Board, I am pleased to provide you with this Scheme Booklet that contains information that you will need to consider in relation to the proposed acquisition of Pental by Perpetual.

The Transaction will bring two iconic financial services firms together to create one of Australia's largest ASX-listed asset managers. The combination will deliver a significant increase in scale, enhance positioning in an increasingly competitive global market and bring strategic benefits both domestically and internationally. Furthermore, the Combined Group, through its multi-brand strategy, culture of investment independence, expanded distribution network and enhanced sustainable and impact investing capability, will be well positioned to deliver long-term shareholder value.

On 25 August 2022, Pental and Perpetual announced that they had entered into an Implementation Deed under which Perpetual agreed to acquire 100% of the issued shares of Pental by way of a Scheme of Arrangement (**Scheme**), subject to several conditions including shareholder and Court approvals.

Since the announcement of the Scheme, we have seen a continuation of high volatility in financial markets and the lowering of global growth expectations. While this has negatively impacted both parties, it has not changed the Pental Board's view that the Scheme is in the best interests of Pental Shareholders. The volatile backdrop and outsized impact of falling markets for asset managers have reinforced the strategic rationale for the Transaction, as a combination of Pental and Perpetual would create a larger, more diverse business that is more resilient across different market cycles.

In order to further strengthen the balance sheet and enhance flexibility of the Combined Group, on 16 November 2022 Pental and Perpetual agreed to the Revised Consideration Mix, being an increase in the amount of scrip consideration and a balancing adjustment to the amount of cash consideration. Further detail and background is provided in section 4.1.

This Scheme Booklet sets out the details of the proposed Scheme and important matters relevant to your vote including the reasons why the Pental Board has unanimously recommended that Pental Shareholders vote in favour of the Scheme and the Independent Expert's Report. This Scheme Booklet also sets out some of the reasons why you may wish to vote against the Scheme.

Overview of the Scheme

If the Scheme is approved and becomes Effective, Pental Shareholders will be entitled to receive Scheme Consideration of 1 Perpetual Share for every 7.0 Pental Shares plus \$1.650 cash for each Pental Share held at the Scheme Record Date (**Scheme Consideration**) less the Permitted Dividend Amount of 3.5 cents per Pental Share. The Scheme Consideration assumes an offer value of \$5.979 based on the Perpetual Share price of \$30.30 on 24 August 2022, the last trading day before the announcement of the Scheme (less the cash value of the final dividend amount of 3.5 cents per Pental Share (fully franked)) (**Permitted Dividend Amount**) for the financial year ending 30 September 2022. The value of a Perpetual Share will continue to fluctuate and change on a day-to-day basis, which will impact the actual value of the scrip component of the Scheme Consideration received.

The Scheme Consideration, based on Perpetual's undisturbed share price on 1 April 2022 (being the last trading day before the announcement of the Initial Proposal), represents a premium of:

- 46.0% premium to Pental's closing share price on 1 April 2022; and
- 42.0% premium to Pental's VWAP for the 30 days to 1 April 2022.

The Scheme Consideration, based on Perpetual's closing share price on 24 August 2022 (being the last trading day before the announcement of the Scheme), represents a premium of:

- 22.5% premium to Pental's closing share price on 24 August 2022; and
- 31.8% premium to Pental's VWAP for the 30 days to 24 August 2022.

Pental Shareholders should note that the Perpetual share price on 16 November 2022 (being the last practicable trading day prior to the date of this Scheme Booklet (**Last Practical Date**)) was \$31.58.¹ Based on the closing price of Perpetual Shares on the Last Practical Date, the Scheme Consideration to be offered to Pental Shareholders implies a value of \$6.161 per Pental Share and a market capitalisation for Pental of \$2.4 billion.

Subsequent to the Last Practical Date, Perpetual Shares have traded down, closing at \$26.92 on 18 November 2022. The implied value of the Scheme Consideration, and the associated premium received by Pental Shareholders who will receive Perpetual Shares as part of their Scheme Consideration will shift with movements in the price of Perpetual Shares up until the implementation of the Scheme, which will impact the actual value of the consideration received (this is discussed further in section 2.3(b) of this Scheme Booklet).

1. You should note that on 3 November 2022 and 10 November 2022 Perpetual announced that it had received, and rejected, an unsolicited, conditional, non-binding indicative proposals to acquire 100% of the Perpetual Shares from a consortium comprising BPEA Private Equity Fund VIII and Regal Partners Limited (further detail on which is contained in section 6.8). The price of Perpetual Shares and Pental Shares on the Last Practical Date reflects the existence of these proposals. Subsequent to the Last Practical Date, Perpetual Shares have traded down, closing at \$26.92 on 18 November 2022.

Letter from the Chairman of Pental

Consortium Offer

On 3 November 2022 and 10 November 2022, Perpetual announced that it had received and rejected proposals to acquire 100% of Perpetual by BPEA Private Equity Fund VIII's indirect wholly owned subsidiary Morello Pte. Limited and Regal Partners Limited (together, the **Consortium**) for \$30.00 cash per Perpetual Share (**Consortium Offer**) and \$33.00 cash per Perpetual Share (**Revised Consortium Offer**) respectively. Perpetual stated that the Consortium Offer and Revised Consortium Offer materially undervalued its business. Pental understands that Perpetual has also received generic interest in a potential Perpetual Major Transaction from other third parties. In the event that there are any further material developments in relation to any Perpetual Major Transaction or any other matters that have a bearing on the Scheme, the disclosures in this Scheme Booklet will be updated by way of supplementary disclosure. For further detail on the Consortium Offer and Revised Consortium Offer see section 6.8.

Independent Expert

The Pental Directors have commissioned an independent expert, Kroll Australia Pty Ltd (ABN 73 116 738 535), to prepare an Independent Expert's Report in relation to the Scheme.

The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Pental Shareholders, in the absence of a Superior Proposal. The Independent Expert has assessed the value of each Pental Share at between \$4.87 to \$5.71 per Pental Share. The Independent Expert has assessed the implied value of the Scheme Consideration to be in the range of \$5.04 to \$5.62 per Pental Share, which falls within the Independent Expert's assessed valuation range of Pental Shares. Note this assessment has been calculated taking into account the Permitted Dividend Amount of 3.5 cents per Pental Share, which will reduce the value of the Scheme Consideration received by Pental Shareholders.

A copy of the Independent Expert's Report is included in Annexure A. The Pental Board encourages you to read the Independent Expert's Report in its entirety.

Directors' unanimous recommendation and voting intention

After carefully considering the expected advantages and potential disadvantages of the Scheme, each Pental Director considers the Scheme to be in the best interests of Pental Shareholders and recommends that Pental Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Pental Shareholders.²

In forming the view that the Scheme is in the best interests of Pental Shareholders, and in determining to unanimously recommend the Scheme to Pental Shareholders, your Pental Directors have considered a range of factors.

Reasons why Pental Shareholders may consider voting for or against the Scheme are set out in detail in section 2 and the risk factors relating to the Scheme are disclosed in section 8.

The Pental Directors unanimously believe that the advantages of the Scheme proceeding for Pental Shareholders outweigh the disadvantages and risks and as such, each Pental Director intends to vote (or procure the voting of) any Pental Shares held or controlled by him or her (which are set out in section 10.1 of this Scheme Booklet) at the time of the Scheme Meeting in favour of the Scheme Resolution.

2. You should note that when considering this recommendation that Nick Good, a director and CEO of Pental, will be receiving a benefit if the Scheme proceeds. Mr Good is eligible for Retention Payments and Discretionary Payments of up to \$804,840 and Scheme related KPI payments of up to \$2,112,989 as described in section 10.2. Despite this interest in the outcome of the Scheme, Mr Good considers that, given the importance of the Scheme, and his role as CEO of Pental, it is important and appropriate for him to provide a recommendation to Pental Shareholders in relation to voting on the Scheme. Additionally, the Pental Board (excluding Mr Good) also considers that it is appropriate for Mr Good to make a recommendation on the Scheme given his role in the management and operations of Pental.

Scheme Meeting

The Scheme can only be implemented if, in addition to the satisfaction or waiver of all other Conditions Precedent, it is approved by the Requisite Majorities, being:

- at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by eligible Pental Shareholders present and voting at the Scheme Meeting; and
- unless the Court orders otherwise, a majority in number (more than 50%) of eligible Pental Shareholders present and voting at the Scheme Meeting.

Therefore, your vote is important, and I encourage you to carefully consider all the information set out in this Scheme Booklet as it will assist you in making an informed decision in relation to your vote.

I encourage you to vote by attending the Scheme Meeting or alternatively if you are unable to attend by appointing a proxy ahead of the Scheme Meeting.

If you are in any doubt in relation to these matters, you should consult with a financial, legal, taxation or other professional adviser.

If you require any further information in relation to the Scheme, please call the Pental Shareholder Information Line on +61 1300 038 212 (Australia) or +61 2 9066 4052 (overseas).

On behalf of the Pental Board, I would like to take this opportunity to thank you in advance for your ongoing support of Pental. The Pental Board believes the proposed Scheme makes strong commercial and strategic sense and is in the best interests of Pental Shareholders. The Pental Board encourages you to vote in favour of the Scheme and looks forward to your participation in this important decision.

Yours sincerely,



Deborah Page AM
Chairman
Pental Group Limited

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Section 1

Actions for Pental Shareholders

1.1 Carefully read this Scheme Booklet

You should read this Scheme Booklet carefully in its entirety and then vote by attending the Scheme Meeting either in person or online or by appointing a proxy, attorney or corporate representative to vote on your behalf. Full details of who is eligible to vote and how to vote are set out on the following page. Answers to various frequently asked questions are set out in section 3. If you have any additional questions in relation to this Scheme Booklet or the Scheme please consult your legal, financial, taxation or other professional adviser or call the Shareholder Information Line on +61 1300 038 212 (Australia) or +61 2 9066 4052 (overseas) between Monday and Friday from 9:00am to 5:00pm.

1.2 Vote on the Scheme Resolution

The Scheme Meeting will be held as a hybrid meeting at The Fullerton Hotel, 1 Martin Place, Sydney and online via <https://meetings.linkgroup.com/PDLSM22> at 10:00am on 23 December 2022.

Each Pental Shareholder who is registered on the Pental Share Register as the holder of Pental Shares at 7:00pm on 21 December 2022 may vote at the Scheme Meeting either online or in person, by proxy, by attorney, or in the case of a corporation, by corporate representative (subject to restrictions on voting rights set out in the Notice of Scheme Meeting) and will have one vote for each Pental Share they hold.

The terms of the Scheme Resolution to be considered at the Scheme Meeting are contained in the Notice of Scheme Meeting in Annexure F.

The resolution at the Scheme Meeting must be passed by:

- a majority in number of Pental Shareholders present and voting (online or in person or by proxy, attorney or corporate representative) (unless the Court orders otherwise); and
- at least 75% of the votes cast at the Scheme Meeting.

If all other Conditions Precedent have been satisfied or waived, the Court will then be asked to approve the Scheme.

Your Pental Directors believe the Scheme is a matter of importance for all Pental Shareholders and therefore urge you to vote.

1.3 How to vote

Each Pental Shareholder who is entitled to vote can vote at the Scheme Meeting:

- by attending the Scheme Meeting using the online platform provided by Link Market Services accessible at: <https://meetings.linkgroup.com/PDLSM22>. Further information about attending the Scheme Meeting online can be found in the Notice of Meeting and Virtual Meeting Online Guide;
- by attending the Scheme Meeting in person;
- by appointing a proxy to attend and vote on your behalf (through one of the two ways stated above); or
- by attorney or corporate representative. You are entitled to appoint an attorney or, in the case of a corporate shareholder, a corporate representative to attend and vote at the Scheme Meeting on your behalf.

(a) Participate in the Scheme Meeting virtually

In order to watch and participate in the virtual Scheme Meeting, please follow the steps outlined in the Virtual Meeting Online Guide contained in Annexure I of this Scheme Booklet.

A summary of the virtual Scheme Meeting process as set out in Annexure I is as follows:

- **Step 1:** Open your web browser and go to: <https://meetings.linkgroup.com/PDLSM22>.
- **Step 2:** Login to the portal using your full name, mobile number, email address, and participant type. Please read and accept the terms and conditions before clicking on the 'Register and Watch Meeting' button. Once you have logged in you will see the presentation slides that will be addressed during the Scheme Meeting on the right.
- **Step 3:** At the bottom of the webpage under the webcast and presentation there will be three buttons with the following titles:
 - Get a voting card: to register to vote, click on the 'Get a voting card' box at the top of the webpage or below the videos and follow the prompts.
 - Ask a question: Pental Shareholders will only be able to ask a question after they have registered to vote. If you would like to ask a question, click on the 'Ask a Question' box either at the top or bottom of the webpage and follow the prompts.
 - Next to the 'Ask a Question' button is downloads. You will be able to download the Notice of Meeting or the Scheme Booklet by clicking on the links.

(b) Voting by proxy

You may appoint a proxy by completing the proxy form accompanying this Scheme Booklet.

You may lodge your proxy online by logging into <https://investorcentre.linkgroup.com> using the holding details as shown on the proxy form. Once logged in, select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their Securityholder Reference Number (SRN) or Holder Identification Number (HIN).

The proxy need not be a Pental Shareholder.

You or your attorney must sign the proxy forms.

For corporations, the proxy form must be signed by two directors or by a director and a secretary or, for a proprietary company that has a sole director who is also the sole secretary, by that director, or by its attorney or duly authorised officer.

Alternatively, the relevant authority (e.g. in the case of proxy forms signed by an attorney, the power of attorney) must either have been exhibited previously to Pental or be enclosed with the proxy form.

A Pental Shareholder entitled to cast two or more votes may appoint two proxies to attend and vote for them. If you want to appoint two proxies, an additional proxy form will be supplied by Pental on request. If two proxies are appointed, both forms should be completed with the nominated proportion of number of votes each proxy may exercise. Otherwise, each proxy may exercise half the votes.

The duly signed proxy form and the original or a certified copy of any relevant authority (if not exhibited previously to Pental) must be received by Pental no later than 10:00am on 21 December 2022. Proxy forms received by Pental after this time and date will not be valid.

Proxy forms must be returned to Pental as follows:

Post or hand deliver to:	Post Pental Group Limited, C/- Link Market Services Limited, Lock Bag A14, Sydney South NSW 1235 Australia Hand delivery Link Market Services Limited Parramatta Square, Level 22, Tower 6, 10 Darcy Street, Parramatta NSW 2150 or Level 12, 680 George Street, Sydney NSW 2000
Online:	https://investorcentre.linkgroup.com
Fax to:	+61 2 9287 0309
Date by which proxy forms must be received:	10:00am on 21 December 2022

Section 1

Actions for Pental Shareholders

(c) Voting by attorney

If voting by attorney, the power of attorney appointing the attorney must be duly signed and specify the name of the Pental Shareholder and the attorney and specify the meeting at which the appointment may be used.

The power of attorney must be returned in the same manner, and by the same time, as outlined for the proxy form.

(d) Voting by a corporate Representative

A corporate shareholder, or body corporate appointed as a proxy, may appoint an individual as its Representative to attend the Scheme Meeting and vote on its behalf. Corporate shareholders or proxies who appoint a Representative must provide the Representative with a properly executed notice of appointment, which the Representative must provide to the Pental Share Registry for the purpose of registration.

1.4 Receiving your Scheme Consideration

Even if you do not vote, or vote against the Scheme, the Scheme may still be implemented if approved by the Requisite Majority of Pental Shareholders and the Court.

If this happens, your Pental Shares will, on the Implementation Date, be transferred to Perpetual and you will receive the Scheme Consideration for the Pental Shares you hold at the Scheme Record Date (currently expected to be 16 January 2023).

If you sell Pental Shares after the Scheme Record Date, you will not be entitled to the Scheme Consideration.

A Sale Facility has also been established in respect of certain Perpetual Shares to be issued under the Scheme.

Under the Sale Facility, Perpetual Shares of certain Scheme Shareholders will be sold. The proceeds of that sale will be remitted to Scheme Shareholders who participate. No brokerage will be payable in respect of Perpetual Shares sold through the Sale Facility.

The following Perpetual Shares will be sold under the Sale Facility:

- **Ineligible Foreign Shareholders** – all Perpetual Shares that would have been issued to an Ineligible Foreign Shareholder had they been an eligible Pental Shareholder; and
- **Non-Marketable Parcel Shareholders** – Pental Shareholders who would otherwise receive a Non-Marketable Parcel (being a parcel of New Perpetual Shares having a value of less than \$500 on the closing price of Perpetual Shares on the day prior to the Scheme Record Date) unless they make an election to retain that holding by visiting <https://www.pentalgroup.com/scheme/>.

Fractions of Perpetual Shares arising from rounding will be rounded up.

Section 2

Considerations Relevant to Your Vote

Section 2.2 provides a summary of the reasons why the Pendal Board unanimously recommends that Pendal Shareholders vote in favour of the Scheme. This section should be read in conjunction with section 2.3, which sets out the reasons why you may wish to vote against the Scheme.

The Scheme has a number of advantages and disadvantages, which may affect Pendal Shareholders in different ways, depending on their individual circumstances. Pendal Shareholders should seek professional advice on their particular circumstances, as appropriate.

You should read this Scheme Booklet in full, including the Independent Expert's Report, before deciding how to vote at the Scheme Meeting.

2.1 Summary

Reasons to vote in favour of the Scheme

- Your Pendal Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal³
- The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Pendal Shareholders in the absence of a Superior Proposal
- The Scheme Consideration represents an attractive premium to the recent trading price of Pendal Shares
- The Scheme represents an attractive acquisition multiple
- You have the opportunity to become a shareholder in a larger global asset manager, with increased scale and capabilities
- The Combined Group will have a more diversified business mix and greater stability with higher non-market linked revenue
- No proposal exists that the Pendal Board considers to be a Superior Proposal
- If the Scheme does not proceed, and no Superior Proposal emerges, the Pendal Share price may fall in the near-term and you may be exposed to other potentially adverse consequences
- If the Scheme does not proceed, Pendal Shareholders will continue to be exposed to risks associated with Pendal's business as well as other potentially adverse consequences
- No brokerage charges on transfer of existing Pendal Shares to New Perpetual Shares
- Scheme Shareholders that are residents of Australia for tax purposes may be eligible to claim CGT roll-over relief for some or all of any gains made from the disposal of their Scheme Shares

These reasons are discussed in more detail in section 2.2 of this Scheme Booklet.

3. You should note that when considering this recommendation that Nick Good, a director and CEO of Pendal, will be receiving a benefit if the Scheme proceeds. Mr Good is eligible for Retention Payments and Discretionary Payments of up to \$804,840 and Scheme related KPI payments of up to \$2,112,989 as described in section 10.2. Despite this interest in the outcome of the Scheme, Mr Good considers that, given the importance of the Scheme, and his role as CEO of Pendal, it is important and appropriate for him to provide a recommendation to Pendal Shareholders in relation to voting on the Scheme. Additionally, the Pendal Board (excluding Mr Good) also considers that it is appropriate for Mr Good to make a recommendation on the Scheme given his role in the management and operations of Pendal.

Section 2

Considerations Relevant to your Vote

Reasons why you may choose to vote against the Scheme

- You may disagree with your Pental Directors' recommendation and the Independent Expert's conclusion
- The value of the Scheme Consideration is not certain
- You may not wish to have exposure to the Perpetual portfolio, business or risk profile
- You may believe it is in your best interests to maintain your current investment and risk profile
- You may believe there are risks associated with the integration of Pental and Perpetual that could exceed the benefits of the Scheme
- The dividend income received on Perpetual Shares may be lower than the dividend income received by Pental Shareholders historically
- You may consider that there is potential for a proposal to emerge that you consider to be superior in the foreseeable future
- The tax consequence of the Scheme may not be suitable for your circumstances

These reasons are discussed in more detail in section 2.3 of this Scheme Booklet.

2.2 Reasons to vote in favour of the Scheme

(a) Your Pental Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal

In reaching their recommendation, your Pental Directors have assessed the Scheme having regard to the reasons to vote in favour of, or against, the Scheme, as set out in this Scheme Booklet.

Your Pental Directors believe the Scheme Consideration recognises the value of both Pental's existing business and its medium and longer term potential. Since the announcement of the Scheme, we have seen a continuation of high volatility in financial markets and the lowering of global growth expectations. While this has negatively impacted both parties, it has not changed the Pental Board's view that the Scheme is in the best interests of Pental Shareholders. The volatile backdrop and outsized impact of falling markets for asset managers have reinforced the strategic rationale for the Transaction, as a combination of Pental and Perpetual would create a larger, more diverse business that is more resilient across different market cycles.

In the absence of a Superior Proposal and given that the Independent Expert has concluded that the Scheme is in the best interests of Pental Shareholders, each of your Pental Directors intends to vote all Pental Shares held or controlled by them in favour of the Scheme.

(b) The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Pental Shareholders in the absence of a Superior Proposal

Your Pental Directors appointed Kroll Australia Pty Ltd to prepare an Independent Expert's Report, including an opinion as to whether the Scheme is fair and reasonable and in the best interests of Pental Shareholders. The Independent Expert has concluded that the Scheme is in the best interests of Pental Shareholders, in the absence of a Superior Proposal.

The Independent Expert has assessed the value of a Pental Share to be in the range of \$4.87 to \$5.71 on a 100% controlling interest basis, taking into account the Permitted Dividend Amount of 3.5 cents per Pental Share. The Total Scheme Consideration falls within the Independent Expert's assessed valuation range on a 100% controlling interest basis.

Your Pental Directors encourage you to read the Independent Expert's Report, which is set out in Annexure A of this Scheme Booklet.

(c) The Scheme Consideration represents an attractive premium to the recent trading price of Pental Shares

The revised proposal represents a total value of \$6.540 per Pental Share based on the undisturbed Perpetual share price on 1 April 2022 (being the last trading day before the announcement of the Initial Proposal) and \$5.979 based on Perpetual's share price of \$30.30 as at 24 August 2022 (being the last trading day before the announcement of the Scheme), in each case as reduced by the cash value of the Permitted Dividend Amount of 3.5 cents per Pental Share.

Pental Shareholders should note that Perpetual's share price may rise or fall before the Implementation Date, which will impact the actual premium of the Scheme Consideration (refer to section 2.3(b) of this Scheme Booklet for further information).

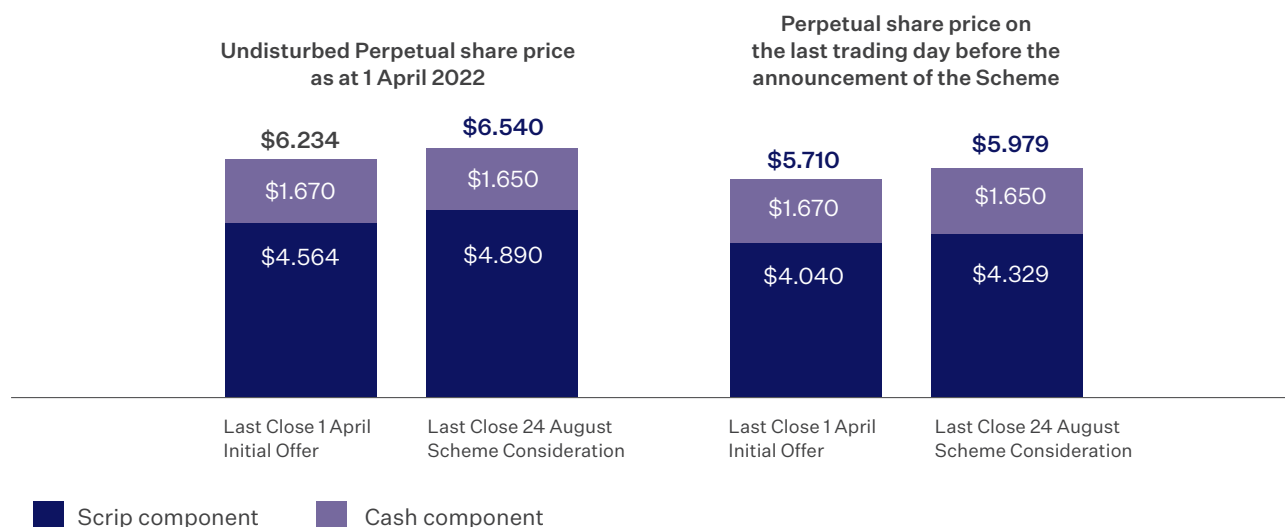
The Total Scheme Consideration based on Perpetual's undisturbed share price on 1 April 2022 (being the last trading day before the announcement of the initial proposal) represents a premium of:

- 46.0% premium to Pental's closing share price on 1 April 2022; and
- 42.0% premium to Pental's VWAP for the 30 days to 1 April 2022.

The Total Scheme Consideration based on Perpetual's closing share price on 24 August 2022 (being the last trading day before the announcement of the Scheme) represents a premium of:

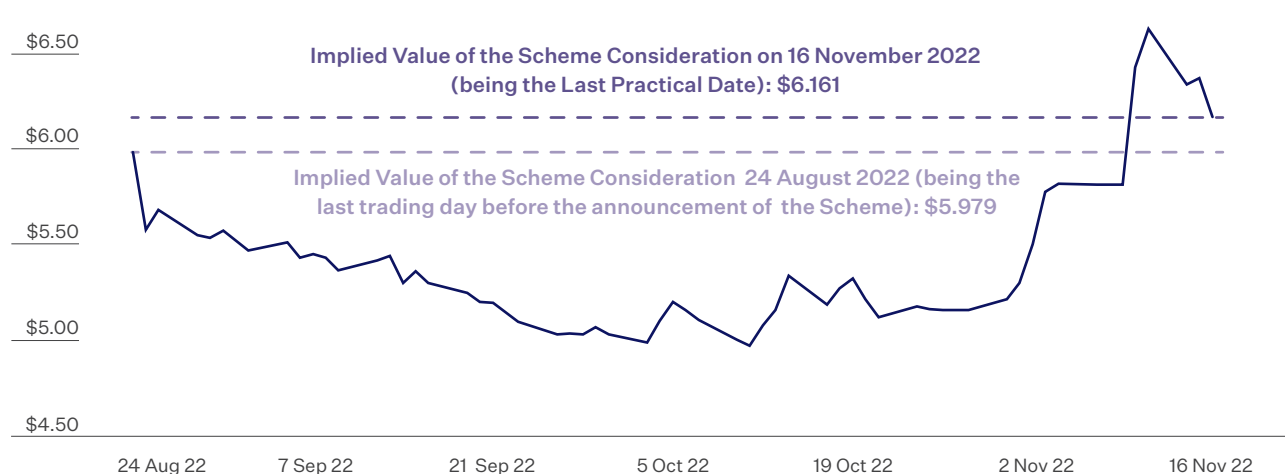
- 22.5% premium to Pental's closing share price on 24 August 2022; and
- 31.8% premium to Pental's VWAP for the 30 days to 24 August 2022.

Figure 1 – The Total Scheme Consideration premium to recent trading prices



Since the announcement of the Scheme to the Last Practical Date, the Perpetual Share price has traded in a range of \$23.19 to \$34.80,⁴ and the implied value of the Scheme Consideration has shifted accordingly as set out in Figure 2 below. Subsequent to the Last Practical Date, Perpetual Shares have traded down, closing at \$26.92 on 18 November 2022.

Figure 2 – Implied value of the Scheme Consideration since announcement of the Scheme



4. You should note that on 3 November 2022 and 10 November 2022 Perpetual announced that it had received, and rejected, an unsolicited, conditional, non-binding indicative proposals to acquire 100% of the Perpetual Shares from a consortium comprising BPEA Private Equity Fund VIII and Regal Partners Limited (further detail on which is contained in section 6.8). The price of Perpetual Shares and Pental Shares on the Last Practical Date reflects the existence of these proposals. Subsequent to the Last Practical Date, Perpetual Shares have traded down, closing at \$26.92 on 18 November 2022.

Section 2

Considerations Relevant to your Vote

(d) The Scheme represents an attractive acquisition multiple

The value of the Scheme Consideration of \$1.650 cash per Pandal Share and 1 Perpetual Share for each 7.0 Pandal Shares held at the Scheme Record Date, represents an attractive acquisition multiple for Pandal of ~11.3x EV/FY23 EBITDA based on Bloomberg consensus forecasts of Pandal's FY23 EBITDA as at 24 August 2022 (being the last trading day before the announcement of the Scheme).

Additionally, the value of the Scheme Consideration of \$1.650 cash per Pandal Share and 1 Perpetual Share for each 7.0 Pandal Shares held at the Scheme Record Date, implies a transaction multiple for Pandal of ~13.2x EV/FY23 EBITDA, based on Bloomberg consensus forecasts of Pandal's FY23 EBITDA as at 16 November 2022 (being the Last Practical Date).

(e) You have the opportunity to become a shareholder in a larger global asset manager, with increased scale and capabilities

The structure of the Scheme Consideration provides an opportunity for Pandal Shareholders to share in any future upside and combination benefits with Perpetual. Receiving Perpetual Shares will provide Pandal Shareholders with ongoing exposure to Pandal's business as well as to the business of the Combined Group, which will provide further diversification of revenue. The benefits of the Scheme include:

- an opportunity to enhance the value proposition for clients of both businesses, by delivering a greater range of product offerings for existing and new clients and delivering future revenue opportunities;
- exposure to the continued build-out and championing of the aligned Pandal and Perpetual multi-boutique model which will allow both businesses to attract and retain world class investment talent, as well as invest in a global distribution platform;
- create new growth opportunities for both investment teams and their capabilities across both businesses, including improved reach across key geographies;
- leveraging Pandal and Perpetual's ESG and sustainable investing brands, capabilities, resources and focus will enhance the Combined Group's offerings in this space and enable the Combined Group to capitalise on this thematic;
- opportunity to share in the potential value creation from expected synergies as a result of the combination of two highly aligned businesses, noting that the Scheme is expected to deliver annual cost synergies of \$60m within two years of completion (see section 7.3 for more discussion of the expected synergies);
- exposure to a larger and more diversified company with a significant growth profile; and
- combining two aligned businesses executing similar strategic objectives, which will reduce execution risks and accelerate the delivery and achievement of those objectives and improve the Combined Group's ability to deliver strong growth outcomes over time.

(f) The Combined Group will have a more diversified business mix and greater stability with higher non-market linked revenue

Perpetual has a diversified business mix which consists of three business units being asset management, private wealth management and corporate trust services. Pandal Shareholders will be exposed to a diversified business mix through Perpetual Corporate Trust and Perpetual Private and this provides stability through market cycles given the generation of non-market linked revenue.

(g) No proposal exists that the Pandal Board considers to be a Superior Proposal

No Competing Transaction or Superior Proposal has emerged since the announcement of the Scheme on 25 August 2022 and the Pandal Directors are not aware, as at the date of this Scheme Booklet, of any Competing Transaction or Superior Proposal that is likely to emerge.

(h) The Pental Share price may fall in the near-term if the Scheme is not implemented and no Superior Proposal emerges

On 24 August 2022, prior to the announcement of the Scheme, the closing price of a Pental Share was \$4.88 per share.

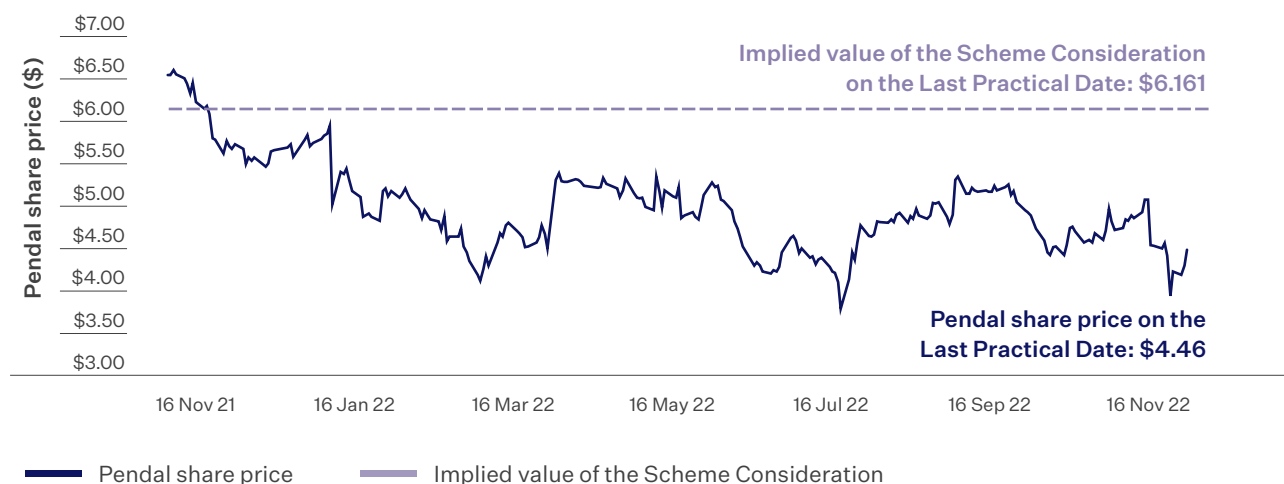
If the Scheme is not implemented, and in the absence of a Superior Proposal, the price of Pental Shares on the ASX may fall, including to a price that is significantly below the implied value of the Scheme Consideration on the Last Practical Date, being \$6.161 per Pental Share and below the price at which Pental Shares have traded prior to the announcement of the Scheme on 24 August 2022 and the initial proposal on 1 April 2022.

The closing share price of Pental:

- on 1 April 2022, being the date immediately prior to Pental's announcement of the receipt of Perpetual's initial non-binding proposal on 4 April 2022, was \$4.48;
- on 18 July 2022, being the date immediately prior to Pental's announcement of the receipt of Perpetual's revised non-binding proposal on 19 July 2022, was \$4.11;
- on 24 August 2022, being the date immediately prior to Pental's announcement of the receipt of Perpetual's revised non-binding proposal on 25 August 2022, was \$4.88; and
- on 16 November 2022, being the Last Practical Date, was \$4.46.

The graph below shows the Pental share price over the last 12 months to the Last Practical Date:

Figure 3 – Pental share price performance to Last Practical Date



Please refer to section 7.4 for further details on the strategic rationale of the Transaction.

(i) If the Scheme does not proceed, Pental Shareholders will continue to be exposed to risks associated with Pental's business as well as other potentially adverse consequences

If the Scheme does not proceed, the value that Pental Shareholders will be able to realise from their Pental Shares (in terms of the price of those Pental Shares and any future dividends paid in respect of them) will be uncertain and subject to a number of risks outlined in section 8 of this Scheme Booklet.

Among other things, those uncertainties and risks relate to the performance of Pental's business from time to time (in particular, the uncertainties associated with Pental's outlook as described in section 8.2 of this Scheme Booklet), general economic conditions and movements in the securities market.

In addition to the general business risks Pental is exposed to, there are potentially other adverse consequences for Pental if the Scheme does not proceed. For example, Pental will have incurred both direct and indirect transaction costs and, as a result of the failed Scheme process, Pental's relationship with its clients and key employees may be adversely impacted in a manner such as to adversely impact its financial and operating performance. More information about these risks are set out in section 8.5.

Section 2

Considerations Relevant to your Vote

(j) No brokerage charges on transfer of existing Pental shares to New Perpetual Shares

Scheme Shareholders will not incur any brokerage charges on the transfer of their Pental Shares if the Scheme proceeds. If you dispose of your Pental Shares other than under the Scheme, you may incur brokerage charges.

(k) Scheme Shareholders that are residents of Australia for tax purposes may be eligible to claim CGT roll-over relief for some or all of any gains made from the disposal of their Scheme Shares

Scheme Shareholders that are residents of Australia for tax purposes and who make a capital gain from the disposal of their Scheme Shares may be able to choose to seek CGT roll-over relief for that portion of the gain that relates to the Scrip Consideration, provided certain conditions are met. Broadly, if a Scheme Shareholder elects to apply CGT roll-over relief, the capital gain they would otherwise make from the disposal of their Scheme Shares under the Scheme will be disregarded to the extent that the capital proceeds received is Scrip Consideration. CGT roll-over relief is not available in respect of Scheme Shares for which a Scheme Shareholder realises a capital loss on disposal or to the extent the Scheme Shareholder receives the Cash Consideration component of the Scheme Consideration.

Pental is in the process of applying for a class ruling from the Australian Taxation Office (ATO) regarding the income tax implications for Scheme Shareholders participating in the Scheme, including the availability of CGT roll-over relief.

2.3 Reasons why you may choose to vote against the Scheme

Your Pental Directors unanimously recommend that you vote in favour of the Scheme in the absence of a Superior Proposal. The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Pental Shareholders in the absence of a Superior Proposal. However, there may be reasons which lead you to consider voting against the Scheme, including those set out below.

(a) You may disagree with your Pental Directors' recommendation and the Independent Expert's conclusion

Notwithstanding the unanimous recommendation of the Pental Board that you vote in favour of the Scheme and the Independent Expert's conclusion that the Scheme is in the best interests of Pental Shareholders, you may hold a different view.

You are not obliged to follow the recommendation of your Pental Directors and may not agree with the Independent Expert's conclusion.

(b) The value of the Scheme Consideration is not certain

The value of the Perpetual Shares received by Pental Shareholders will vary over time depending on the price at which Perpetual Shares trade on the ASX.

There is no certainty as to what price Perpetual Shares will trade on the ASX before or after the Implementation Date, given that will be dependent on a number of factors including general market conditions, as well as the financial and operational performance of Perpetual and, after implementation, the Combined Group. If the price of Perpetual Shares falls, the value of the Perpetual Shares received as Scheme Consideration will decline. If the price of Perpetual Shares increase, the value of the Perpetual Shares received as Scheme Consideration will increase.

The table below illustrates the implied value of the Scheme Consideration per Pental Share reflecting movements in the value of Perpetual Shares. Subsequent to the Last Practical Date, Perpetual Shares have traded down, closing at \$26.92 on 18 November 2022.

Illustrative Perpetual Share Price	\$22.0	\$23.0	\$24.0	\$25.0	\$26.0	\$27.0	\$28.0	\$29.0	\$30.0	\$30.30 (closing share price on 24 August 2022)	\$31.0	\$31.58 (closing share price on the Last Practical Date)	\$32.0
Implied value of Scheme Consideration ¹	\$4.79	\$4.94	\$5.08	\$5.22	\$5.36	\$5.51	\$5.65	\$5.79	\$5.94	\$5.98	\$6.08	\$6.16	\$6.22

1. The values in the above table have excluded the impact of the final FY22 Pental dividend of 3.5 cents per Pental Share (Permitted Dividend Amount) for illustrative purposes. However, note that the value of the Permitted Dividend Amount for FY22 will be deducted from the Scheme Consideration.

(c) You may not wish to have exposure to the Perpetual portfolio, business or risk profile

Pendal Shareholders (other than Ineligible Foreign Shareholders) will have exposure to the more diverse portfolio and business of Perpetual including divisions that provide products outside of funds management (including Perpetual Corporate Trust and Perpetual Private). You may find that the risk and investment profile of Perpetual may not be consistent with your investment preferences.

Section 6 summarises the business operations and strategy of Perpetual. You should read section 6 to understand what additional businesses and assets you will be exposed to if you become a Perpetual Shareholder on implementation of the Scheme.

Additionally, there are a number of risks specific to the Combined Group which are set out in section 8.4 and which may affect the value of Perpetual Shares.

Pendal Shareholders should consider these risks before deciding whether to vote in favour of the Scheme.

(d) You may believe it is in your best interests to maintain your current investment and risk profile

You may prefer to keep your Pendal Shares to preserve your investment in a listed company with the specific characteristics of Pendal.

In particular, you may consider that, despite the risk factors relevant to Pendal's potential future operations (including those set out in section 8 of this Scheme Booklet), Pendal may be able to return greater value from its assets by remaining a standalone entity or by seeking alternative corporate transactions in the future.

You may also consider that it would be difficult to identify or invest in alternative investments that have a similar investment profile to that of Pendal or may incur transaction costs in undertaking any new investment.

(e) You may believe there are risks associated with the integration of Pendal and Perpetual that could exceed the benefits of the Scheme

The Pendal Directors and the Independent Expert believes there are significant synergy benefits to be realised from the combination of the two companies, including:

- an expanded global distribution network;
- greater diversification of investment capabilities;
- significantly enhanced responsible investment and ESG expertise;
- benefits of increased scale across technology and infrastructure, providing deeper support for investment teams and an enhanced client experience; and
- reduced corporate and overhead costs.

For more information on the expected synergies of the Combined Group, see section 7.3.

That said, you may believe the integration of the two businesses may be delayed and experience more difficulty than anticipated which may impact the attractiveness of an investment in the Combined Group.

The risks associated with the integration of Pendal and Perpetual can be found in section 8.

Section 2

Considerations Relevant to your Vote

(f) The dividend income received on Perpetual Shares may be lower than the dividend income received by Pendal Shareholders historically

Perpetual has a history of consistent dividend payment and growth. Whilst Perpetual has indicated an expectation of increased future cash generation and an ambition to increase future dividends as cash generation grows, there is no guarantee that Pendal Shareholders will receive a similar amount of dividend income if the Scheme is implemented as they receive under Pendal's current dividend policy.

The Pendal Board's dividend policy targets a payout ratio between 80% and 95% of the Pendal Group's underlying profit after tax. The average payout ratio in FY20 to FY21 for Pendal was 89.4% of the underlying profit after tax. The FY22 payout ratio was lower than usual and was determined by the Pendal Board having regard to the Scheme and expected timing of implementation if approved, noting that the Scheme Consideration will be reduced by the cash value of the Permitted Dividend Amount of 3.5 cents per Pendal Share.

If the Scheme is implemented and you receive Perpetual Shares, the dividend income will be subject to Perpetual Board's dividend policy which targets a payout ratio between 60% and 90% of Perpetual's underlying profit after tax. However, in certain circumstances, the Board may declare a dividend outside of that range. The average payout ratio over the last 2 years from FY21 to FY22 for Perpetual is 81% of Perpetual's underlying profit after tax.

(g) You may consider that there is potential for a proposal you consider to be a Superior Proposal in the foreseeable future

You may consider that a Superior Proposal which is a more attractive proposal for Pendal Shareholders could materialise in the future, such as a change of control transaction with a higher offer price than the Scheme Consideration.

The Pendal Board is, at present, not aware of any Competing Transaction for Pendal. Moreover, the Pendal Board considers that the possibility of a Competing Transaction that could give rise to a Superior Proposal emerging in the foreseeable future is low. Since the announcement of the Scheme, no Competing Transaction has emerged and no Pendal Director has received any approaches which could cause him or her to believe that a Competing Transaction is likely to emerge.

As set out in section 4.17, under the Implementation Deed, Pendal is bound by customary exclusivity obligations, including in relation to Competing Transactions.

(h) The tax consequences of the Scheme may not be suitable for your circumstances

The tax consequences of the Scheme will depend on your personal situation. You may consider that the tax consequences of transferring your Pendal Shares to Perpetual Shares pursuant to the Scheme are not suitable to you. In particular, CGT roll-over relief on a gain made by a Scheme Shareholder on disposal of their Scheme Shares will (if available) only apply to the scrip component of the Scheme Consideration. CGT roll-over relief will not be available with respect to the cash component of the Scheme Consideration received by a Scheme Shareholder. Accordingly, the sale of Scheme Shares under the Scheme could give rise to a tax liability for a Scheme Shareholder.

A general guide to the Australian taxation implications of the Scheme is set out in section 9 of this Scheme Booklet. However, the outline in section 9 is expressed in general terms only, and Pendal Shareholders are advised to seek independent tax advice from a tax advisor about their particular circumstances including, for foreign resident Pendal Shareholders, any foreign tax implications associated with the Scheme.

Section 3

Frequently Asked Questions

This section provides summary answers to some questions you may have about the Scheme. It is not intended to address all relevant issues for Pental Shareholders. This section should be read together with all other parts of this Scheme Booklet.

Question	Answer	More information
OVERVIEW OF THE SCHEME		
Why have I received this Scheme Booklet?	<p>This Scheme Booklet has been sent to you because you are a Pental Shareholder and Pental Shareholders are being asked to vote on the Scheme which, if approved, will result in Perpetual acquiring 100% of the issued shares of Pental. This Scheme Booklet is intended to help you consider and decide on how to vote on the Scheme at the Scheme Meeting.</p> <p>If you have transferred all of your Pental Shares please disregard this Scheme Booklet as you will not be entitled to vote at the Scheme Meeting.</p>	Letter from the Chairman of Pental and section 4
What is the Scheme?	<p>The Scheme is a Scheme of Arrangement between Pental and the Scheme Shareholders.</p> <p>A “Scheme of Arrangement” is a statutory procedure in the Corporations Act that is commonly used in transactions in Australia that may result in a change of ownership or control of a company. In addition to requiring Court approval, schemes of arrangement require a shareholder vote in favour of a resolution to implement the Scheme of Arrangement by the Requisite Majorities.</p> <p>If the Scheme becomes Effective, Perpetual Limited will acquire all of the Scheme Shares for the Scheme Consideration. Pental will be delisted from the ASX and become a wholly owned Subsidiary of Perpetual.</p>	Letter from the Chairman of Pental and section 4
What is the Scheme I am being asked to consider?	<p>Pental Shareholders are being asked to consider the proposed Scheme under which it is proposed that Perpetual will acquire 100% of the issued shares of Pental, in return for which each Scheme Shareholder will receive the Scheme Consideration.</p> <p>The Scheme requires approval by the Requisite Majority of Pental Shareholders at the Scheme Meeting, approval by the Court at the Second Court Hearing, and lodgement of a copy of the Court orders with ASIC, in order to become Effective.</p> <p>A copy of the Scheme is contained in Annexure D.</p>	Section 4

Section 3

Frequently Asked Questions

Question	Answer	More information
OVERVIEW OF THE SCHEME		
What is the Implementation Deed and is it binding on me?	<p>The Implementation Deed contains various undertakings by Pental and Perpetual to pursue and progress the Scheme. The key terms of the Implementation Deed are summarised in section 4.</p> <p>The Implementation Deed is binding on Pental only and not on Pental Shareholders.</p> <p>The Scheme will only become binding on Pental Shareholders if and when the Scheme becomes Effective, which will only occur if the Scheme is approved by the Requisite Majority of Pental Shareholders at the Scheme Meeting, approved by the Court at the Second Court Hearing and a copy of the Court orders are lodged with ASIC.</p>	Section 4
Who is Perpetual?	<p>Perpetual is the company that is offering the Scheme Consideration for your Pental Shares.</p> <p>Perpetual has supported clients for over 135 years having been founded in 1886 and listed on the Australian Securities Exchange (ASX:PPT) in 1964. Perpetual is one of Australia's largest wealth managers, an expert adviser to high net-worth individuals, families and businesses, and a leading provider of corporate trustee services, with offices across Australia, Asia, Europe and the US (Sydney, Canberra, Melbourne, Brisbane, Adelaide, Perth, Singapore, Hong Kong, Amsterdam, London, Edinburgh, Chicago, Boston, San Francisco and Dallas).</p> <p>Perpetual's clients include Australian and international institutions, not-for-profit organisations, small businesses, financial advisers, individuals and families.</p> <p>For more information on Perpetual please see section 6 and their company website: https://www.perpetual.com.au/.</p>	Section 6
What Pental Shareholder approvals are required at the Scheme Meeting?	<p>The Scheme can only proceed if, at the Scheme Meeting, the Scheme Resolution is passed. For this to occur, the Scheme Resolution must be approved by:</p> <ul style="list-style-type: none"> unless the Court orders otherwise, a majority in number (more than 50%) of Pental Shareholders (other than Excluded Shareholders) present and voting at the Scheme Meeting (either in person, or by proxy, attorney or, in the case of corporate Pental Shareholders, body corporate representative); and at least 75% of the total number of votes cast on the Scheme Resolution by Pental Shareholders (other than Excluded Shareholders) present and voting at the Scheme Meeting (either in person, or by proxy, attorney or, in the case of corporate Pental Shareholders, body corporate representative). <p>In this Scheme Booklet, approval of this nature is described as the Requisite Majorities.</p> <p>As at the date of this Scheme Booklet, there are no Excluded Shareholders.</p>	Section 1.2

Question	Answer	More information
THE SCHEME CONSIDERATION		
Who is entitled to receive the Scheme Consideration?	Persons who hold Pendal Shares on the Scheme Record Date (16 January 2023) will participate in the Scheme.	Section 4.4(d)
What will I receive if the Scheme is implemented?	<p>If the Scheme is implemented and you are a Scheme Shareholder, you will receive the Scheme Consideration.</p> <p>If you are an Ineligible Foreign Shareholder, please see FAQ titled “How will an Ineligible Foreign Shareholder be treated under the Scheme?” as to how you will be treated under the Scheme.</p>	Section 4.2
Will I receive dividends for the financial year ending on 30 September 2022?	As a holder of Pendal Shares on 2 December 2022, you will be entitled to receive the Permitted Dividend Amount of 3.5 cents per Pendal Share (fully franked) for the financial year ending on 30 September 2022. The value of the Scheme Consideration will be reduced by the cash value of the Permitted Dividend Amount, please see FAQ titled “ Will the final dividend paid by Pendal reduce the Scheme Consideration? ” for more information.	Section 4.2
Will the final dividend paid by Pendal reduce the Scheme Consideration?	Yes. The Scheme Consideration will be reduced by the cash value of the Pendal Permitted Dividend Amount of 3.5 cents per Pendal Share (fully franked) for the financial year ending 30 September 2022.	Section 4.2
How will fractional entitlements be treated?	<p>Where the number of Pendal Shares held by a Pendal Shareholder as at the Scheme Record Date is such that the aggregate entitlement of the Pendal Shareholder to the Scheme Consideration:</p> <ul style="list-style-type: none"> • includes a fractional entitlement to a Perpetual Share; or • includes a fractional entitlement to a cent, <p>any cash amount payable must be rounded to the nearest whole cent and any fraction of Perpetual Shares will be rounded up to the nearest whole number of Perpetual Shares. Please refer to section 4.2(c) for more information on fractional entitlements.</p>	Section 4.2(c)
Who is an Ineligible Foreign Shareholder?	An Ineligible Foreign Shareholder is any Scheme Shareholder whose address shown in the Share Register on the Scheme Record Date is a place outside Australia (and its external territories), the USA , Czech Republic, Germany, Ireland, Spain, France, Jersey, Singapore, Switzerland, United Kingdom and New Zealand unless Perpetual determines that it is lawful and not unduly onerous or impracticable to provide that Scheme Shareholder with New Perpetual Shares.	Section 4.8
How will an Ineligible Foreign Shareholder be treated under the Scheme?	<p>Ineligible Foreign Shareholders can still participate in the Scheme however they are not entitled to receive Perpetual Shares.</p> <p>Any Perpetual Shares to which they would be entitled, but for the fact they are an Ineligible Foreign Shareholder, will be sold under the Sale Facility and the sale proceeds will be remitted to Ineligible Foreign Shareholders. This is set out in detail in section 4.8.</p>	Section 4.8

Section 3

Frequently Asked Questions

Question	Answer	More information
THE SCHEME CONSIDERATION		
What premium is being offered to Pandal Shareholders?	<p>The Scheme Consideration based on Perpetual's undisturbed share price on 1 April 2022 (being the last trading day before the announcement of the Initial Proposal) represents a premium of:</p> <ul style="list-style-type: none"> • 46.0% premium to Pandal's closing share price on 1 April 2022; and • 42.0% premium to Pandal's VWAP for the 30 days to 1 April 2022. <p>The Scheme Consideration based on Perpetual's closing share price on 24 August 2022 (being the last trading day before the announcement of the Scheme) represents a premium of:</p> <ul style="list-style-type: none"> • 22.5% premium to Pandal's closing share price on 24 August 2022; and • 31.8% premium to Pandal's VWAP for the 30 days to 24 August 2022. 	Letter from the Chairman of Pandal and section 2.2(c)
How is Perpetual funding the Scheme Consideration?	Perpetual intends to fund the cash component of the Scheme Consideration through new external debt facilities (refer to section 6.11 for more details) and the scrip component of the Scheme Consideration by the issue of approximately 54.7 million Perpetual Shares.	Section 6.11
When and how will I receive my Scheme Consideration?	<p>Scheme Shareholders will be paid the Scheme Consideration on the Implementation Date (currently expected to be 23 January 2023).</p> <p>Cash payments will be paid as follows:</p> <ul style="list-style-type: none"> • where a Scheme Shareholder has, before the Scheme Record Date, made a valid election in accordance with the requirements of the Pandal Share Registry, to receive dividend payments from Pandal by electronic funds transfer to the bank account nominated by the Scheme Shareholder (Australia and New Zealand registered shareholders only) – by transfer into that account; or • otherwise, whether or not the Scheme Shareholder has made an election as referred to above – by dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency, dispatched by prepaid post to their registered address (as at the Scheme Record Date). 	Sections 1.5 and 4.10
When can I start trading my new Perpetual Shares on the ASX?	<p>Trading on the ASX of Perpetual Shares to be issued as part of the Scheme Consideration is expected to commence on a deferred settlement basis on 13 January 2023.</p> <p>It is the responsibility of each holder of Perpetual Shares to confirm their holding before trading in Perpetual Shares. Trading on the ASX of Perpetual Shares on a normal settlement basis is expected to commence on 24 January 2023.</p> <p>Scheme Shareholders who sell Perpetual Shares before they receive their holding statements or confirm their holdings of Perpetual Shares do so at their own risk. Neither Pandal nor Perpetual takes any responsibility for such trading.</p>	Section 4.11

Question	Answer	More information
THE SCHEME CONSIDERATION		
What happens if the total value of Perpetual Shares to be issued to me under the Scheme would constitute a Non-Marketable Parcel of Perpetual Shares?	<p>If, under the Scheme, you are entitled to be provided with a number of Perpetual Shares which would be a Non-Marketable Parcel, you will be deemed to have elected to have your Perpetual Shares sold under the Sale Facility unless you elect to receive a Non-Marketable Parcel by opting out of the Sale Facility at https://www.pendalgroup.com/scheme/.</p>	Section 4.9
What are Perpetual's intentions for Pental?	<p>If the Scheme is implemented, Perpetual intends to delist Pental from the ASX and convert it into a proprietary company limited by shares.</p> <p>Perpetual will undertake a post-acquisition review of Pental and, subject to that review, Perpetual's current intention is to continue the existing strategic direction of Pental, and to preserve the culture and investment autonomy of the Combined Group's key brands.</p> <p>As part of Perpetual's commitment to preserving Pental's strategic direction, Perpetual will be offering equity incentives to key Pental personnel to align their interests with the Combined Group's shareholders.</p>	Section 7.5
If the Scheme is implemented, what will the Combined Group look like?	<p>If the Scheme is implemented, the Combined Group is intended to bring together two respected firms to create a leading global multi-boutique asset manager.</p> <p>Perpetual and Pental are highly aligned businesses combining the advantages of boutique investment autonomy while leveraging institutional grade infrastructure.</p> <p>If the Scheme is implemented, it is intended that Pental and each boutique will continue to operate as a business unit within the Perpetual Group and maintain their investment autonomy and identity.</p> <p>The Combined Group will provide a compelling competitive advantage and will benefit from increased scale, capabilities, product offering, distribution reach, technology resources and a diversified revenue and earnings base.</p> <p>The Combined Group will be well positioned to take advantage of growth opportunities to create future value for Shareholders.</p>	Section 7
What will be the strategy of the Combined Group?	<p>The Transaction is intended to create a leading global multi-boutique asset and wealth management business with improved scale, reach and exposure to non-market linked revenue.</p> <p>Opportunities for growth will arise for the Combined Group by leveraging combined capabilities with the aim of delivering increased value, efficiency and product capability for existing and new clients. It is intended that Perpetual and Pental will work together, to maximise the value of each investment team through the retention of key brands, culture and investment autonomy.</p>	Section 7

Section 3

Frequently Asked Questions

Question	Answer	More information
THE SCHEME CONSIDERATION		
What is Pental and Perpetual's Dividend policy?	<p>The Pental Board's dividend policy targets a payout ratio between 80% and 95% of the Pental Group's underlying profit after tax. The average payout ratio in FY20 to FY21 for Pental was 89.4% of the underlying profit after tax. The FY22 payout ratio was lower than usual and was determined by the Pental Board having regard to the Scheme and expected timing of implementation if approved, noting that the Scheme Consideration will be reduced by the cash value of the Permitted Dividend Amount of 3.5 cents per Pental Share.</p> <p>The Perpetual Board's dividend policy which targets a payout ratio between 60% and 90% of Perpetual's underlying profit after tax. In certain circumstances, the Board may declare a dividend outside of that range.</p> <p>The payout ratio for Perpetual was 80%, 82% and 94% for FY22, FY21 and FY20 respectively, noting that the FY20 dividend policy was based on NPAT, not UPAT. The average payout ratio over the last 2 years from FY21 to FY22 is 81% of Perpetual's underlying profit after tax.</p>	Sections 2.3(f) and 6.18
Who will be the directors and senior management of the Combined Group following implementation of the Scheme?	<p>Directors</p> <p>If the Scheme is implemented, Perpetual will be the ultimate holding company of the Combined Group.</p> <p>If the Scheme is implemented, up to three existing non-executive directors from the Pental Board will be invited to join the Perpetual Board. After implementation of the Scheme, it is intended that the Perpetual Board will comprise up to ten non-executive directors and the Chief Executive Officer and Managing Director, depending on the number of Pental directors who may ultimately join the Perpetual Board.</p> <p>Senior Management</p> <p>The Chairman of the Combined Group Board will be the current Chairman of Perpetual, Mr Tony D'Aloisio AM.</p> <p>The Chief Executive Officer and Managing Director of the Combined Group will be the current Perpetual Chief Executive Officer and Managing Director, Mr Rob Adams. Section 6.3 contains further details of the qualifications and background of Mr Adams.</p> <p>Members of the Combined Group's senior management team will be selected based on the principle that the best executive for the job will be offered the relevant role having regard to the skills, experience, knowledge and expertise required to manage the Combined Group and its assets.</p>	Sections 6.3, 6.4 and 7.8
Are other key Pental personnel, including its key fund managers, supportive of the Scheme and the Combined Group?	As at the date of this Scheme Booklet, the Pental Board understands the Scheme and the Combined Group to have the strong support of Pental's key fund managers.	Section 10.1

Question	Answer	More information
THE SCHEME CONSIDERATION		
What are the tax implications of the Scheme?	<p>The general Australian taxation implications of the Scheme are set out in section 9 of this Scheme Booklet.</p> <p>The outline in section 9 is general in nature and should not be relied upon as advice. The tax consequences for each Pandal Shareholder may vary depending upon individual circumstances. Accordingly, you are encouraged to seek your own professional taxation advice as to the Australian, and if applicable, foreign tax implications, before making a decision as to whether or not to vote in favour of the Scheme.</p> <p>A class ruling is being sought in relation to the taxation implications of the Scheme. As at the date of this Scheme Booklet, the ATO has not made a determination in respect to Pandal's Class Ruling application. The Class Ruling is not expected to be issued until after the implementation of the Scheme. When the final Class Ruling is published by the ATO, it will be available on the ATO's website at https://www.ato.gov.au.</p>	Section 9
Is CGT rollover relief available if I elect to receive the Scrip Consideration?	<p>Pandal is in the process of applying to the Australian Taxation Office (ATO) for a class ruling on behalf of the Pandal Shareholders. Subject to the Commissioner of Taxation's determination in the Class Ruling, if a Pandal Shareholder makes a capital gain on the disposal of their Pandal Shares under the Scheme, they should be eligible to make a choice to claim CGT rollover relief to defer the portion of that gain relating to the Scrip Consideration. CGT rollover relief will not be available with respect to the cash component of any Scheme Consideration received by a Pandal Shareholder.</p> <p>The Class Ruling is not expected to be issued until after the implementation of the Scheme. Pandal Shareholders should refer to the Class Ruling once it is published. The Class Ruling will be available on the ATO website at https://www.ato.gov.au.</p> <p>The tax consequences of the Scheme will differ for each Pandal Shareholder and Pandal Shareholders should consult their own professional tax advisers to seek advice that considers their individual circumstances.</p> <p>See section 9.3 for further details.</p>	Section 9.3
Are there any termination rights?	The Implementation Deed contains standard termination rights for both Pandal and Perpetual. The termination rights are broadly summarised in section 4.22.	Section 4.22
THE SCHEME MEETING AND VOTING DETAILS		
When and where will the Scheme Meeting be held?	The Scheme Meeting will be held as a hybrid meeting at The Fullerton Hotel, 1 Martin Place or online via: https://meetings.linkgroup.com/PDLSM22 at 10:00am on Friday, 23 December 2022.	Section 1
What am I being asked to vote on?	<p>You are being asked to vote on whether to approve the Scheme by voting on the Scheme Resolution.</p> <p>The text of the Scheme Resolution is set out in the Notice of Scheme Meeting in Annexure F of this Scheme Booklet.</p>	Section 1
Who is entitled to vote at the Scheme Meeting?	Each Pandal Shareholder who is registered on the Pandal Share Register at 7:00pm on Wednesday, 21 December 2022 is entitled to attend and vote at the Scheme Meeting.	Section 1

Section 3

Frequently Asked Questions

Question	Answer	More information
THE SCHEME MEETING AND VOTING DETAILS		
What choices do I have as a Pandal Shareholder?	<p>As a Pandal Shareholder, you have the following choices:</p> <ul style="list-style-type: none"> • you can vote at the Scheme Meeting in person, online using the online platform provided by Link Market Services accessible at: https://meetings.linkgroup.com/PDLSM22; • by proxy, by attorney or, in the case of a body corporate, by duly appointed corporate representative; • you can elect not to vote at the Scheme Meeting; • you can sell your Pandal Shares prior to the Scheme Effective Date; or • you can do nothing. 	Section 1
Should I vote?	<p>You do not have to vote, however, if you do not vote, it may be possible that the Requisite Majority of Pandal Shareholders required to approve the Scheme at the Scheme Meeting may not be achieved and the Scheme will not proceed.</p> <p>Further, the Pandal Directors believe that the Scheme is an opportunity to realise the value of your Pandal Shares. The Pandal Directors recommend that you read this Scheme Booklet carefully and vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Pandal Shareholders.</p>	Section 2
If I wish to support the Scheme, what should I do?	If you are a Pandal Shareholder at 7:00pm on 21 December 2022 and you are entitled to vote on the Scheme Resolution at the Scheme Meeting and wish to support the Scheme, you should vote in favour of the Scheme Resolution.	Section 1
How do I vote?	<p>You may vote on the Scheme Resolution:</p> <ul style="list-style-type: none"> • in person; • online using the online platform provided by Link Market Services accessible at: https://meetings.linkgroup.com/PDLSM22; • by proxy or attorney, by completing and lodging a proxy form, or a duly executed power of attorney, as applicable so that it is received by 10:00am on Wednesday, 21 December 2022; or • by a corporate representative (in the case of a Pandal Shareholder which is a body corporate). <p>Voting is not compulsory. However, your vote is important and the Scheme may be implemented even if you do not vote on the Scheme Resolution required to implement the Scheme.</p>	Section 1.3
What vote is required to approve the Scheme?	<p>The Scheme must be approved at the Scheme Meeting by:</p> <p>(a) a majority in number (i.e. more than 50%) of Pandal Shareholders who are present and voting at the Scheme Meeting (online or by proxy); and</p> <p>(b) persons who hold at least 75% of the votes that are cast at the Scheme Meeting.</p> <p>The Court has the discretion to waive the first of these two requirements if it considers appropriate to do so.</p>	Section 1.3
What happens if I do not vote at the Scheme Meeting or do not vote in favour of the Scheme Resolution?	<p>The Scheme may still be implemented even if you vote against it or do not vote. If the Scheme is approved by the Requisite Majority of Pandal Shareholders at the Scheme Meeting and the Scheme is approved by the Court, your Pandal Shares will be transferred to Perpetual even though you have voted against the Scheme or did not vote. You will receive the Scheme Consideration for the Pandal Shares that you hold at the Scheme Record Date, whether or not you vote for the Scheme.</p>	Section 1.4

Question	Answer	More information
THE SCHEME MEETING AND VOTING DETAILS		
Can I keep my Pandal Shares if the Scheme is approved, becomes Effective and is implemented?	No. If the Scheme Resolution is approved by the Requisite Majorities (even if you did not vote or voted against the Scheme Resolution) and you are a Scheme Shareholder, and the Scheme becomes Effective and is implemented, you will be bound by the Scheme and Perpetual will acquire your Pandal Shares and you will receive the Scheme Consideration.	Section 4.23
How will voting at the Scheme Meeting be conducted?	Voting at the Scheme Meeting will be conducted by way of a poll. This means that every Pandal Shareholder, at the Scheme Meeting, who is present in person or online or by proxy, representative or attorney will have one vote for each Pandal Share held by them.	Section 1
What will happen to my Pandal Shares if I do not vote, or vote against the Scheme, and the Scheme becomes Effective?	If you do not vote on, or you vote against, the Scheme, and the Scheme becomes Effective: <ul style="list-style-type: none"> any Pandal Shares held by you on the Scheme Record Date (currently expected to be 16 January 2023) will be Scheme Shares and will be transferred to Perpetual on the Implementation Date; and you will receive the Scheme Consideration less the Permitted Dividend Amount of 3.5 cents per Pandal Share (fully franked), as a Pandal Shareholder on the Scheme Record Date.	Section 1.4
Can I oppose the Scheme on the Second Court Date?	As a Pandal Shareholder, you have a right to appear and make submissions at the Second Court Hearing which is scheduled to be held at 9:15am on 11 January 2023 at the Supreme Court of New South Wales, Law Courts Building, 184 Phillip Street, Sydney. A Pandal Shareholder seeking to attend the Second Court Hearing should review the Court list (available at https://onlineregistry.lawlink.nsw.gov.au/content/) for details of the hearing and how such hearing can be attended. The Court list is usually available by 3:30pm the day before a scheduled hearing. Any change to the date or arrangements for the conduct of the Second Court Hearing will be announced on the ASX (https://www.asx.com.au) and will also be notified on the Pandal website at https://investors.pendalgroup.com/ .	Section 4.4
When will the result of the Scheme Meeting be available?	The results of the Scheme Meeting will be announced to ASX shortly after conclusion of the Scheme Meeting and will be available on Pandal's website at https://investors.pendalgroup.com/ .	Section 4.4
What happens if the Transaction does not proceed?	If the Scheme does not become Effective and is not implemented: <ul style="list-style-type: none"> (a) you will not receive the Scheme Consideration; (b) you will retain your Pandal Shares; and (c) Pandal will continue to operate in the ordinary course of business and will continue as a standalone entity listed on the ASX. In addition, depending on the reasons the Transaction does not proceed, Pandal may also be liable to pay the reimbursement fee of \$23,000,000. More information about the implications for Pandal if the Scheme is not implemented is set out in section 4.12 and section 8.5 of this Scheme Booklet.	Sections 4.12 and 8.5

Section 3

Frequently Asked Questions

Question	Answer	More information
VOTING CONSIDERATIONS		
What do the Pental Directors recommend and how do the Pental Directors intend to vote?	<p>Your Pental Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Pental Shareholders.</p> <p>Section 2.2 of this Scheme Booklet provides a summary of the reasons why your Pental Directors consider that you should vote in favour of the Scheme, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Pental Shareholders.</p> <p>As at the date of this Scheme Booklet, no Superior Proposal exists and the Pental Directors are not aware of any Superior Proposal that is likely to emerge. Each Pental Director who holds or controls Pental Shares intends to vote all Pental Shares held or controlled by them in favour of the Scheme, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Pental Shareholders. Details of the Pental Directors' interests in Pental Shares are set out in section 10.1 of this Scheme Booklet.</p> <p>In considering whether to vote in favour of the Scheme, your Pental Directors encourage you to:</p> <ul style="list-style-type: none"> carefully read all of this Scheme Booklet (including the Independent Expert's Report); have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances; and obtain advice from your legal, financial, taxation or other professional advisers on the effect of the Scheme becoming Effective. 	Sections 2.2 and 10.1
What is the Independent Expert's conclusion?	The Independent Expert has concluded in the Independent Expert's Report that the Scheme is fair and reasonable and in the best interests of Pental Shareholders, in the absence of a Superior Proposal.	Section 4.7 and Annexure A
Why might I vote in favour of the Scheme?	Reasons why you might vote in favour of the Scheme are set out in section 2.2 of this Scheme Booklet.	Section 2.2
Why might I vote against the Scheme?	Reasons why you might vote against the Scheme are set out in section 2.3 of this Scheme Booklet.	Section 2.3
What are the key risks associated with the Scheme?	<p>The risks associated with the Scheme are set out in section 8 and the potential disadvantages of the Scheme are also set out in section 2.3.</p> <p>Pental Shareholders should also review the tax implications of the Scheme which are set out in section 9.</p> <p>In summary, there are four categories of risks:</p> <ul style="list-style-type: none"> specific risks relating to the business and operations of Pental; specific risks relating to the Scheme and the creation of the Combined Group; risks relating to the business and operations of the Combined Group; and risks if the Scheme does not proceed. <p>These and other risks (including those of a general nature) may affect the future operating performance, financial position and/or reputation of the Combined Group and/or the value of any Perpetual Shares.</p>	Sections 8 and 2.3

Question	Answer	More information
VOTING CONSIDERATIONS		
Is the Pental Board aware of a Superior Proposal?	<p>As at the date of this Scheme Booklet, no Superior Proposal exists and the Pental Directors are not aware of any Superior Proposal that is likely to emerge.</p> <p>In this regard, Pental Shareholders should also bear in mind the restrictions imposed on Pental under the Implementation Deed, which are summarised in the Frequently Asked Questions below and in section 4.17 of this Scheme Booklet, which may reduce the likelihood that a Superior Proposal emerges or is ultimately completed.</p>	Letter from the Chairman of Pental, Sections 2.2(a) and 4.17
What happens if a Competing Transaction emerges?	<p>Although no Competing Transaction has emerged as at the date of this Scheme Booklet, it is possible that one could emerge, noting that Pental has agreed not to solicit Competing Transactions. If an unsolicited Competing Transaction for Pental is received before the Scheme Meeting, the Pental Directors will review that proposal and determine if it represents a Superior Proposal and advise you of their recommendation.</p> <p>Under the Implementation Deed, Pental has agreed to several restrictions which may reduce the likelihood of a Competing Transaction emerging.</p> <p>These are summarised in section 4.17 of this Scheme Booklet.</p>	Section 4.17
CONDITIONS AND IMPLEMENTATION OF THE SCHEME		
What are the conditions to the Scheme?	<p>The Scheme is subject to various customary Conditions that must be satisfied or waived (if capable of waiver) in order for the Scheme to be implemented. A summary of the conditions to the Scheme is set out in section 4.15 of this Scheme Booklet and set out in full in Schedule 3 of the Implementation Deed.</p> <p>As at the date of this Scheme Booklet, Pental is not aware of any circumstances which would cause any outstanding Condition Precedent not to be satisfied or waived (if capable of waiver).</p>	Section 4.15
When will the Scheme become Effective?	<p>Subject to the satisfaction or (if applicable) waiver of the conditions to the Scheme, the Scheme will become Effective on the date on which the Court order approving the Scheme is lodged with ASIC (this is the Effective Date).</p> <p>This is expected to occur on Thursday, 12 January 2023.</p>	Section 4.4(c)
When will the Scheme be completed and implemented?	<p>If the Scheme Resolution is approved and the Conditions Precedent are satisfied or waived (where capable of waiver) and the Scheme becomes Effective, the Scheme will be implemented on the Implementation Date, which is expected to be Monday, 23 January 2023.</p>	Section 4.3
What happens on the Implementation Date?	<p>On the Implementation Date:</p> <ul style="list-style-type: none"> • Perpetual will acquire all the Scheme Shares; and • Scheme Shareholders will be paid the Scheme Consideration. <p>The Implementation Date is currently expected to be Monday, 23 January 2023.</p>	Section 4.3

Section 3

Frequently Asked Questions

Question	Answer	More information
CONDITIONS AND IMPLEMENTATION OF THE SCHEME		
What happens if the Scheme is not implemented?	<p>If the Scheme is not implemented:</p> <ul style="list-style-type: none"> • you will not receive the Scheme Consideration; and • you will retain your Pendal Shares and continue to have exposure to the benefits and risks associated with an investment in Pendal. <p>Details of these risks are set out in section 8.5, and, in the absence of a Competing Transaction:</p> <ul style="list-style-type: none"> • Pendal will, in the absence of another proposal, continue to operate as a standalone entity and remain listed on ASX; and • the Pendal Share price may fall in the near-term if no Superior Proposal emerges. 	Sections 4.12 and 8.5
Can the Implementation Deed be terminated?	The Implementation Deed may be terminated by Pendal or Perpetual (as applicable) in a limited number of circumstances. These are summarised in section 4.22 of this Scheme Booklet. If the Implementation Deed is terminated, the Scheme will not proceed.	Section 4.22
Is there a reimbursement fee payable?	<p>Under the Implementation Deed, a Reimbursement Fee of \$23,000,000 may become payable by Pendal to Perpetual if certain events occur and the Scheme does not proceed. However, the failure to pass the Scheme Resolution by the Requisite Majorities will not trigger the payment of the Reimbursement Fee by Pendal.</p> <p>The circumstances in which the Reimbursement Fee is payable by Pendal are summarised in section 4.17(f) of this Scheme Booklet.</p>	Section 4.17(f)
What are the transaction costs associated with the Scheme?	<p>Pendal will incur transaction costs in connection with the Scheme. Certain costs are conditional on the Scheme proceeding. If the Scheme is implemented, Pendal estimates its aggregate transaction costs to be approximately \$31.5 million (including GST and disbursements) in connection with the Scheme.</p> <p>This amount includes approximately \$5.5 million in Retention Payments and Discretionary Payments to be paid by Pendal in connection with the Scheme. These payments are described in detail in section 10.2.</p> <p>If the Scheme is not implemented, Pendal expects that aggregate transaction costs will be approximately \$15.6 million (including GST and disbursements). These transaction costs are primarily payable to Pendal's financial, legal and tax advisors, the Independent Expert and the Pendal Share Registry.</p>	Section 10.10

Question	Answer	More information
ADDITIONAL INFORMATION		
Can I sell my Pendal Shares now?	<p>You can sell your Pendal Shares on market at any time before close of trading on ASX on the Effective Date at the then prevailing market price.</p> <p>Pendal intends to apply to ASX for Pendal Shares to be suspended from official quotation on ASX from close of trading on the Effective Date (which is currently expected to be 12 January 2023).</p> <p>You will not be able to sell your Pendal Shares on market after this time.</p> <p>If you sell your Pendal Shares on market, you may be required to pay brokerage.</p>	Sections 4.13 and 4.14
Will I need to pay brokerage or stamp duty?	No. Scheme Shareholders will not incur any brokerage or stamp duty on the transfer of their Scheme Shares under the Scheme.	Section 9.6
Will I be eligible to receive Perpetual dividends?	As a holder of Perpetual Shares, you will be entitled to participate in dividends and other distributions declared after the Implementation Date on the same basis as all other holders of Perpetual Shares.	Section 7.5(e)
Who can I contact if I have further questions in relation to this Scheme Booklet?	<p>If you have any further questions about this Scheme Booklet or the Scheme, you should:</p> <ul style="list-style-type: none"> (a) seek independent legal, financial, tax or other professional advice; and (b) contact the Pendal Shareholder Information Line on +61 1300 038 212 (Australia) or +61 2 9066 4052 (overseas), on Business Days between 9:00am and 5:00pm. <p>Pendal is a listed disclosing entity for the purpose of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Information disclosed to the ASX by Pendal is available on the ASX's website at https://www.asx.com.au or on Pendal's website at https://investors.pendalgroup.com/.</p>	Letter from the Chairman of Pendal and section 1.1

Section 4

Overview of the Scheme

4.1 Introduction and background to the Scheme

On 4 April 2022, Pendal announced the receipt of a non-binding indicative proposal from Perpetual to acquire 100% of the issued shares of Pendal. The indicative proposal was for a consideration of 1 Perpetual Share for every 7.5 Pendal Shares plus \$1.670 cash for each Pendal Share. On 12 April 2022, the Pendal Board determined that this initial offer received from Perpetual on 4 April 2022 was not in the best interests of Pendal Shareholders.

On 25 August 2022, Pendal and Perpetual announced that they had entered into an Implementation Deed under which Perpetual agreed to acquire 100% of the issued shares of Pendal, subject to several conditions, including shareholder and Court approvals, by way of a scheme of arrangement. Under that agreement, Pendal Shareholders were entitled to receive Scheme Consideration of 1 Perpetual Share for every 7.5 Pendal Shares plus \$1.976 cash for each Pendal Share held at the Scheme Record Date (less the cash value of the Permitted Dividend Amount of 3.5 cents per Pendal Share) (**Initial Consideration Mix**).

On 16 November 2022, Pendal and Perpetual announced that they had entered an amendment to the Implementation Deed (the **Implementation Deed Amendment Letter**) under which Pendal and Perpetual have agreed to make the following changes to the Scheme Consideration mix:

- an increase to the scrip component of the Scheme Consideration as set out in the Initial Consideration Mix to 1 Perpetual Share for every 7 Pendal Shares; and
- a reduction of the cash component of the Scheme Consideration as set out in the Initial Consideration Mix to \$1.650 cash per Pendal Share held at the Scheme Record Date (less the cash value of the Permitted Dividend Amount of 3.5 cents per Pendal Share),

(together, the **Revised Consideration Mix**).

The Pendal and Perpetual Boards agreed the Revised Consideration Mix to further strengthen the balance sheet and enhance flexibility of the Combined Group.

Based on Perpetual's closing share price of \$34.23 as at the time of the first approach to Pendal on 1 April 2022, the Initial Consideration Mix and the Revised Consideration Mix each have the same implied value of \$6.54 (less the cash value of the Permitted Dividend Amount of 3.5 cents per Pendal Share).

Based on Perpetual's closing share price of \$31.58 as at 16 November 2022 (the date the Implementation Deed Amendment Letter was entered into), the Revised Consideration Mix has an implied value of \$6.161 (less the cash value of the Permitted Dividend Amount of 3.5 cents per Pendal Share), which is broadly equivalent to the implied value of the Initial Consideration Mix of \$6.187 (less the cash value of the Permitted Dividend Amount of 3.5 cents per Pendal Share). The value of the Revised Consideration Mix will continue to fluctuate with changes to Perpetual's share price.

The Implementation Deed also originally contemplated that Pendal Shareholders would be offered a "mix and match" option, where they would be able to elect to receive maximum cash or maximum share Scheme Consideration (subject to applicable caps and a scale back process). Under the Implementation Deed Amendment Letter, the parties have agreed that mechanism will no longer be included as an option for Pendal shareholders as it will simplify the Scheme.

The Scheme is a statutory procedure under the Corporations Act that is commonly used to enable one company to acquire another company.

If the Scheme is approved by Pendal Shareholders at the Scheme Meeting and by the Court, and if all other necessary approvals and Conditions Precedent are satisfied or (if permitted) waived and the Scheme becomes Effective and is implemented, Pendal will become a wholly owned Subsidiary of Perpetual and will be delisted from the ASX. If the Scheme is approved and becomes Effective and you hold Pendal Shares on the Scheme Record Date, you will be bound by the Scheme irrespective of whether you voted in favour of it at the Scheme Meeting.

If the Scheme is not approved, the Scheme will not proceed, you will not be bound by it, and Pendal will continue as a company listed on the ASX.

A full copy of the Implementation Deed is attached to Pendal's announcement to the ASX relating to the Scheme on 25 August 2022 and a summary of the key terms of the Implementation Deed is set out in section 4.

4.2 Scheme Consideration

(a) Scheme Consideration

Pendal Shareholders will receive the Scheme Consideration, being \$1.650 plus 1 Perpetual Share for each 7.0 Pendal Shares for every Scheme Share held on the Scheme Record Date. This implies an assumed offer value of \$5.979 based on the Perpetual Share price of \$30.30 on 24 August 2022, being the last trading day before the announcement of the Scheme (less the Permitted Dividend Amount of 3.5 cents per Pendal Share). As at the Last Practical Date, the implied value of the Scheme Consideration based on Perpetual's share price of \$31.58 is \$6.16. The value of a Perpetual Share will continue to fluctuate and change on a day-to-day basis, which will impact the actual value of the scrip component of the Consideration received.

Eligible Pendal Shareholders will receive the Scheme Consideration subject to any election (or deemed election) by that eligible Pendal Shareholder to participate in the Sale Facility. The operation of the Sale Facility is discussed further in sections 4.8 and 4.9.

Ineligible Foreign Shareholders should note they will not receive any Perpetual Shares. Instead, they will participate in the Sale Facility described in section 4.8.

(b) Table showing the different implied value outcomes based on a range of Perpetual's share prices

Pendal Shareholders should note that the implied value of the Scheme Consideration and the premium will shift with movements in the price of Perpetual Shares up until the implementation of the Scheme, which will impact the actual value of the consideration received (shown in the below table).

The table below illustrates the implied value of the Scheme Consideration per Pendal Share based on a range of Perpetual Share prices. Subsequent to the Last Practical Date, Perpetual Shares have traded down, closing at \$26.92 on 18 November 2022.

Illustrative Perpetual Share Price	\$22.0	\$23.0	\$24.0	\$25.0	\$26.0	\$27.0	\$28.0	\$29.0	\$30.0	\$30.30 (closing share price on 24 August 2022)	\$31.0	\$31.58 (closing share price on the Last Practical Date)	\$32.0
Implied value of Scheme Consideration ¹	\$4.79	\$4.94	\$5.08	\$5.22	\$5.36	\$5.51	\$5.65	\$5.79	\$5.94	\$5.98	\$6.08	\$6.16	\$6.22

1. The values in the above table have excluded the impact of the final FY22 Pendal dividend of 3.5 cents per Pendal Share (Pendal Permitted Dividend) for illustrative purposes. However, note that the cash value of the Permitted Dividend Amount for FY22 will be deducted from the Scheme Consideration.

Section 4

Overview of the Scheme

(c) Fractional entitlements

If the calculation of the Scheme Consideration to be issued to a particular Scheme Shareholder would result in the Scheme Shareholder becoming entitled to:

- a fraction of a cent, the fractional entitlement will be rounded to the nearest whole cent; and/or
- a fraction of a Perpetual Share, the fractional entitlement will be rounded up to the nearest whole number of Perpetual Shares (but only after applying the Scheme Shareholder's entitlement (prior to rounding) to its entire Scheme Shares).

Any cash amount payable to a Scheme Shareholder under the Scheme must be rounded to the nearest whole cent (but only after applying the Scheme Shareholder's entitlement (prior to rounding) to its entire Scheme Shares).

4.3 Key steps to implement the Scheme

The key steps to implement the Scheme are as follows:

- (a) Pandal Shareholders will vote on whether to approve the Scheme at the Scheme Meeting. Each Pandal Shareholder who is registered on the Register at 7:00pm on 21 December 2022 is entitled to vote at the Scheme Meeting;
- (b) if the Scheme is approved by the Requisite Majorities at the Scheme Meeting, Pandal will apply to the Court to approve the Scheme on the Second Court Date (expected to be 11 January 2023). Section 4.4(b) contains details on this procedure. The Corporations Act and the relevant Court rules provide a procedure for Pandal Shareholders to oppose the approval by the Court of the Scheme;
- (c) if the Court approves the Scheme, and all other conditions to the Scheme have been satisfied or waived, Pandal will lodge with ASIC an office copy of the Court order approving the Scheme. Pandal expects to lodge this with ASIC on 12 January 2023;
- (d) with effect from the close of trading on the day on which the office copy of the Court order is lodged with ASIC, Pandal Shares will be suspended from trading on the ASX;
- (e) Pandal Shareholders will be entitled to receive the Scheme Consideration under the Scheme if they are registered as holders of Pandal Shares at 7:00pm on the Scheme Record Date. The Scheme Record Date is currently expected to be 16 January 2023;
- (f) no later than the Business Day before the Implementation Date, Perpetual will deposit the aggregate amount of the Cash Consideration into the Scheme Consideration Trust Account. On the Implementation Date, Pandal will pay the Cash Consideration to each Scheme Shareholder by cheque or direct credit, and the Scrip Consideration will be issued to Pandal Shareholders in New Perpetual Shares; and
- (g) following final implementation of the Scheme, Pandal will request ASX to remove it from the official list of the ASX.

4.4 Approvals required from Pandal Shareholders and the Court

The Scheme can only become Effective if it is approved by:

- the Requisite Majority of Pandal Shareholders at the Scheme Meeting; and
- the Court on the Second Court Date.

(a) Scheme Resolution approval requirements

On the date of this Scheme Booklet, the Court ordered that a Scheme Meeting be convened and that this Scheme Booklet be dispatched to Pandal Shareholders. The orders made by the Court convening the Scheme do not constitute an endorsement of, or any other expression of opinion on, the Scheme or this Scheme Booklet.

The resolution for the Scheme to be considered at the Scheme Meeting must be passed by:

- (i) a majority in number (more than 50%) of Pandal Shareholders, present and voting (online, in person or by proxy, attorney or corporate representative); and
- (ii) at least 75% of the votes cast at the Scheme Meeting.

However, the Court has the discretion to waive the first of these two requirements if it considers appropriate to do so.

(b) Second Court Hearing

If:

- (i) the Scheme is approved by the Requisite Majority of Pental Shareholders at the Scheme Meeting; and
- (ii) all Conditions Precedent (other than approval by the Court of the Scheme at the Second Court Hearing) have been satisfied or waived in accordance with the Implementation Deed,

Pental will apply to the Court for orders approving the Scheme. Pental expects the Second Court Date will be Wednesday, 11 January 2023.

The Corporations Act and the Supreme Court (Corporations) Rules 1999 provide a procedure for Pental Shareholders to oppose the approval by the Court of the Scheme. If you wish to oppose the approval of the Scheme at the Second Court Hearing, you may do so by filing with the Court and serving on Pental a notice of appearance in the prescribed form together with any affidavit on which you wish to rely at the hearing.

With leave of the Court, you may also oppose the approval of the Scheme by appearing at the Second Court Hearing and applying to raise any objections you may have at the hearing. Pental should be notified in advance of an intention to object. The date for the Second Hearing is currently scheduled to be 11 January 2023. Any change to this date will be announced through the ASX and notified on Pental's website at <https://investors.pentalgroup.com/>.

(c) Effective date

The Scheme will become Effective on the Effective Date. If the Scheme becomes Effective, you may not dispose of any Pental Shares after the Effective Date. Any dealings in Pental Shares after this time will not be recognised.

(d) Record date

Those Pental Shareholders on the Register on the Scheme Record Date, being 7:00pm on the second Business Day following the Effective Date (currently expected to be 16 January 2023), will be entitled to receive the Scheme Consideration in respect of the Pental Shares they hold as at the Scheme Record Date.

4.5 Conditions to the Scheme

Pursuant to the Implementation Deed, a number of outstanding Conditions Precedent need to be satisfied or (if permitted) waived before the Scheme can be implemented.

The Conditions Precedent to the Scheme are summarised in section 4.15 of this Scheme Booklet. The Scheme will not proceed unless all of the Conditions Precedent are satisfied or (if permitted) waived in accordance with the Implementation Deed.

4.6 Pental Directors' unanimous recommendation and voting intentions

The Pental Directors unanimously recommend that Pental Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Pental Shareholders.⁵

Your Pental Directors believe that the reasons for you to vote in favour of the Scheme outweigh the reasons to vote against the Scheme. These reasons and other relevant considerations for Pental Shareholders are set out in section 2 of this Scheme Booklet.

Each Pental Director will vote, or procure the voting of, any Pental Shares owned or controlled by them in favour of the Scheme at the Scheme Meeting to be held on 23 December 2022, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Pental Shareholders.

In considering whether to vote in favour of the Scheme, Pental Directors encourage you to:

- carefully read all of this Scheme Booklet (including the Independent Expert's Report and Investigating Accountant's Report);
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- obtain advice from your legal, financial, taxation or other professional advisers on the effect of the Scheme becoming Effective and being implemented.

5. You should note that when considering this recommendation that Nick Good, a director and CEO of Pental, will be receiving a benefit if the Scheme proceeds. Mr Good is eligible for Retention Payments and Discretionary Payments of up to \$804,840 and Scheme related KPI payments of up to \$2,112,989 as described in section 10.2. Despite this interest in the outcome of the Scheme, Mr Good considers that, given the importance of the Scheme, and his role as CEO of Pental, it is important and appropriate for him to provide a recommendation to Pental Shareholders in relation to voting on the Scheme. Additionally, the Pental Board (excluding Mr Good) also considers that it is appropriate for Mr Good to make a recommendation on the Scheme given his role in the management and operations of Pental.

Section 4

Overview of the Scheme

4.7 Independent Expert's conclusion

Your Pental Directors appointed Kroll Australia Pty Ltd as the Independent Expert to assess the merits of the Scheme. The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Pental Shareholders, in the absence of a Superior Proposal.

The Independent Expert has assessed the value of a Pental Share to be in the range of \$4.87 to \$5.71 on a 100% controlling interest basis, taking into account the Permitted Dividend Amount of 3.5 cents per Pental Share. The Total Consideration falls within the Independent Expert's assessed valuation range on a 100% controlling interest basis.

The reasons why the Independent Expert reached its conclusion are set out in the Independent Expert's Report, a copy of which is included in Annexure A of this Scheme Booklet. Your Pental Directors encourage you to read the Independent Expert's Report in full before deciding how to vote on the Scheme.

4.8 Ineligible Foreign Shareholders

A Scheme Shareholder will be an Ineligible Foreign Shareholder where their address shown in the Register as at the Record Date is a place outside Australia (and its external territories), the USA, Czech Republic, Germany, Ireland, Spain, France, Jersey, Singapore, Switzerland, United Kingdom and New Zealand unless Perpetual determines that it is lawful and not unduly onerous or impracticable to provide that Scheme Shareholder with New Perpetual Shares.

Ineligible Foreign Shareholders will still participate in the Scheme however New Perpetual Shares will not be issued to them. Instead, the New Perpetual Shares to which the Ineligible Foreign Shareholders would otherwise have been entitled to will be issued directly to the Sale Agent who will then, as soon as practicable after the Implementation Date, sell or procure the sale of such Perpetual Shares (at such price or prices as the Sale Agent determines in good faith) and remit the sale proceeds for the Perpetual Shares to Pental (after deduction of any reasonable and applicable fees, brokerage, stamp duty, currency conversion costs, taxes and charges).

Pental will then remit to each Ineligible Foreign Shareholder the sale proceeds attributable to the Perpetual Shares to which the Ineligible Foreign Shareholder would have otherwise been entitled (after deduction of any reasonable and applicable fees, brokerage, stamp duty, currency conversion costs, taxes and charges).

As the market price of Perpetual Shares will be subject to fluctuation and change from time to time, the sale price of those Perpetual Shares sold through the Sale Facility and the proceeds of that cannot be guaranteed.

The proceeds received by Ineligible Foreign Shareholders will depend on the price at which the Perpetual Shares can be sold under the Sale Facility at the relevant time, applicable exchange rates (if sales are made in a currency other than Australian dollars) and the amount of any applicable taxes, duty, currency conversion or other costs and charges incurred by the Sale Agent in connection with sales under the Sale Facility. An Ineligible Foreign Shareholder's pro rata share of the proceeds under the Sale Facility may be more or less than the value of the Perpetual Shares that the shareholder would have received. None of Pental, Perpetual or the Sale Agent gives any assurance as to the price that will be achieved for the sale of Perpetual Shares by the Sale Agent under the Sale Facility.

4.9 Non-Marketable Parcels

A Scheme Shareholder whom upon the receipt of the Scheme Consideration would hold a number of New Perpetual Shares that is less than a Marketable Parcel (**Non-Marketable Parcel Shareholder**) will be deemed to have elected to participate in the Sale Facility and will not receive New Perpetual Shares, unless they make an election to receive that Non-Marketable Parcel by visiting <https://www.pentalgroup.com/scheme/>. If a Scheme Shareholder does not make this election, the New Perpetual Shares the Non-Marketable Parcel Shareholder would otherwise have been entitled to will be issued directly to the Sale Agent who will then, as soon as reasonably practicable on or after the Implementation Date, sell or procure the sale of such New Perpetual Shares (at such price or prices as the Sale Agent determines in good faith) and remit the sale proceeds for the New Perpetual Shares to Pental (after deduction of any reasonable and applicable fees, brokerage, stamp duty, currency conversion costs, taxes and charges).

Pental will then remit to the Non-Marketable Parcel Shareholder the sale proceeds attributable to the New Perpetual Shares to which the Non-Marketable Parcel Shareholder would have otherwise been entitled had their holding been, equal to or greater than, a Marketable Parcel (after deduction of any reasonable and applicable fees, brokerage, stamp duty, currency conversion costs, taxes and charges).

As the market price of Perpetual Shares will be subject to fluctuation and change from time to time, the sale price of those Perpetual Shares sold through the Sale Facility and the proceeds of that cannot be guaranteed. The proceeds received by the Non-Marketable Parcel Shareholder will depend on the price at which the Perpetual Shares (as applicable) can be sold under the Sale Facility at the relevant time, applicable exchange rates (if sales are made in a currency other than Australian dollars) and the amount of any applicable taxes, duty, currency conversion or other costs and charges incurred by the Sale Agent in connection with sales under the Sale Facility.

The Non-Marketable Parcel Shareholder's pro rata share of the proceeds under the Sale Facility may be more or less than the value of the Perpetual Shares that the shareholder would have received. None of Pental, Perpetual or the Sale Agent gives any assurance as to the price that will be achieved for the sale of Perpetual Shares (as applicable) by the Sale Agent under the Sale Facility.

4.10 Payment of Scheme Consideration

If the Scheme is implemented, Perpetual will acquire all of the Pental Shares and all Pental Shareholders will receive the Scheme Consideration for the Pental Shares they hold on the Scheme Record Date as follows:

- (a) no later than the Business Day before the Implementation Date Perpetual will deposit the total cash component of the Scheme Consideration that is payable to the Scheme Shareholders to the Scheme Consideration Trust Account for Pental to hold as trustee for the Scheme Shareholders;
- (b) on the Implementation Date:
 - (i) Perpetual will issue to (and enter into Perpetual's share register the name and address of) each Pental Shareholder the number of Perpetual Shares as that Pental Shareholder is entitled to receive under the Scheme; and
 - (ii) Pental will pay to each Pental Shareholder the cash component of the Scheme Consideration due to Pental Shareholders in accordance with the Scheme (from the amount deposited by Perpetual into the Scheme Consideration Trust Account); and
- (c) on the Implementation Date, Perpetual will despatch a holding statement in the name of each Pental Shareholder for the number of Perpetual Shares issued to them pursuant to the Scheme.

4.11 Commencement of trading of New Perpetual Shares

Perpetual will seek confirmation from ASX that, as from the Business Day after the Effective Date (or such other date as ASX requires), the New Perpetual Shares to be issued as Scheme Consideration will be quoted on the ASX. New Perpetual Shares are expected to trade on a deferred settlement basis from the commencement of trading on this date. Trading on the ASX of New Perpetual Shares on a normal settlement basis is expected to commence on the Business Day after the Implementation Date.

The exact number of New Perpetual Shares to be issued to each Scheme Shareholder will not be known until after the Scheme Record Date and will not be confirmed to each Scheme Shareholder until they receive their holding statement following the Implementation Date.

It is the responsibility of each New Perpetual Shareholder to confirm their holdings before trading in New Perpetual Shares to avoid the risk of selling shares that they do not own. Holders of New Perpetual Shares who sell their shares before they receive their holding statement or confirm their uncertificated holdings of New Perpetual Shares (as applicable) do so at their own risk. Neither Pental nor Perpetual takes any responsibility for such trading.

4.12 Implications if the Scheme is not implemented

If the Scheme Resolution is not approved, or any other Conditions Precedent are not satisfied or waived (where capable of waiver), and the Scheme does not proceed:

- Pental will remain listed on the ASX;
- the expected benefits of the Scheme will not be realised and the potential disadvantages and risks associated with the Scheme will not arise;
- Pental Shareholders will retain their Pental Shares;
- Scheme Shareholders will not receive the Scheme Consideration;
- the trading price of Pental's Shares on the ASX may fall; and
- the Reimbursement Fee of \$23.0 million may be payable by Pental to Perpetual in certain circumstances. However, the Reimbursement Fee will not be payable merely because the Scheme Resolution is not approved at the Scheme Meeting.

In these circumstances, Pental will, in the absence of another proposal, continue to operate as a stand-alone entity listed on the ASX and Pental Shareholders will retain their Pental Shares and continue to be exposed to risks and opportunities associated with their current investment in Pental. These risks are set out in further detail in section 8.5.

Section 4

Overview of the Scheme

4.13 Dealing with Pandal Shares on, or prior to, the Scheme Record Date

To establish eligibility for Scheme Consideration, dealings in Pandal Shares will only be recognised by Pandal if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Register as the holder of the relevant Pandal Shares on or before 7:00pm on the Scheme Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received on or before 7:00pm on the Scheme Record Date at the place where the Register is kept.

Pandal must register any registrable transmission application or transfer of the Pandal Shares received in accordance with section 4.13(b) of this Scheme Booklet on or before 7:00pm on the Scheme Record Date. Pandal will not accept registration or otherwise recognise any transfer of Pandal Shares received after 7:00pm on the Scheme Record Date (other than to Perpetual in accordance with the Scheme or its successors in title).

4.14 Dealing with Pandal Shares after the Scheme Record Date

The Pandal Share Register solely decides entitlements to the Scheme Consideration.

From the Scheme Record Date, all certificates for Pandal Shares cease to have effect as documents of title (other than certificates in favour of Perpetual and its successors in title).

4.15 Implementation Deed

Implementation of the Scheme is subject to the satisfaction or waiver of a number of conditions under the terms of the Scheme and the terms of the Implementation Deed, including:

The following conditions summarised below (and set out in full in Schedule 3 of the Implementation Deed) which must be satisfied or waived in accordance with the terms of the Implementation Deed:

Conditions Precedent for the benefit of Pandal and Perpetual

- (i) **(ASIC and ASX)** ASIC and ASX have provided their consents, confirmations or approvals which the parties agree are reasonably necessary to implement the Transaction and these consents, confirmations or approvals have not been withdrawn or revoked;
- (ii) **(Financial Conduct Authority)** the Financial Conduct Authority has issued or provided such consents, confirmations or approvals which the parties agree are reasonably necessary to implement the Transaction and these consents, confirmations or approvals have not been withdrawn or revoked. Approval was provided by the Financial Conduct Authority on 26 October 2022 and has not been withdrawn or revoked as at the date of this Scheme Booklet;
- (iii) **(Central Bank of Ireland)** the Central Bank of Ireland has issued or provided such consents, confirmations or approvals which the parties agree are reasonably necessary to implement the Transaction and these consents, confirmations or approvals have not been withdrawn or revoked;
- (iv) **(Hart Scott Rodino)** the applicable waiting period under the Hart Scott Rodino Antitrust Improvements Act of 1976, as amended, shall have expired or been terminated. The applicable waiting period expired on 15 November 2022;
- (v) **(Monetary Authority of Singapore)** the Monetary Authority of Singapore has provided such consents, confirmations or approvals which the parties agree are reasonably necessary to implement the Transaction and these consents, confirmations or approvals have not been withdrawn or revoked. In-principle approval was provided by the Monetary Authority of Singapore on 17 November 2022 and has not been withdrawn or revoked as at the date of this Scheme Booklet;
- (vi) **(Regulatory Authority)** all other approvals of a Regulatory Authority which Perpetual and Pandal agree are necessary or desirable to implement the Transaction are obtained and these approvals have not been withdrawn or revoked;
- (vii) **(Court orders)** no Court or Regulatory Authority has issued or taken steps to issue an order or take any action imposing a legal restraint or prohibition preventing the Transaction and no such order or action is in effect;
- (viii) **(Scheme Approval)** Pandal Shareholders approve the Scheme by the Requisite Majorities in accordance with the Corporations Act;
- (ix) **(Court approval)** The Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act;
- (x) **(Independent Expert)** The Independent Expert issues a report which concludes that the Scheme is in the best interests of the Scheme Shareholders;
- (xi) **(Quotation)** The New Perpetual Shares to be issued pursuant to the Scheme have, before 8:00am on the Second Court Date, been approved for official quotation on the ASX; and
- (xii) **(No termination)** The Implementation Deed has not been terminated in accordance with its terms.

Conditions Precedent for the benefit of Pendal

- (i) **(Perpetual Representations and Warranties)** The Perpetual Representations and Warranties are true and correct in all material respects at all times between the date of this document and as at 8:00am on the Second Court Date;
- (ii) **(No Perpetual Prescribed Event)** No Perpetual Prescribed Event occurs between (and including) the date of this document and 8:00am on the Second Court Date;
- (iii) **(No Perpetual Material Adverse Change)** No Perpetual Material Adverse Change occurs or becomes known to Perpetual between the date of the Implementation Deed and the Second Court Date; and
- (iv) **(Deed Poll)** Between the date of the Implementation Deed and the date of sending the Scheme Booklet, Perpetual signs and delivers the Deed Poll.

Conditions Precedent for the benefit of Perpetual

- (i) **(Third party consents)** The Client Consent Percentage is equal to or greater than 82.5% as at 8:00am on the day after the Active Client Consent Process End Date and as at 5:00pm on the day before the Second Court Date. All other approvals of which a Third Party which Perpetual and Pendal agree are necessary or desirable to implement the Transaction are obtained;
- (ii) **(Pendal Representations and Warranties)** The Pendal Representations and Warranties are true and correct in material respects between the date of the Implementation Deed and the Second Court Date;
- (iii) **(No Pendal Prescribed Event)** No Pendal Prescribed Event occurs between the date of the Implementation Deed and the Second Court Date;
- (iv) **(No Pendal Material Adverse Change)** No Pendal Material Adverse Change occurs or becomes known to Pendal between the date of the Implementation Deed and the Second Court Date; and
- (v) **(No Pendal Employee Rights)** Before the Second Court Date, Pendal has taken all actions necessary to ensure that on the Effective Date, there are no outstanding Pendal Employee Rights.

4.16 Representations and Warranties

Pendal and Perpetual have given representations and warranties to the other as to information contained in this Scheme Booklet, and compliance with disclosure and other obligations, and certain other representations and warranties which are customary for a transaction of this nature. The details regarding the representations and warranties are set out in full in Schedule 6 and Schedule 7 of the Implementation Deed.

4.17 Pendal Exclusivity

Clause 11 of the Implementation Deed sets out the exclusivity obligations of Pendal in connection with the implementation of the Scheme.

A summary of the key exclusivity obligations of Pendal during the Exclusivity Period is set out below.

(a) No-shop

During the Exclusivity Period, Pendal must ensure that neither it nor any of its Related Bodies Corporate directly or indirectly solicits, encourages, invites or initiates from any other person any inquiry, offer, expression of interest, proposal or transaction in relation to, or with a view to obtaining, or that may be reasonably expected to lead to a Competing Transaction, or communicates any intention to do any of these things.

(b) No talk

During the Exclusivity Period, Pendal must ensure that it nor any of its Related Bodies Corporate directly or indirectly:

- (i) enter into, participate in or continue any negotiations or discussions with respect to any inquiry, expression of interest, offer, proposal or discussion by any person to make or which would reasonably be expected to encourage or lead to the making of an actual, proposed or potential Competing Transaction;
- (ii) negotiate, accept or enter into, or offer or agree to negotiate, accept or enter into, any agreement, arrangement or understanding regarding, or which would reasonably be expected to lead to, an actual proposed or potential Competing Transaction; or
- (iii) communicate to any person an intention to do anything referred to in the preceding paragraphs.

Section 4

Overview of the Scheme

The no talk obligation is subject to a “fiduciary out” where, the Pental Board, acting in good faith has determined:

- (i) after consultation with Pental’s external legal and Financial Advisors, that the Competing Transaction is a Superior Proposal or could reasonably be expected to become a Superior Proposal; and
- (ii) after receiving written advice from its external legal advisors, complying with that obligation would constitute, or would be likely to constitute, a breach of any of the fiduciary or statutory duties of Pental directors,

provided that the actual, proposed or potential Competing Transaction has not arisen as a result of a breach of Pental’s exclusivity obligations.

(c) No due diligence

During the Exclusivity Period, Pental must ensure that neither it nor any of its Related Bodies Corporate directly or indirectly disclose or otherwise provide access to any non-public information about the business or affairs of the Pental Group or permit access to employees or officers of the Pental Group to a Third Party who has submitted, or might reasonably be expected to submit, a proposal for a transaction which is reasonably likely to result in a Competing Transaction, or to any Third Party with a view to obtaining or which would reasonably be expected to encourage or lead to receipt of an actual, proposed or potential Competing Transaction (including, without limitation, providing such information for the purposes of the conduct of due diligence investigations in respect of the Pental Group) (and must not communicate to any person an intention to do any of these things).

The no due diligence restriction is subject to a “fiduciary out” where, the Pental Board, acting in good faith has determined:

- (i) after consultation with Pental’s external legal and Financial Advisors, that the Competing Transaction is a Superior Proposal or could reasonably be expected to become a Superior Proposal; and
- (ii) after receiving written advice from its external legal advisors, complying with that obligation would constitute, or would be likely to constitute, a breach of any of the fiduciary or statutory duties of Pental directors,

provided that the actual, proposed or potential Competing Transaction has not arisen as a result of a breach of Pental’s exclusivity obligations.

(d) Notification of approaches

During the Exclusivity Period, if Pental receives any actual, proposed or potential Competing Transaction from a third party or a member of the Pental Board, the company secretary or other group executive or Pental’s Financial Advisors becomes aware of any negotiations or discussions in relation to, or any approaches or attempts to initiate any negotiations or discussion in relation to an actual, proposed or potential Competing Transaction, Pental must as soon as practicable (and in any event within 24 hours) give Perpetual notice of:

- (i) the existence of the actual, proposed or potential Competing Transaction;
- (ii) to the extent known to Pental, all material terms and conditions of the actual, proposed or potential Competing Transaction; and
- (iii) the identity of the person making the proposal; and
- (iv) any determination by Pental that it can rely on the “fiduciary out” in relation to any action or inaction relating to the actual, proposed or potential Competing Transaction, discussions or approach.

(e) Matching right

During the Exclusivity Period, Pental:

- (i) must not enter into any legally binding agreement, arrangement or understanding under which a Third Party, Pental or both proposes to undertake or give effect to an actual, proposed or potential Competing Transaction; and
- (ii) must procure that none of its directors withdraw, adversely modifies, qualifies or changes their recommendation in favour of the Transaction, including publicly recommending an actual, proposed or potential Competing Transaction (or recommending against the Transaction),
unless:
 - (iii) the Competing Transaction is a Superior Proposal;
 - (iv) the Competing Transaction has not arisen due to a breach by Pental of the “No Shop” and “No Talk” restrictions set out in the Implementation Deed;
 - (v) Pental has given Perpetual a notice setting out all material terms and conditions of the Competing Transaction;
 - (vi) Pental has given Perpetual at least 5 Business Days after giving the notice to provide a proposal that is superior to or no less favourable than the terms of the Competing Transaction; and
 - (vii) Pental determines that Perpetual has not provided a superior or no less favourable proposal than the terms of the Competing Transaction.

(f) Reimbursement fee

Clause 12 of the Implementation Deed sets out the circumstances in which Pendal has agreed to pay a reimbursement fee to Perpetual.

Pendal must pay a \$23,000,000 reimbursement fee to Perpetual (the “**Reimbursement Fee**”), without set-off or withholding, if the Scheme does not proceed because:

- (i) (**Change of recommendation**) a Pendal Director fails to recommend the Scheme or withdraws their recommendation, adversely changes or qualifies their recommendation or otherwise makes a public statement indicating that they no longer support the Scheme, except where:
 - (A) the change of recommendation or statement is made after the Independent Expert concludes that the Scheme is not in the best interests of Pendal Shareholders; or
 - (B) Pendal is entitled to terminate the Implementation Deed because Perpetual is in material breach of its obligations under the Implementation Deed and Pendal has given the appropriate termination notice to Perpetual.
- (ii) (**Competing Transaction**) a Competing Transaction of any kind is announced during the Exclusivity Period (whether or not such proposal is stated to be subject to any pre-conditions) and, within twelve months of the date of such announcement, the Third Party proposing the Competing Transaction or any Associate of that Party:
 - (A) completes a Competing Transaction; or
 - (B) acquires control of Pendal.
- (iii) (**Termination**) Perpetual has validly terminated the Implementation Deed because Pendal is in material breach of its obligations or warranties under the Implementation Deed or upon the occurrence of a Pendal Prescribed Event (other than paragraphs 21 and 26 of Schedule 2 of the Implementation Deed) within the control of Pendal.

The Reimbursement Fee will not be payable to Perpetual if the Scheme becomes Effective.

4.18 Perpetual Exclusivity

Clause 11.8 of the Implementation Deed also imposes exclusivity restrictions on Perpetual in connection with the implementation of the Scheme.

A summary of the key exclusivity obligations of Perpetual during the Exclusivity Period is set out below.

(a) No shop

During the Exclusivity Period, Perpetual must ensure that neither it nor any of its Related Bodies Corporate or Representatives directly or indirectly solicit, encourage, invite or initiate from any other person any inquiry, offer, expression of interest, proposal or transaction in relation to, or with a view to obtaining, or that may be reasonably expected to lead to a Perpetual Major Transaction or communicates an intention to do any of these things.

(b) No talk

Subject to the “fiduciary out”, during the Exclusivity Period, Perpetual must ensure that neither it nor any of its Related Bodies Corporate or Representatives:

- (i) enter into, participate in or continue any negotiations or discussions with respect to any inquiry, expression of interest, offer, proposal or discussion by any person to make or which would reasonably be expected to encourage or lead to the making of an actual, proposed or potential Perpetual Major Transaction;
- (ii) negotiate, accept or enter into, or offer or agree to negotiate, accept or enter into, any agreement, arrangement or understanding regarding, or which would reasonably be expected to lead to, an actual, proposed or potential Perpetual Major Transaction;
- (iii) disclose or otherwise provide access to any non-public information about the business or affairs of the Perpetual Group or permit access to employees or officers of Perpetual to a Third Party who has submitted, or might reasonably be expected to submit, a proposal for a transaction which is reasonably likely to result in a Perpetual Major Transaction, or to any Third Party with a view to obtaining or which would reasonably be expected to encourage or lead to receipt of an actual, proposed or potential Perpetual Major Transaction; or
- (iv) communicate an intention to do any one of these things.

The “No Talk” restriction does not apply to the extent that it restricts Perpetual or its Related Persons in relation to an actual, proposed or potential bona fide Perpetual Major Transaction provided that such Perpetual Major Transaction has not arisen as a result of a breach of the “No Shop” restriction, and the Perpetual Board, acting in good faith, has determined after receiving written advice from its external legal advisors that compliance with the “No Talk” restriction would, or would be reasonably likely to, constitute a breach of any of the fiduciary or statutory duties of the directors of Perpetual.

Section 4

Overview of the Scheme

(c) Notification of approaches

During the Perpetual Exclusivity Period, if Perpetual receives (i) an approach regarding any actual, proposed or potential Perpetual Major Transaction; or (ii) a member of the Perpetual Board, the company secretary or other group executive or Perpetual's Financial Advisors becomes aware of any negotiations or discussions in relation to, or any approaches or attempts to initiate any negotiations or discussions in relation to an actual, proposed or potential Perpetual Major Transaction, Perpetual must as soon as practicable (and in any event within 24 hours) give Pandal notice of:

- (i) the existence of the actual, proposed or potential Perpetual Major Transaction, discussions or approach;
- (ii) to the extent known to Perpetual or its Representatives, all material terms and conditions of the actual, proposed or potential Perpetual Major Transaction;
- (iii) the identity of the person making the proposal;
- (iv) any determination by Perpetual that it can rely on in respect of the "fiduciary out" in relation to any action or inaction relating to the actual, proposed or potential Perpetual Major Transaction, discussions or approach.

(d) Breach in connection with Perpetual Major Transaction

Perpetual is not entitled to terminate the Implementation Deed in order to pursue, agree or implement a Perpetual Major Transaction. If Perpetual breaches the Implementation Deed in a manner which causes implementation of the Scheme to become impossible or impracticable, or otherwise materially breaches the Implementation Deed in order to pursue, agree or implement a Perpetual Major Transaction, Perpetual must pay to Pandal the Liquidated Damages Amount, even if Perpetual's Board determines that the breach is required in order to fulfil the fiduciary or statutory duties of the directors of Perpetual. The parties have agreed that the loss which would be incurred by Pandal as a result of that breach are of a nature that they cannot be accurately quantified and that the Liquidated Damages Amount is a genuine pre-estimate of that loss.

(e) Reverse Reimbursement Fee

Clause 13 of the Implementation Deed sets out the circumstances in which Perpetual has agreed to pay a reimbursement fee to Pandal.

Perpetual must pay a \$23,000,000 reverse reimbursement fee to Pandal (the "**Reverse Reimbursement Fee**"), without set-off or withholding if the Scheme does not proceed because:

- (i) (termination) Pandal has validly terminated the Implementation Deed because Perpetual is in material breach of its obligations or warranties under the Implementation Deed or upon the occurrence of a Perpetual Prescribed Event within the control of Perpetual; or
- (ii) (failure to pay Scheme Consideration) Perpetual does not pay the Scheme Consideration in accordance with the terms and conditions of the Implementation Deed, the Scheme and the Deed Poll.

The Reverse Reimbursement Fee will not be payable to Pandal if the Scheme becomes Effective.

4.19 Liability cap

The liability of each of Pandal and Perpetual under the Implementation Deed, including for breach of the deed, is capped at \$23 million (being the amount of the Reimbursement Fee and the Reverse Reimbursement Fee). This cap does not extend to fraud or, in the case of Perpetual, if the Scheme becomes Effective and there is a breach of clause 4.1(c) of the Implementation Deed or the Deed Poll.

4.20 Pandal Board recommendation

The Pandal Directors unanimously recommend that Pandal Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Pandal Shareholders.⁶

Under clause 6 of the Implementation Deed, each Pandal Director, may only withdraw, adversely modify, qualify or change their recommendation if:

- (a) the Independent Expert concludes that the Scheme is not in the best interests of the Pandal Shareholders, or adversely changes its previously given opinion that the Scheme is in the best interests of Pandal Shareholders; or
- (b) Pandal has received a Superior Proposal.

6. You should note that when considering this recommendation that Nick Good, a director and CEO of Pandal, will be receiving a benefit if the Scheme proceeds. Mr Good is eligible for Retention Payments and Discretionary Payments of up to \$804,840 and Scheme related KPI payments of up to \$2,112,989 as described in section 10.2. Despite this interest in the outcome of the Scheme, Mr Good considers that, given the importance of the Scheme, and his role as CEO of Pandal, it is important and appropriate for him to provide a recommendation to Pandal Shareholders in relation to voting on the Scheme. Additionally, the Pandal Board (excluding Mr Good) also considers that it is appropriate for Mr Good to make a recommendation on the Scheme given his role in the management and operations of Pandal.

4.21 Timetable

All dates are indicative only and, among other things, are subject to all necessary approvals from the Court and any other regulatory authorities. See section 4.15 for conditions under the terms of the Scheme and the terms of the Implementation Deed. Any changes to the timetable as set out in this section 4 (which may include an earlier or later date for the Scheme Meeting or Second Court Hearing) will be announced through the ASX and notified on Pental's website at <https://investors.pentalgroup.com/>.

4.22 Termination

Clause 16 of the Implementation Deed sets out the termination rights of each party. These are summarised below.

The Implementation Deed may be terminated:

- (a) by either Pental or Perpetual if:
 - (i) **(End Date)** if the Scheme has not become Effective or will not become Effective on or before the End Date;
 - (ii) **(lack of support or breach)** if the other party is in material breach of any clause of the Implementation Deed (other than a warranty), provided that the non-breaching party has given a notice to the breaching party of an intention to terminate and the relevant circumstances continue to exist 5 Business Days after the time such notice is given;
 - (iii) **(not approved)** if the Scheme Resolution is not approved by the Requisite Majority at the Scheme Meeting;
 - (iv) **(Independent Expert)** if the Independent Expert opines that the Scheme is not in the best interests of the Pental Shareholders;
 - (v) **(restraint)** if a Court or other Regulatory Authority has issued a final and non-appealable order, decree or ruling or taken other action which permanently restrains or prohibits the Transaction;
 - (vi) **(insolvency)** if the other party (or any of their Related Bodies Corporate) becomes insolvent; or
 - (vii) **(agreement)** if agreed to in writing by Pental and Perpetual.
- (b) **(lack of support or breach)** by Perpetual if:
 - (i) any member of the Pental Board fails to recommend the Scheme, withdraw their recommendation or change their recommendation to the Scheme Shareholders that they vote in favour of the resolution to approve the Scheme;
 - (ii) a Pental Material Adverse Change or a Pental Prescribed Event occurs that it is not capable of remedy or is capable of remedy but is not remedied to the satisfaction of Perpetual within 5 Business Days after Perpetual provides written notice to Pental of the Pental Material Adverse Change or a Pental Prescribed Event; or
 - (iii) Pental has breached the representations and warranties set out in Schedule 6 of the Implementation Deed, provided that Perpetual has given Pental a notice of intention to terminate, the relevant breach continues to exist 5 Business Days after notice is given and the relevant breach is material in the context of the Scheme as a whole.
- (c) **(lack of support or breach)** by Pental if:
 - (i) the Pental Board or a majority of the Pental Board has changed, withdrawn or modified its recommendation in favour of the Scheme as permitted by clause 6.2 of the Implementation Deed;
 - (ii) a Perpetual Material Adverse Change or a Perpetual Prescribed Event occurs that it is not capable of remedy or is capable of remedy but is not remedied to the satisfaction of Pental within 5 Business Days after Pental provides written notice to Perpetual of the Perpetual Material Adverse Change or a Perpetual Prescribed Event. Schedule 1 of the Implementation Deed sets out the list of Perpetual Prescribed Events which, among other events, includes an acquisition or disposal which constitutes a Perpetual Major Transaction; or
 - (iii) Perpetual has breached the representations and warranties set out in Schedule 7 of the Implementation Deed, provided that Pental has given Perpetual a notice of intention to terminate, the relevant breach continues to exist 5 Business Days after notice is given and the relevant breach is material in the context of the Scheme as a whole.

4.23 Delisting from ASX

If the Scheme becomes Effective, Pental will apply to the ASX for removal of Pental from the official list of the ASX after the Implementation Date.

Section 5

Information Relating to Pendal

5.1 About Pendal

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

Its business is designed to attract and retain high-quality investment talent by offering a transparent remuneration model with the ability to manage capacity, which aligns the incentives of investment professionals with shareholders and clients.

Pendal's experienced, long-tenured fund managers have the autonomy to offer a broad range of investment strategies with high conviction based on an investment philosophy that fosters success from a diversity of insights and investment approaches.

Investment teams are supported by a strong operational platform across risk and compliance, sales, marketing and operations, allowing fund managers to focus on generating returns for clients.

Listed on the ASX since 2007 (ASX: PDL), the company has offices in Sydney, Melbourne, London, Munich, Paris, Prague, Singapore, New York, Boston, Richmond and Berwyn.

5.2 History of Pental

2007	On 10 December 2007, the investment management business of BT Financial Group was listed 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 Pental Group Limited (ASX:PDL)
2019	Pental takes full ownership of Regnan, a specialist ESG research and engagement firm
2020	Westpac sells remaining ~10% of Pental Group
2021	Pental acquires US value-oriented investment management and advisory company, Thompson, Siegel and Walmsley (TSW)
2022	On 25 August 2022, Pental announces proposed Scheme of Arrangement with Perpetual

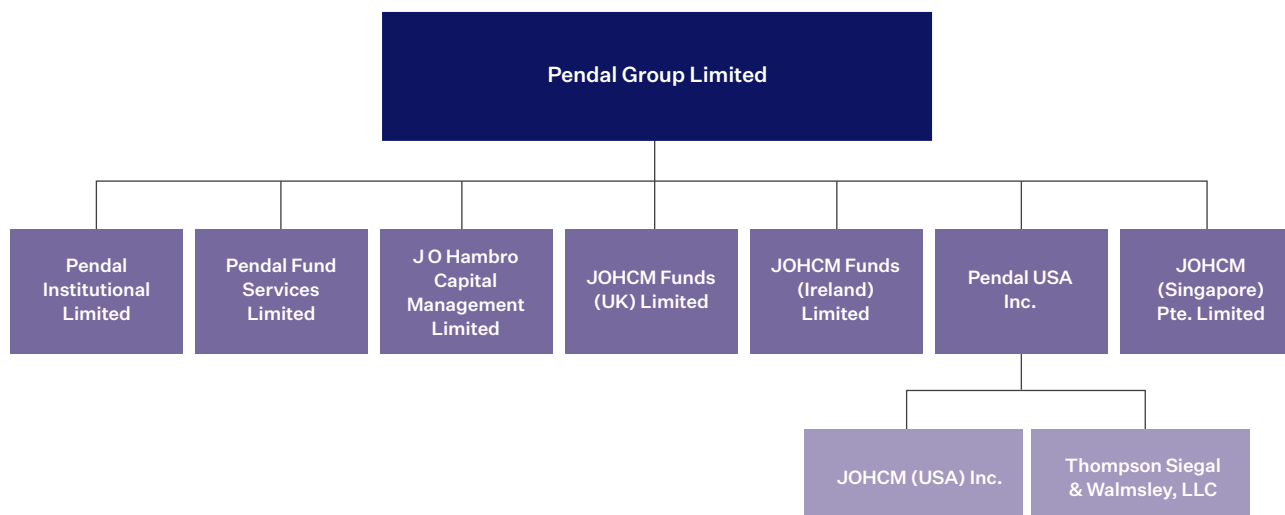
5.3 Overview of Pental's divisions and operations

As at 30 September 2022, Pental had approximately 459 employees, annual fee revenue of \$629.7 million and manages \$104.5 billion in Funds Under Management (**FUM**) through J O Hambro, Europe, UK and Asia; JOHCM USA; Pental Australia; Regnan and TSW.

Information on Pental Group's Subsidiaries are included below.⁷

Organisation

The corporate structure of the Pental Group is depicted below:



*The Group's corporate structure as of 31 December 2021 followed by a restructure on 17 December 2021.

7. This chart does not include the following three entities which are currently in the process of winding up: Pental UK Limited, J O Hambro Capital Management Holdings Limited and Regnan - Governance & Engagement Pty Limited.

Section 5

Information Relating to Pandal

Pandal Australia

Pandal Australia is one of Australia's largest active fund managers with offices in Sydney and Melbourne. As at 30 September 2022, Pandal Australia manages \$38.0 billion of assets across Australian and global equities, sustainable and ethical, multi-asset, bond, income and defensive strategies.

Find out more at <https://www.pandalgroup.com>.

J O Hambro Capital Management

Pandal's wholly owned Subsidiary, JOHCM, is a boutique investment management business with offices in London, Singapore, Munich, Paris, New York, Boston and Berwyn specialising in the active management of equities.

As at 30 September 2022, JOHCM manages \$39.5 billion of assets across a range of global and regional equity strategies, multi-asset, global impact and sustainable strategies.

Find out more at <https://www.johcm.com>.

Thompson, Siegel and Walmsley (TSW)

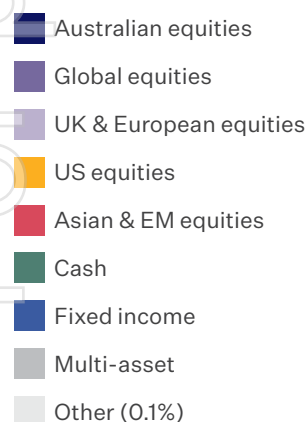
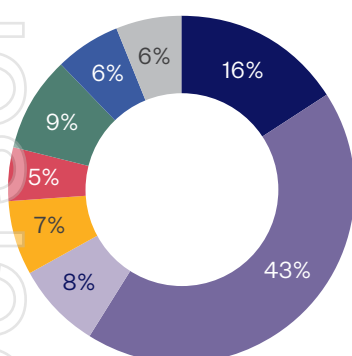
TSW is a US-based value-oriented investment management and advisory company, operating primarily in the long-only equity (International and US) and fixed income asset classes with \$27.0 billion of FUM as at 30 September 2022.

Find out more at <https://www.tswinvest.com>.

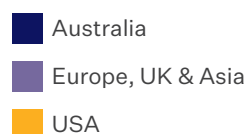
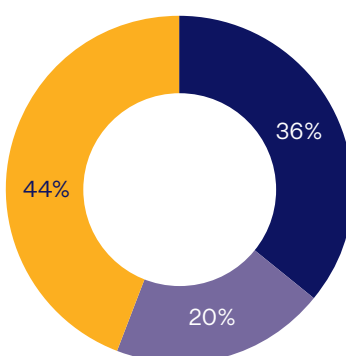
5.3.1 Pandal FUM overview

The following charts set out Pandal's FUM by asset class, geography and channel as at 30 September 2022.

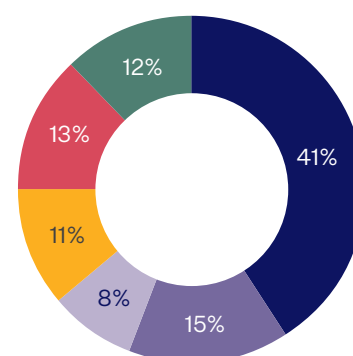
FUM by Asset Class



FUM by Geography



FUM by Channel



5.4 Pental Strategic Direction

Pental seeks to deliver investment excellence to clients by being the best home for talent in the industry.

Pental's strategy aims to deliver on this by offering investment talent strength in global distribution, an investment-led corporate culture, equitable reward for contribution, and an efficient and robust operating platform.

Pental's strategic investments consists of a targeted set of initiatives that Pental believe represent the areas of Pental's business that will best drive sustained organic growth, support an environment in which Pental's talent can flourish and ensure that investment excellence is delivered to clients while continuing to strive to maximise shareholder value.

5.4.1 Our strategic priorities:

(a) Global distribution

Leveraging Pental's global distribution footprint to deliver best products to clients in each region.

Pental has a global distribution footprint that enables Pental to deliver products to clients throughout the world. Over the past two years Pental has significantly advanced capabilities, particularly in the US and Europe.

In the US, the acquisition of TSW in 2021, provided Pental with greater client diversification and advanced the expansion of the US footprint, particularly in the institutional market in the region.

In Europe, Pental has invested in sales and marketing leadership and recently established an on-the-ground presence in France and Germany.

(b) Investment capabilities

Delivering long-term investment performance for clients with a forward-looking diversified product set.

Pental has a diversified set of investment capabilities that it continues to expand and grow to ensure Pental is delivering in line with clients changing demands.

Following the acquisition of Regnan in 2019, Pental has grown its sustainable and impact investment offerings, with global equity impact and sustainable water and waste strategies now available to investors in UK and Europe and global equity impact available in all regions.

In the US, the addition of TSW in 2021 further diversified product offerings in the region. The acquisition introduced new asset classes with US equities and fixed income and importantly, it balanced JOHCM international growth-oriented strategies with TSW's value-oriented product range.

(c) Infrastructure

Providing an operating platform that enables teams to deliver exceptional client outcomes.

Pental's global operating platform provides support across risk and compliance, sales, marketing and operations, allowing fund managers to focus on generating returns for clients.

Since FY20, Pental has been investing in systems and technology to build a more scalable platform that can deliver substantial benefits to shareholders as well as clients. The four-year program includes consolidation of Pental's back and middle office service providers as well as the retirement of legacy and duplicate systems and suppliers.

Significant advances have been made in the past two years. The Pental Australia business has now transitioned its back-office services away from Westpac and migration to a new global custodian, Northern Trust has begun in all regions. Additionally in the US, mutual funds were shifted to a proprietary mutual fund structure, reducing fees and improving governance for all fund holders.

There has also been substantive investment in systems and tools to improve effectiveness. During FY22, the process of upgrading Pental's CRM commenced, and business analytics and sales enablement tools began, improving the flow of data and delivering enhanced business and investment insights.

(d) Talent

Continuing to invest to attract, develop and retain the best investment talent.

Pental has an investment-led culture and an environment that has and continues to invest to attract, develop and retain the best talent in the industry.




Following the appointment of a Group Human Resources leader in 2022, several key people initiatives were advanced across succession planning, enhancing global mobility as well as diversity, equity and inclusion.




Additionally, Pental's corporate remuneration structures were reviewed, to ensure best practice and to make sure that there is an appropriate approach that is aligned with shareholder interests.

Section 5

Information Relating to Pandal

5.5 Pandal Board





Board	Experience
 Deborah Page AM, Chairman and Independent Non-executive Director	<p>Deborah Page was appointed Chair of Pandal Group in 2022 after serving on the Board since 2014 and is based in Sydney, Australia.</p> <p>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.</p> <p>Deborah is currently a Non-executive Director of Brickworks Limited, Growthpoint Properties Australia Limited, and Service Stream Limited.</p>
 Nick Good, Group Chief Executive Officer and Managing Director	<p>Nick Good is Group Chief Executive Officer and Managing Director of Pandal Group. He joined Pandal 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.</p> <p>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.</p>
 Sally Collier, Independent Non-executive Director	<p>Sally Collier was appointed to the Board of Pandal Group in 2018 and is based in Sydney, Australia.</p> <p>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.</p> <p>Sally is currently a Director of Utilities Trust of Australia, J O Hambro Capital Management Limited, the Clayton Utz Foundation and Tasmanian Public Finance Corporation.</p>





Board	Experience
 <p>Ben Heap, Independent Non-executive Director</p>	<p>Ben Heap was appointed to the Board of Pendal Group in 2022 and is based in Sydney, Australia.</p> <p>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.</p> <p>Ben is the independent Chairman of CBA New Digital Businesses Pty Limited, a subsidiary of the Commonwealth Bank of Australia. He is also Chairman and a Non-Executive Director of The Star Entertainment Group Limited and a Non-executive Director of Redbubble Limited and Avanteos Investments Limited.</p>
 <p>Christopher Jones, Independent Non-executive Director</p>	<p>Christopher Jones was appointed to the Board of Pendal Group in 2018 and is based in New York City, USA.</p> <p>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.</p> <p>Christopher is currently Chair of Pendal USA Inc.</p>
 <p>Kathryn Matthews, Independent Non-executive Director</p>	<p>Kathryn Matthews was appointed to the Board of Pendal Group in 2016 and is based in London, UK.</p> <p>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.</p> <p>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.</p>

Section 5

Information Relating to Pental

5.6 Pental senior management

Senior Executives	Experience
 Alexandra Altinger, Chief Executive Officer, JOHCM UK, Europe and Asia	<p>Alexandra Altinger joined Pental Group as Chief Executive Officer, JOHCM UK, Europe and Asia in September 2019. She is based in London, UK.</p> <p>Alexandra has 26 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 Pental Group. Prior to joining the company, she spent four years as CEO of Sandaire Investment Office, a UK multi-family office. Prior to Sandaire, Alexandra worked within the executive team of Lansdowne Partners International. She also worked at Wellington Advisory, leading their European sub-advisory and mutual fund business.</p> <p>Alexandra currently serves on the board of the UK's Investment Association as an INED.</p>
 Richard Brandweiner, Chief Executive Officer, Pental Australia	<p>Richard Brandweiner CFA was appointed as Chief Executive Officer, Pental Australia in February 2018. He is based in Sydney, Australia.</p> <p>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 Pental Group. Prior to this, Richard was Chief Investment Officer at First State Superannuation, one of Australia's largest pension funds, and Group Executive at Perpetual Investments.</p> <p>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.</p>
 John Reifsnider, Chief Executive Officer, Pental USA	<p>John Reifsnider joined Pental Group as Chief Executive Officer of Pental USA in July 2021. He is based in Richmond, USA.</p> <p>John has over 30 years' experience in investment management and is responsible for the day-to-day management of the USA arm of Pental 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.</p>
 Cameron Williamson, Group Chief Financial Officer	<p>Cameron Williamson was appointed as Group Chief Financial Officer in February 2010. He is based in Sydney, Australia.</p> <p>Cameron has over 20 years' experience in the wealth and asset management industry and is responsible for Pental 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.</p>

Senior Executives	Experience
 <p>Joanne Hawkins, Group Company Secretary & Head of Corporate Governance</p>	<p>Joanne Hawkins joined Pental Group as the Group Company Secretary in March 2017. She is based in Sydney, Australia.</p> <p>Joanne has over 20 years' experience in governance roles and is responsible for Company Secretarial and Corporate Governance functions for all entities across Pental. Joanne joined with extensive experience in Corporate Governance within asset management. Joanne started her career as a solicitor at a major law firm and then held in-house and legal roles in New Zealand and the Solomon Islands. Most recently 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.</p>
 <p>Claudia Henderson, Group Chief Human Resources Officer</p>	<p>Claudia joined Pental Group as the Group Chief Human Resources Officer in January 2022. She is based in Boston, USA.</p> <p>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 Pental 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.</p>
 <p>Justin Howell, Group Chief Operations Officer</p>	<p>Justin Howell was appointed as Group Chief Operating Officer in November 2021. He is based in Sydney, Australia.</p> <p>Justin has over 20 years' experience in the finance industry and is responsible for Pental Group's technology, operations, data and projects. 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.</p>
 <p>Bindesh Savjani, Group Chief Risk Officer</p>	<p>Bindesh Savjani joined Pental Group as the Group Chief Risk Officer in March 2019. He is based in London, UK.</p> <p>Bindesh has over 20 years' experience in the investment management industry and is responsible for managing Pental Group's risk and regulatory compliance. Prior to joining Pental 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. He also worked at Lloyds Bank as the Director of Risk, Legal and Compliance for its asset management business, Scottish Widows Investment Management (SWIP).</p>

Section 5

Information Relating to Pental

5.7 Historical financial information

(a) Basis of preparation

This section presents a summary of financial information in relation to Pental for the purpose of this Scheme Booklet. The information has been extracted from Pental's audited financial statements for the years ended 30 September 2020, 30 September 2021 and 30 September 2022.

The financial information contained in this section is presented in an abbreviated form and does not contain all the disclosures, presentation, statements or comparatives that are usually provided in the annual report prepared in accordance with the Corporations Act. The financial information has not been subject to further review by an independent accountant. This financial information should therefore be read in conjunction with the financial statements for the respective periods, including the description of accounting policies contained in those financial statements and the notes to those financial statements.

Further details on Pental's financial performance and financial statements for FY22 set out in the 2022 Annual Report announced to the ASX on 4 November 2022, can be found on the ASX website (<https://www.asx.com.au>) or the Pental website (<https://investors.pentalgroup.com/>).

(b) Historical consolidated statement of comprehensive income

Below is a summary of Pental's consolidated statements of comprehensive income for the years ended 30 September 2020, 30 September 2021 and 30 September 2022.

	Pental stand alone		
	30/09/2020 \$'m	30/09/2021 \$'m	30/09/2022 \$'m
Revenue			
Investment management fees	461.3	524.4	577.7
Performance fee	13.4	57.5	51.9
Other income	(8.6)	45.5	(18.5)
Revenue	466.2	627.4	611.1
Expenses			
Salaries and related expenses	175.7	216.2	297.8
Other expenses	139.1	193.4	164.3
Expenses	314.8	409.5	462.1
Net profit before tax	151.4	217.9	149.0
Income tax expense	35.0	53.2	36.2
Net profit after tax	116.4	164.7	112.8
Significant items	16.2	0.6	81.4
Underlying profit after tax	132.6	165.3	194.2
Earnings per share for profit attributable to shareholders			
Basic Earnings Per Share	39.8	52.0	31.8
Underlying Earnings Per Share	41.1	48.2	50.7

(c) Historical consolidated statement of financial position

Below is a summary of Pendal's consolidated statements of financial position as at 30 September 2020, 30 September 2021 and 30 September 2022.

	Pendal stand alone		
	30/09/2020 \$'m	30/09/2021 \$'m	30/09/2022 \$'m
Current assets			
Cash and cash equivalents	207.5	297.7	316.4
Trade and other receivables	66.9	96.5	73.8
Current tax assets	6.9	7.1	13.2
Derivatives	0.1	0.7	–
Prepayments	7.1	9.4	9.8
Total current assets	288.6	411.5	413.2
Non-current assets			
Property, plant and equipment	8.7	10.6	8.6
Right-of-use assets	36.9	39.9	33.7
FVTPL	211.2	287.2	201.5
Deferred tax assets	28.9	42.1	42.6
Intangible assets	532.1	930.2	901.8
Total non-current assets	817.8	1,310.1	1,188.2
Total assets	1,106.4	1,721.6	1,601.4
Current liabilities			
Trade and other payables	41.7	57.0	43.9
Employee benefits	96.0	139.9	114.3
Lease liabilities	7.4	8.2	6.5
Current tax liabilities	20.2	28.8	21.8
Total current liabilities	165.3	233.8	186.6
Non-current liabilities			
Employee benefits	1.9	7.9	1.4
Lease liabilities	33.2	35.8	30.9
Borrowings	–	48.6	53.8
Deferred tax liabilities	10.1	11.3	8.6
Total non-current liabilities	45.3	103.6	94.6
Total liabilities	210.6	337.4	281.2
Net assets	895.8	1,384.2	1,320.2
Equity			
Contributed equity	471.2	876.3	867.6
Reserves	205.3	245.7	243.7
Retained earnings	219.2	262.2	208.9
Total equity	895.8	1,384.2	1,320.2

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(d) Historical consolidated statement of cash flows

Below is a summary of Pandal's consolidated statements of cash flow for the financial years ended 30 September 2020, 30 September 2021 and 30 September 2022.

	Pandal stand alone		
	30/09/2020 \$'m	30/09/2021 \$'m	30/09/2022 \$'m
Cash flows from operating activities			
Fees and other income received	496.9	591.7	672.2
Interest received	0.2	0.002	0.2
Distributions from unit trusts	0.9	0.4	11.9
Expenses paid	(285.3)	(315.1)	(426.8)
Fund application settlement amounts paid	(0.4)	(1.5)	1.3
Income tax paid	(35.1)	(46.8)	(58.8)
Net operating cash inflows / (outflows)	177.1	228.8	200.0
Cash flows from investing activities			
Acquisition of subsidiary	–	(379.0)	–
Sale of financial assets - FVTPL	140.5	57.2	93.2
Financial assets held at FVTPL	(80.1)	(84.4)	(48.1)
Property, plant and equipment	(1.9)	(1.9)	(0.6)
Derivative hedging instruments	1.8	(3.4)	8.1
Payments for IT development	(0.9)	(0.4)	(2.0)
Net investing cash inflows / (outflows)	59.3	(411.9)	50.6
Cash flows from financing activities			
Proceeds from share issue	–	375.3	–
Proceeds from borrowings	–	48.0	–
Dividends paid	(129.4)	(116.3)	(166.1)
Payments for purchase of treasury shares	(37.5)	(29.5)	(58.6)
Payment for leases	(9.8)	(8.8)	(9.3)
Fund application settlement amounts received	0.4	1.5	(1.3)
Interest and other financing costs	(0.1)	(0.4)	(1.3)
Net financing cash inflows / (outflows)	(176.3)	269.7	(236.6)
Net increase / (decrease) in cash	60.1	86.5	14.0
Cash and cash equivalents at the beginning of the financial year	150.1	207.5	297.7
Effects of exchange rates on cash and cash equivalents	(2.7)	3.7	4.7
Cash and cash equivalents at the end of the financial year	207.5	297.7	316.4

(e) Reconciliation between the statutory net profit after tax and underlying profit after tax

Below is a reconciliation between statutory net profit after tax and underlying profit after tax for the years ended 30 September 2020, 30 September 2021 and 30 September 2022.

	Pendal stand alone		
	30/09/2020 \$'m	30/09/2021 \$'m	30/09/2022 \$'m
UPAT reconciliation			
UPAT	132.6	165.3	194.2
Amortisation and impairment of intangibles	(6.1)	(12.1)	(45.2)
Net gains/(losses) on financial assets held at FVTPL	(14.3)	38.7	(37.3)
Transaction and integration costs	–	(16.0)	(12.4)
Tax effect	4.2	(11.2)	13.5
Statutory NPAT	116.4	164.7	112.8

5.8 Material changes in Pendal's financial position

To the knowledge of the Pendal Directors, the financial position of Pendal as at the Last Practical Date has not materially changed since 30 September 2022, being the date of Pendal's consolidated financial report for FY22, other than:

- the accumulation of earnings and payment of outgoings in the ordinary course of trading since 30 September 2022;
- while Pendal's overall FUM grew in the period to 31 October 2022, notable outflows have continued over a number of months in certain Pendal key investment strategies which, if sustained, may adversely impact on the earning and financial position of Pendal or the Combined Group; or
- as disclosed to the ASX by Pendal.

Pendal Shareholders can access Pendal's FY22 Annual Report from ASX's website (<https://www.asx.com.au>) or from Pendal's website (<https://investors.pendalgroup.com/>).

5.9 Capital structure

As at the date of this Scheme Booklet, Pendal has 383,149,490 fully paid ordinary shares on issue.

Pendal also has a number of Pendal Employee Rights on issue which grant rights to Pendal Shares and which are set out in section 5.10. Pendal does not typically satisfy Pendal Employee Rights by the issue of additional Pendal Shares, but by the transfer of existing Pendal Shares from its employee benefit trust.

5.10 Pendal Employee Rights

(a) Description of Pendal's equity incentive arrangements

Pendal's Global Reward Framework is made up of key principles that are directly aligned to Pendal's business strategy. These principles include:

- remuneration being weighted towards medium and long-term share rewards;
- paying fairly for skills, ability and responsibility based on market benchmarking; and
- performance accountability.

The Pendal Board applies these principles to attract and retain the talent necessary to deliver for Pendal's clients and create long-term value for shareholders.

Section 5

Information Relating to Pandal

The table below sets out the aggregate number of Pandal Employee Rights, in the form of Options, Performance Rights and Restricted Shares, which are currently outstanding as a result of awards made under Pandal's Global Reward Framework. As noted in section 5.9, Pandal typically satisfies Pandal Employee Rights by transfers out of its employee benefit trust.

Form of Incentive	Outstanding as at the date of this Scheme Booklet
Options	2,641,340
Performance Share Rights	2,226,081
Restricted Shares	7,904,592

The Pandal Group currently operates the following equity incentive schemes under which these Pandal Employee Rights have been issued:

(i) Corporate Staff

Pandal has a number of schemes to reward performance for senior and general employees (including designated key management personnel) who work within Pandal'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 corporate financial objectives.

Should an individuals' variable reward exceed a stated threshold, these schemes apply compulsory deferral into Pandal equity (in the form of Restricted Shares) which vests over a five-year period.

An additional long-term incentive scheme also provides eligible corporate employees with an annual amount of equity in the form of Performance Share Rights (PSRs), aimed at rewarding financial success. Vesting of PSRs is contingent on Underlying EPS and TSR performance hurdles being met at the end of a three-year performance period.

(ii) Distribution Staff

Distribution staff across the Pandal Group participate in incentive schemes designed to reward performance across a range of factors. This includes net assets raised during the year, client retention, cross-selling and other collaborative team behaviours. Individuals participating in these schemes are required to defer a component of their variable reward into Pandal equity (in the form of Restricted Shares) which is subject to vesting conditions of three to five years.

Distribution staff have also historically participated in the long-term incentive scheme in the form of PSRs which vest contingent on Underlying EPS and TSR performance hurdles being met at the end of a three-year performance period.

(iii) Investment Staff

Incentive schemes for investment staff are designed to directly reward fund managers for the investment strategies that they manage. The schemes are typically built on agreed formulas linked to the fee revenue each investment strategy generates, or the profit generated by an investment team. The share of the revenue attributable to fund managers differs between base management fees and performance fees.

The variable reward allocated to investment staff at the end of each year is typically via a combination of cash, deferred Pandal equity, (in the form of Restricted Shares and/or nil cost options) and in some cases deferred fund units. The deferred Pandal equity and deferred fund units are subject to vesting conditions of up to five years.

(b) Treatment of Pandal's equity incentives in relation to the Scheme

Pandal must, as a Condition Precedent to the Scheme becoming Effective as described in section 4.15, cause all Pandal Employee Rights to either vest and be released from restrictions or lapse or be cancelled. As part of this process, certain employees will receive cash and/or Perpetual equity incentives. The arrangements by which Pandal intends to give effect to the Condition Precedent are outlined below.

Pandal employees who have their shares vest as a result of this process will be able to trade their Pandal Shares on the Effective Date prior to the suspension in trading.

All existing Pandal Employee Rights are backed by ordinary shares in Pandal's employee benefit trust, and therefore any vesting will not affect the number of ordinary shares on issue.

(i) Incentive Rollover Arrangements for Key Employees

A number of Pendal employees that have been identified or may after the date of this Scheme Booklet be identified by Perpetual as being important to the ongoing success of the Combined Group's business post-implementation, including certain executive officers (**Key Employees**) will have some or all of their Pendal Employee Rights subject to agreed rollover arrangements as set out below (**Incentive Rollover Arrangements**):

The Incentive Rollover Arrangements involve the following treatment of existing Pendal Employee Rights which are currently subject to time-based vesting requirements. Rather than all such Pendal Employee Rights vesting on change of control in accordance with their terms or board discretion:

- a portion of the current Pendal Employee Rights of Key Employees will, as agreed between Pendal and each Key Employee and otherwise in accordance with the terms of the relevant plans, vest on or prior to the Effective Date, with the vested Pendal Shares entitled to participate in the Scheme and receive the Scheme Consideration; and
- the remainder of the Pendal Employee Rights of Key Employees will, as agreed between Pendal and each Key Employee and otherwise in accordance with the terms of the relevant plans, lapse or be cancelled on or prior to the Effective Date and will be replaced on implementation of the Scheme with equity-based incentives to be provided by Perpetual of equivalent value which will be subject to time-based vesting consistent with the lapsed or cancelled Pendal Employee Rights.

A number of Key Employees will also on implementation of the Scheme be granted additional Perpetual equity incentives or rights to deferred cash payments to further align their interests with the Combined Group's shareholders. These additional incentives are in the nature of employment continuity retention benefits and will be subject to time-based vesting requirements.

The Incentive Rollover Arrangements are conditional on the Scheme becoming Effective and the receipt of the ASX waiver referred to in section 10.7(b) below.

No Directors are subject to the Incentive Rollover Arrangements.

(ii) Other vesting and cancellation of Pendal Employee Rights

Those Pendal Employee Rights which are not subject to the Incentive Rollover Arrangements will either vest or lapse or be cancelled in accordance with their terms of issue and, if the terms of issue provide, the discretion of the Pendal Board so that no Pendal Employee Rights remain on issue as at the Effective Date.

For those Pendal Employee Rights that are subject to performance hurdles, early vesting will occur on a pro-rata basis taking into account the vesting period that has elapsed and performance achieved at the time of transaction.

(c) FLE Shares

In addition to the treatment of Pendal Employee Rights detailed in section 5.10(a) and 5.10(b) above, Pendal has in place certain "FLE Shares" which have been issued under the Fund Linked Equity Scheme that certain employees participate in. Currently, participating employees have the right to partly convert the revenue generated by their investment strategy into Pendal Shares over time.

Unlike Pendal Employee Rights, FLE Shares are not to be cancelled in connection with the Scheme. Rather, after implementation of the Scheme, it is proposed that the terms of the FLE scheme will change so that relevant participants will have the right to convert revenue into Perpetual Shares (rather than Pendal Shares) on the same terms.

Section 5

Information Relating to Pandal

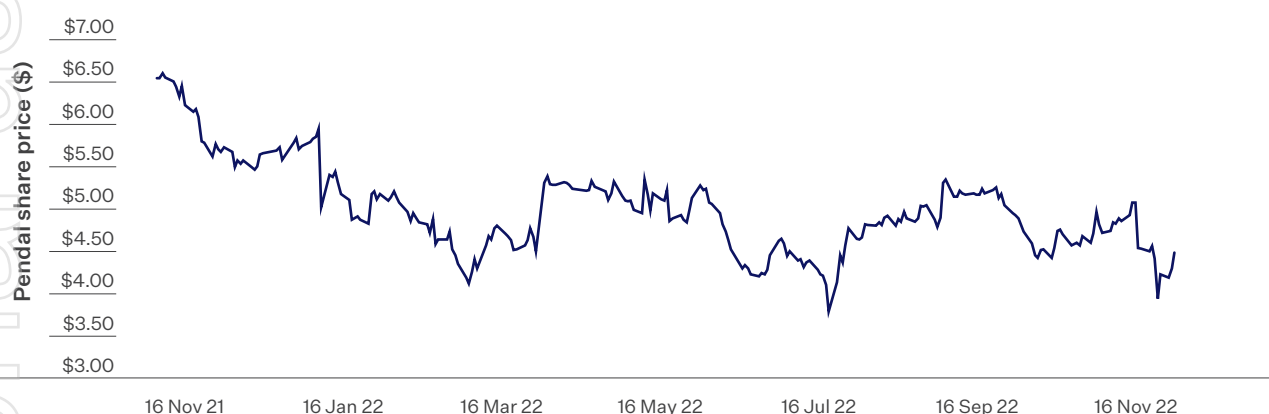
5.11 Share price history

Pandal Shares are listed on the ASX under the trading symbol 'PDL'.

On 4 April 2022, Pandal announced its receipt of Perpetual's non-binding indicative proposal to acquire 100% of the Shares of Pandal. The closing price of Pandal Shares on 1 April 2022 (being the last trading day prior to the announcement of Perpetual's non-binding indicative proposal) was \$4.48 per Pandal Share. On 12 April 2022, the Pandal Board determined that the initial offer received from Perpetual on 4 April 2022 was not in the best interests of Pandal Shareholders.

On 25 August 2022, Pandal announced that it had entered into an Implementation Deed with Perpetual under which Perpetual will acquire 100% of the issued shares of Pandal by way of a Scheme of Arrangement. The closing price of Pandal Shares on 24 August 2022 (being the last trading day prior to the announcement of the Scheme) was \$4.88 per Pandal Share.

Figure 4 – Pandal share price performance to Last Practical Date



The graph above shows the closing Pandal Share price during the twelve months ended 16 November 2022 (being the Last Practical Date).

Up to and including 16 November 2022, being the Last Practical Date:

- the last recorded Pandal Share price on 16 November 2022 was \$4.46;
- the 30-day VWAP of Pandal Shares was \$4.49;
- the 90-day VWAP of Pandal Shares was \$4.71; and
- the lowest and highest closing Pandal Share prices during the preceding twelve months was \$3.76 and \$6.60, respectively.

5.12 Substantial Pandal Shareholders

As at the Last Practical Date, the substantial Pandal Shareholders that had notified the ASX of their holdings are:

Name	Shareholding	%Holding
BlackRock, Inc.	23,678,403	6.17%
First Sentier Investors Holdings Pty Limited (and its related bodies corporate) ⁸	23,608,533	6.12%
Mitsubishi UFJ Financial Group Inc.	23,608,533	6.16%
Pandal Group Limited (held by its employee benefit trust)	24,760,197	6.50%
State Street Corporation	23,948,167	6.25%
Vanguard Group Holdings	19,191,240	5.01%

8. These figures have been taken from the substantial holding notice lodged by First Sentier Investors Holdings Pty Limited's (and its related bodies corporate) with ASX and Pandal on 7 November 2022. Pandal notes the percentage holding does not correspond to the number of shares disclosed.

5.13 Pental Director's voting intentions

Each Pental Director intends to vote, or procure the voting of, any Pental Shares owned or controlled by them in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Pental Shareholders.

The interests of Pental Directors are set out in section 10.1 of this Scheme Booklet.

5.14 Intentions regarding the continuation of Pental's business

The Corporations Regulations require a statement by Pental Directors of their intentions regarding:

- (a) the continuation of the business of Pental;
- (b) major changes, if any, to be made to the business of Pental; or
- (c) any future employment of the present employees of Pental.

If the Scheme is implemented, Perpetual will acquire and control Pental. On the Implementation Date, Perpetual intends to reconstitute the Perpetual Board. Accordingly, it is not possible for the Pental Directors to provide a statement of their intentions after the Scheme is implemented regarding the above matters. The current intentions of Perpetual with respect to these matters are set out in section 7.5.

If the Scheme is not implemented, the Pental Directors intend to continue to operate Pental in the ordinary course of business, including with respect to the matters set out above, and for Pental to remain listed on the ASX.

5.15 Public information available for inspection

Pental is a disclosing entity for the purposes of the Corporations Act and is subject to periodic reporting and disclosure obligations under the Corporations Act and the Listing Rules. These obligations require Pental to notify ASX of information about specified matters and events as they arise for the purpose of ASX making that information available to participants in the market.

Once Pental becomes aware of any information concerning it which a reasonable person would expect to have a material effect on the price or value of a Pental Share, Pental must (subject to limited exceptions) immediately notify the ASX of that information.

Additionally, ASIC maintains a record of documents Pental has lodged with it, which may be obtained or inspected at any office of ASIC.

Publicly disclosed information about all ASX-listed entities, including Pental, is available on the ASX website at <https://www.asx.com.au>. Pental's annual and interim reports and public announcements are also available on the Pental website at <https://investors.pentalgroup.com/>.

Section 6

Information about Perpetual

6.1 Responsibility for information

The information in this section of the Scheme Booklet regarding Perpetual and the Perpetual Group, and the businesses of the Perpetual Group, Perpetual's interests and dealings in Pandal Shares, and funding for the Scheme, has been prepared by and is the responsibility of Perpetual.

6.2 Business model overview and history of Perpetual

Perpetual's History

As one of Australia's oldest companies, Perpetual Limited (Perpetual) has been creating enduring prosperity for more than 135 years supporting clients and communities through periods of great change and volatility. Perpetual was first founded in 1886 and listed on the Australian Securities Exchange (ASX:PPT) in 1964. Today, Perpetual has grown to become a global financial services company headquartered in Sydney, Australia.

First established as a Trustee company, Perpetual expanded its offering to include asset management, advisory services and wealth management. In 2013, Perpetual acquired the Trust Company and in 2018 introduced a transformational growth strategy which focused on building exceptional products and services for clients, empowering its people to deliver high performance through improved process and technology and, building new global capabilities both organically and inorganically. In 2020, Perpetual completed the acquisition of Trillium Asset Management (**Trillium**) and acquired a 75% interest in Barrow Hanley Mewhinney & Strauss, LLC (**Barrow Hanley**) to create a global multi-boutique asset management capability and commenced the build-out of a world-class global distribution team to support their global growth ambitions.

Today, Perpetual is one of Australia's largest asset and wealth managers, a trusted adviser to high net-worth individuals, families, businesses, the not-for-profit sector and Native Title clients, and a leading provider of corporate trustee services, with offices across Australia and growing interests in Asia, Europe, United Kingdom and the US. Perpetual has offices in Sydney, Canberra, Melbourne, Brisbane, Adelaide, Perth, Singapore, Amsterdam, London, Edinburgh, Chicago, Boston, San Francisco, Hong Kong and Dallas.

Perpetual's clients include Australian and international institutions, not-for-profit organisations, small businesses, financial advisers, individuals and families.

As at the Last Practical Date, Perpetual's market capitalisation was approximately \$1.8 billion. In 2022, Perpetual had operating revenue of \$768 million, and UPAT of \$148 million for the financial year ended 30 June 2022.

Business Model Overview

Perpetual's business is underpinned by a diverse portfolio of financial services businesses including:

1. **Perpetual Asset Management Australia:** provides investment products and services to Australian and New Zealand retail, corporate, superannuation and institutional clients, with investment capabilities spanning Australian equities, Australian credit and fixed income, multi-asset and global equities.
2. **Perpetual Asset Management International:** provides investment products and services to global retail and institutional clients with a distribution presence in the United States, the United Kingdom and Europe. Investment management firms, Barrow Hanley, and specialist ESG investment management firm, Trillium, form part of this operating segment to offer a breadth of high-quality global investment capabilities to Perpetual's clients.
3. **Perpetual Private:** wealth and advisory services business focused on the comprehensive needs of families, businesses, not-for-profit organisations and communities. Support for clients spreads across financial advice, risk, estate administration, trustee services and tax and accounting as well as portfolio management. The business is focused on client service excellence and attracting and retaining exceptional talent to meet those standards in Perpetual's chosen segments.
4. **Perpetual Corporate Trust:** provides a broad range of fiduciary, agency and digital products to the debt capital markets and managed funds industries to clients domestically and internationally.⁹ Including the following:
 - a. **Debt Market Services** includes trustee, document custodian, agency, trust management, accounting, standby servicing and reporting solutions.
 - b. **Perpetual Digital** provides data services, industry roundtables, and the Perpetual Intelligence platform-as-a-service products supporting the banking and financial services industry.
 - c. **Managed Funds Services** includes independent responsible entity, wholesale trustee, custodian, investment management and accounting services and Perpetual's Singapore office, which specialises in Singapore Real Estate Investment Trusts (S-REITS) and cross-border flows into Australia.





The business units are supported by Group support services comprising Group Investments, CEO office, Finance, Corporate Affairs, Marketing, Legal, Audit, Risk, Compliance, Company Secretary, Technology, Project & Change Management, Operations, Product and People & Culture Teams.





9. A number of Perpetual Limited subsidiaries hold Australian Financial Services Licences and Australian Credit Licences. Perpetual (Asia) Limited also holds certain capital market and licenced trustee licences in Singapore.

Section 6

Information About Perpetual


6.3 Perpetual Board

Director	Experience
 <p>Tony D'Aloisio AM, Chairman and Independent Director</p>	<p>Tony D'Aloisio has been an Independent Non-Executive Director of Perpetual since 2016. Tony became Chairman of Perpetual in 2017 and is based in Sydney, Australia.</p> <p>Tony has held leadership roles in listed and non-listed companies. Most recently, he was Chairman of IRESS Limited. Tony was appointed a Commissioner for the Australian Securities and Investments Commission (ASIC) in 2006 and Chairman in 2007 for a four-year term. He was CEO and MD at the Australian Securities Exchange from 2004–2006. Tony was Chief Executive Partner at Mallesons Stephen Jaques between 1992–2004 having first joined the firm in 1977. He was Chairman of the (International) Joint Forum of the Basel Committee on banking supervision from 2009–2011.</p> <p>Currently Tony is also a Director of the Aikenhead Centre for Medical Discovery Pty Ltd and President of the European Capital Markets Cooperative Research Centre as well as Chairman of Aircellar Pty Ltd.</p>
 <p>Rob Adams, Chief Executive Officer and Managing Director</p>	<p>Rob Adams has been the Chief Executive Officer and Managing Director of Perpetual since 2018 and is based in Sydney, Australia.</p> <p>Rob has over 30 years' experience locally and globally across funds management, financial advice and fiduciary services.</p> <p>Before Perpetual, Rob was Head of Pan-Asia and a member of the Global Executive Committee of Janus Henderson where he had been for six years. Prior to that, he was Chief Executive of Challenger Funds Management, and was previously CEO of First State Investments UK.</p>
 <p>Mona Aboelnaga Kanaan, Independent Director</p>	<p>Mona Aboelnaga Kanaan has been an Independent Non-Executive Director since 2021 and is based in New York, USA.</p> <p>Mona has extensive experience over a distinguished career spanning more than 30 years. Previously, Mona served as President and CEO of Proctor Investment Managers, a firm she co-founded in 2002 to acquire and scale traditional and alternative asset managers. Mona sold the firm to National Bank of Canada in 2006, acquired affiliates managing nearly \$14 billion in assets under management and continued as Proctor's President and CEO until 2013. She has served as a Board Member of a number of traditional and alternative asset managers in the United States including, Siguler Guff's BDC and Peridiem Global Investors.</p> <p>She is currently the Managing Partner of K6 Investments LLC, an independent private equity firm which she founded in 2011. Mona is also currently a Director of Webster Financial Corporation (WBS) and FinTech Acquisition Corp VI (Nasdaq: FTVI).</p>
 <p>Gregory Cooper, Independent Director</p>	<p>Greg Cooper has been an Independent Non-Executive Director of Perpetual since 2019 and is based in Sydney, Australia.</p> <p>Greg has more than 26 years' of global investment industry experience in the UK, Asia and Australia. He brings strong financial services and strategy expertise to the Perpetual Board predominantly gained from his executive career at Schroders Australia where he was the Chief Executive Officer from 2006 to 2018 with responsibility for Schroders' institutional business across Asia Pacific and then globally. Previously Greg acted as a Non-executive Director to the Financial Services Council and held the position of Chairman from 2014 to 2016.</p> <p>Greg currently serves as a Non-executive Director of NSW Treasury Corporation, where he also chairs the Investment Committee. He is currently the Chairman of Avanteos Investments Limited (part of the Colonial First State Group) and is a Non-Executive Director of Australian Payments Plus Limited as well as its subsidiaries/related entities; Catholic Church Insurance, OpenInvest Holdings, the Australian Indigenous Education Foundation and EdStart.</p>




Director	Experience
 <p>Nancy Fox AM, Independent Director</p>	<p>Nancy Fox has been an Independent Non-Executive Director of Perpetual since 2015 and is based in Sydney, Australia.</p> <p>Nancy has more than 30 years' experience in financial services, securitisation and risk management gained in Australia, the US and across Asia. A lawyer by training, she was Deputy Chairman of the Board of Taronga Conservation Society Australia until 2021, Managing Director for Ambac Assurance Corporation from 2001 to 2011 and previously Managing Director of ABN Amro Australia from 1997 to 2001.</p> <p>She is currently Chairman of Perpetual Equity Investment Company Limited, a Non-executive Director of Lawcover Pty Ltd, Mission Australia, Aspect Studios Pty Ltd and O'Connell Street Associates.</p>
 <p>Ian Hammond, Independent Director</p>	<p>Ian Hammond has been an Independent Non-Executive Director of Perpetual since 2015 and is based in Sydney, Australia.</p> <p>Ian was a partner at PricewaterhouseCoopers for 26 years' and during that time held a range of senior management positions including lead partner for several major financial institutions. He has previously been a member of the Australian Accounting Standards Board and represented Australia on the International Accounting Standards Board.</p> <p>Ian is a Non-Executive Director of Suncorp Group Limited, Venues NSW, and is a Board Member of not-for-profit organisations including Mission Australia and Chris O'Brien Lifehouse.</p>
 <p>Fiona Trafford-Walker, Independent Director</p>	<p>Fiona Trafford-Walker has been an Independent Non-Executive Director of Perpetual since 2019 and is based in Melbourne, Australia.</p> <p>Fiona has over 30 years' of senior executive and business management experience within the investment industry. Fiona began her career in institutional investment consulting in 1992, and until December 2019 was an Investment Director at Frontier Advisors (Frontier). At various times during her tenure, she was responsible for the original development and on-going management of Frontier's business, as well as providing investment and governance advice to a number of the firm's clients.</p> <p>Currently Fiona is a Non-Executive Director of Victorian Funds Management Corporation, Prospa Group Ltd, Link Administration Holdings, Eclix Group, an Investment Committee Member of the Walter and Eliza Hall Institute and a Strategic Advisor to the QE Advisory Board.</p>
 <p>P Craig Ueland, Independent Director</p>	<p>Craig Ueland has been an Independent Non-Executive Director of Perpetual since 2012 and is currently based in the United States.</p> <p>Craig has extensive financial markets experience, gained from over 20 years' as a senior executive of a major investment firm. Craig was formerly President and Chief Executive Officer of Russell Investments, a global leader in multi-manager investing. He previously served as Russell's Chief Operating Officer, Chief Financial Officer, and Managing Director of International Operations, which he led from both London and the firm's headquarters in the US. Earlier in his career he opened and headed Russell's first office in Australia.</p> <p>Craig is a Committee member of the Endowment Investment Committee for The Benevolent Society, is a Board Member of the Stanford Australia Foundation and the Supervisory Board of OneVentures Innovation and Growth Fund II.</p>






Section 6

Information About Perpetual

Director	Experience
 <p>Sylvie Dimarco, Group Company Secretary & Head of Corporate Governance</p>	<p>Sylvie Dimarco joined Perpetual in 2014 and was appointed Company Secretary of Perpetual in April 2020. She is based in Sydney, Australia.</p> <p>Sylvie has over 15 years' experience in company secretariat practice and administration for listed and unlisted companies. Before Perpetual, she practised as a commercial lawyer in Sydney and Canberra for 11 years, working in predominantly mid-sized law firms.</p>

6.4 Perpetual senior management

Executive Member	Experience
 <p>Amanda Gazal, Chief Operating Officer</p>	<p>Amanda Gazal was appointed Group Executive, Integration in September following the announcement of the proposed acquisition of Pendal Group. Amanda joined Perpetual in April 2020 as Chief Operating Officer. She is based in Sydney, Australia.</p> <p>Amanda has more than 20 years' of experience in financial services industry and is responsible for Perpetual Limited's business strategy, operations, product and outsourced relationships. Prior to her current role, she was Singapore Chief Operating Officer for DWS Group (asset manager majority-owned by Deutsche Bank) and Chief Operating Officer of their Asia Pacific Distribution. Before this, she held senior roles at Deutsche Bank in Asia and was with Credit Suisse in London. Her career spans across a range of functions including Operations, IT Consulting, Audit, Finance and Change Management.</p>
 <p>Amanda Gillespie, Group Executive, Perpetual Asset Management, Australia</p>	<p>Amanda Gillespie was appointed Group Executive, Perpetual Asset Management, Australia in November 2020. She is based in Sydney, Australia.</p> <p>Amanda has more than 21 years' of experience and is responsible for leading the Australian segment of Perpetual Asset Management, which includes the Australian Equities, Credit & Fixed Income, Global Innovation Share Fund and Multi Asset investment management teams. Amanda joined Perpetual in February 2018 and has held the prior roles of General Manager Client Solutions & Strategy and more recently, General Manager Perpetual Investments. Prior to joining Perpetual, Amanda was CEO of Lonsec Australia where she played a key role in building out Lonsec's investment and superannuation research and consulting capabilities. Before being appointed CEO, Amanda lead Lonsec Research and was also Head of Investment Consulting. Prior to Lonsec, Amanda spent six years at BT Funds Management.</p>
 <p>Chris Green, Chief Financial Officer</p>	<p>Chris Green was appointed Chief Financial Officer in October 2018. He is based in Sydney, Australia.</p> <p>Chris has more than 25 years' experience and is responsible for financial operations, reporting, business planning and investor relations. He joined Perpetual in 2006 and prior to his current role was Group Executive of Corporate Trust from 2008-2018. Chris was at JPMorgan from 1996-2006 where he spent 9 years in London as Vice President of the Institutional Trust Services business and a year as head of that business for the Australasia region. Chris was previously Chairman of the Australian Securitisation Forum and a member of the Advice Board of the Financial Services Council.</p>

Executive Member	Experience
 <p>David Lane, Group Executive, Perpetual Asset Management, International</p>	<p>David Lane was appointed Group Executive, Perpetual Asset Management International in November 2020. He is based in Sydney, Australia.</p> <p>David has more than 30 years' experience in wealth management, asset management and investment banking and first joined Perpetual in April 2017 as Group Executive, Perpetual Investments. He is responsible for Perpetual's international asset management business which includes Trillium and Barrow Hanley. He is also responsible for sourcing and executing asset management transactions. David has more than 30 years' experience in asset management, wealth management and investment banking. Prior to joining Perpetual, David was CEO of Count Financial and held COO positions at both Neuberger Berman and Liberty View Capital. He has also held roles at Aetos Capital, JP Morgan and Goldman Sachs.</p>
 <p>Richard McCarthy, Group Executive, Perpetual Corporate Trust</p>	<p>Richard McCarthy was appointed Group Executive of Perpetual Corporate Trust in December 2018. He is based in Sydney, Australia.</p> <p>Richard has over 25 years' experience in global executive leadership roles and is responsible for the day-to-day management of the Perpetual Corporate Trust business. He joined Perpetual in 2007 as Director Sales and Relationship Management and became General Manager, Trust and Fund Services in 2012. Prior to joining Perpetual, Richard worked at Chemical Bank's Global Custodian business in Cardiff, Wales. Chemical Bank merged with Chase Manhattan Bank in 1996. Richard moved to Sydney in 2003 as Vice President, to integrate the acquisition of Guardian Trust and grow the Australian business. He became VP, Head of Relationship Management at BNY Mellon's Corporate Trust segment in Sydney following the sale of JPM Corporate Trust business in 2006.</p>
 <p>Sam Mosse, Chief Risk Officer</p>	<p>Sam Mosse joined Perpetual as Chief Risk Officer in February 2019 and was appointed Transaction Director following the announcement of the proposed acquisition of Pandal Group. She is based in Sydney, Australia.</p> <p>Sam has more than 25 years' experience within the financial services sector and is responsible for the Legal, Risk, Compliance and Governance functions for the Perpetual Group. Prior to Perpetual, Sam was Acting Global Head of Enterprise Risk and Head of Risk and Compliance, Pan Asia at Janus Henderson Investors where she spent more than five years. Sam also held senior risk and operational roles at Macquarie Group across 17 years, including Head of Compliance and Risk for Macquarie Funds Group, after starting her career as a Chartered Accountant at KPMG.</p>
 <p>Craig Squires, Deputy Chief Operating Officer</p>	<p>Craig Squires joined Perpetual in March 2022 as Chief Technology Officer and was appointed Deputy Chief Operating Officer following the announcement of the proposed Pandal acquisition. He is based in Sydney, Australia.</p> <p>Craig is an IT professional focused on the financial services industry with over 35 years' experience gained in Australia, the US, Europe, and Japan. His experience spans IT development, support and information security of investment management, capital markets, superannuation and life insurance delivered via listed and unlisted financial products.</p> <p>Prior to joining Perpetual, Craig has held senior roles with a number of financial services organisations including Challenger, Barclays Global Investors, MLC, and Westpac.</p>
 <p>Mark Smith, Group Executive, Perpetual Private</p>	<p>Mark Smith joined Perpetual as Group Executive, Perpetual Private in November 2012. He is based in Sydney, Australia.</p> <p>As Group Executive, Perpetual Private, Mark is responsible for leading Perpetual's wealth business, which includes the philanthropic, trustee and high net worth advisory businesses, as well as Fordham, a business specialising in accounting and advisory services to business owners. He also is the Chair of the Noongar Budja Investment committee and group sponsor of Perpetual's Stretch Reconciliation Action Plan.</p> <p>Mark has over 25 years of financial services experience, gained predominantly at BT Financial Group and Pandal Asset management where he led market leading businesses focussed on Platforms, Asset Management and Insurance.</p>

Section 6

Information About Perpetual

6.5 Perpetual strategy

Perpetual's vision is to be the most trusted in financial services and its purpose is to create enduring prosperity for clients, communities and shareholders. Across Perpetual's four segments – Perpetual Asset Management Australia, Perpetual Asset Management International, Perpetual Private and Perpetual Corporate Trust – the overall aim is to protect and grow clients' wealth, knowing that by doing so Perpetual can make a difference in their lives.

As a quality diversified business investing for future growth, Perpetual's transformational strategy is designed to deliver sustained future growth across all of Perpetual's businesses via targeted organic and inorganic growth opportunities. Through Perpetual's strategy, Perpetual remains focused on expanding its global asset management capabilities and distribution footprint, establishing a leadership position in ESG investing and seeks to build on the foundations of its industry leading wealth management and trustee businesses, enabled by a scalable business model, shared central services and a strong brand.

In pursuing its growth strategy, the Group is committed to the following strategic imperatives:

- **Client first:** delivering exceptional products and outstanding service;
- **Future fit:** a scalable business platform that empowers Perpetual's people to deliver high performance; and
- **New horizons:** adding new capabilities and building a global footprint.

Perpetual's unique combination of market leading businesses provides the group with diversification of earnings, a broad array of growth opportunities, and a level of downside protection in times of market volatility through non-market linked revenues.

Perpetual Asset Management's vision is to create a market leading global multi-boutique asset management business, with world-class investment capabilities delivered by the two operating segments of Perpetual Asset Management International (**PAMI**) and Perpetual Asset Management Australia (**PAMA**). Perpetual Asset Management provides a foundation for sustained quality growth by offering globally relevant investment capabilities, expanding its global distribution footprint and investment in a contemporary and scalable global multi-boutique model.

Perpetual Private's (PP) vision is to empower families, businesses and communities to achieve their aspirations by delivering advisory service excellence. With a client centred fiduciary heritage, PP reaches into segments where client goals are aligned to a "protect first" and then "grow" investment philosophy.

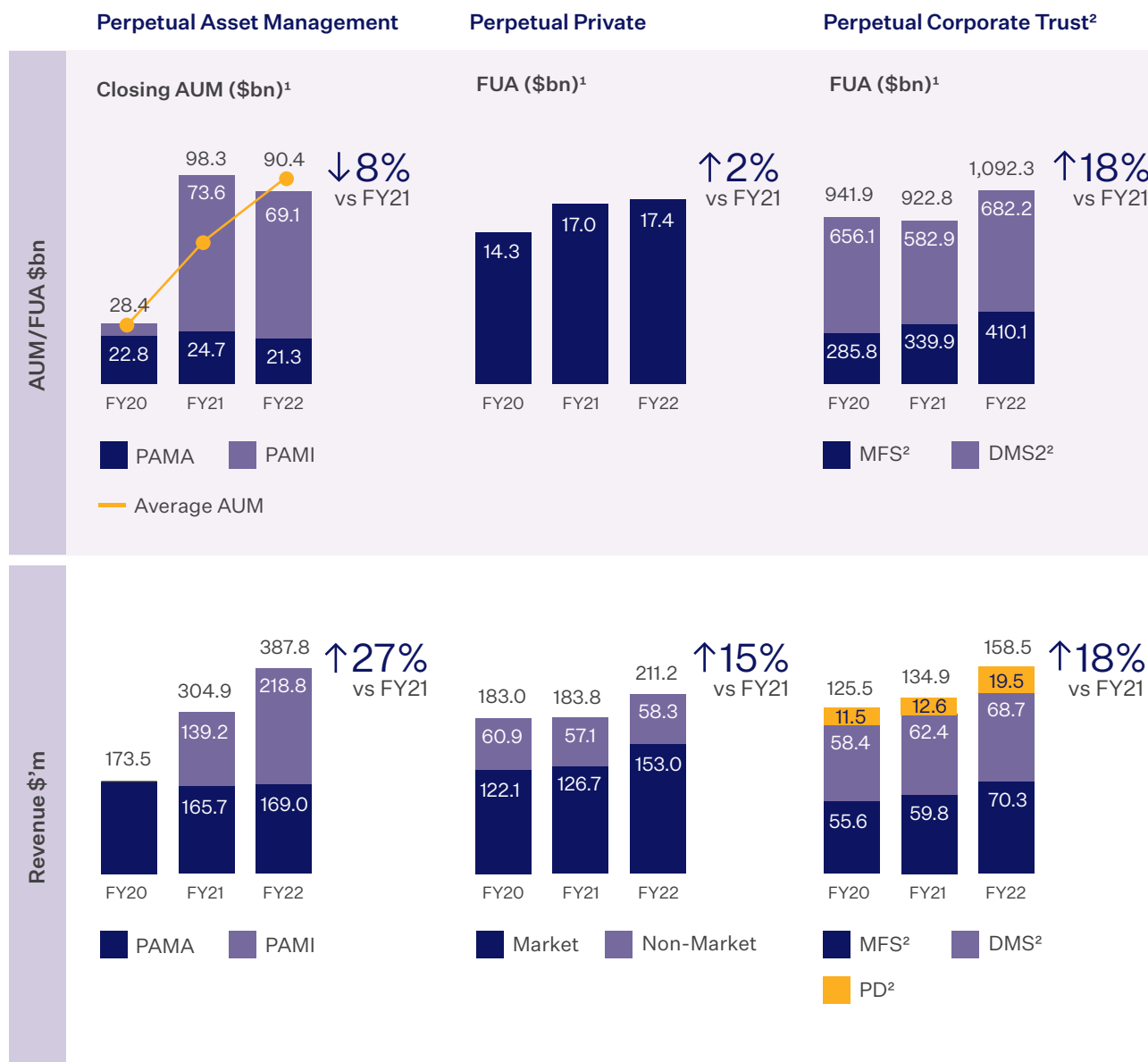
Perpetual Corporate Trust's (PCT) vision is to be the most trusted fiduciary and the leading digital solutions provider to the banking and financial services industry, with a mission to support the delivery of its client's strategy through the provision of service excellence and digital solutions. PCT builds on its strategy of enabling client success by leveraging its long-standing relationships and supporting its clients with innovative and automated digital solutions to help them meet business challenges today and into the future.

Perpetual's approach to corporate sustainability: Perpetual has a deep heritage of responsible investment and environmental, social and governance principles. In 2022, Perpetual launched a comprehensive new sustainability strategy which outlines a clear vision and set of commitments to ensure continued positive environmental and social impact, and to uphold the high standards of governance that has underpinned its trusted business for over 135 years. The strategy was developed following extensive internal and external stakeholder engagement with 35 commitments across four key areas where Perpetual can make the most impact – Planet, People, Communities and Governance. Major commitments include:

- carbon neutral operations by FY23
- 100% renewable operations by FY25
- giving the equivalent of 1% of underlying profit before tax through community giving and volunteering
- the launch of a global human rights framework by FY25
- delivering the 2021-23 Stretch Reconciliation Action Plan
- 40% women in leadership by FY24
- increasing ESG skills and capabilities; and
- maintaining strong client advocacy with a Net Promoter Score over +40.

6.6 Perpetual's operations

6.6.1 Key Group Financial Highlights



1. Closing AUM translated at 30 June 2022 with an exchange rate of AUD:USD of 0.69.

2. PD = Perpetual Digital, DMS = Debt Markets Services, MFS = Managed Funds Services.

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6.6.2 Segment Detail

6.6.2.1 Perpetual Asset Management Australia (PAMA)

Business Overview

PAMA is one of Australia's most respected and longstanding active investment managers, focused on the needs of Australian and New Zealand retail and institutional investors. PAMA is a dynamic, active manager, offering an extensive range of specialist investment capabilities including Australian and global equities, Australian credit and fixed income, multi-asset as well as environmental, social and governance (ESG) focused products:

- **Australian Equities:** Manage a range of Australian equities funds with an investment process refined through more than 50 years of experience. Managing long only, long/short, absolute return, concentrated, small cap, microcap, geared and ESG investment strategies.
- **Multi-asset:** Manage traditional multi-asset and contemporary real return strategies, deploying an active approach to asset allocation to invest across a broad range of investment opportunities, asset classes, strategies and markets, with a focus on achieving targeted levels of risk and return.
- **Credit and Fixed Income:** Manage a range of Australian cash, credit and fixed income solutions, with an active approach to managing portfolios and a focus on delivering income and risk adjusted returns.

Financial Performance

For the Period	30/06/2020 \$'m	30/06/2021 \$'m	30/06/2022 \$'m
Revenue by Asset Class			
Equities	136.5	132.5	131.7
Cash and Fixed Income	32.0	29.8	34.0
Other AUM Related	5.0	3.4	3.3
Other Non-AUM Related	0.1	0.0	0.0
Total Revenue	173.5	165.7	169.0
Operating Expenses	(104.5)	(112.5)	(108.7)
EBITDA	69.0	53.2	60.3
Depreciation and Amortisation	(6.4)	(5.3)	(5.5)
Equity Remuneration Expense	(6.8)	(5.7)	(4.8)
Interest Expense	(0.1)	(0.1)	(0.1)
Underlying Profit Before Tax	55.6	42.2	49.9

In FY22, PAMA reported underlying profit before tax of \$49.9 million, \$7.8 million or 18% higher than FY21.

The increase on FY21 was largely driven by an increase in average AUM to \$25.1 billion due to higher average equity markets, improved relative investment performance and lower variable remuneration, partially offset by net outflows, distributions and product repricing primarily from the prior year.

PAMA's cost to income ratio in FY22 was 70% compared to 75% in FY21. The improvement in cost to income ratio was driven by higher average AUM and disciplined cost management.

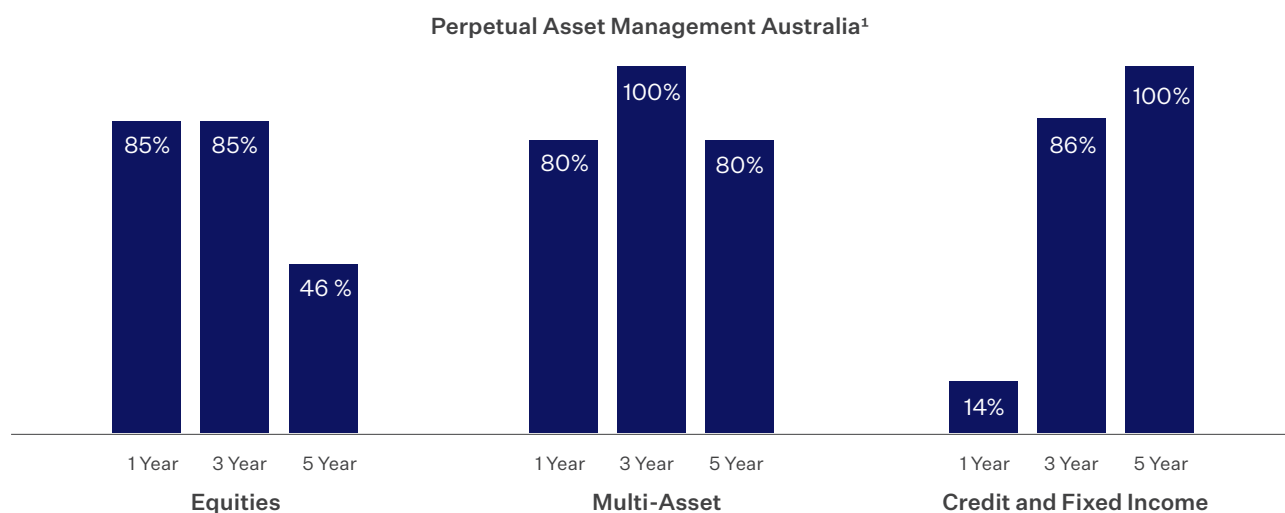
PAMA AUM

At the end of (\$bn)	AUM Movements			
	30/06/2021	Net Flows	Other ¹	30/09/2022
Institutional	6.3	(2.5)	(0.0)	3.8
Intermediary	12.7	0.7	(0.9)	12.5
Retail	4.7	(0.3)	(0.2)	4.1
Listed Investment Vehicles	1.0	0.0	(0.1)	0.9
All distribution channels	24.7	(2.2)	(1.2)	21.3
Australian equities	13.9	(1.4)	(0.9)	11.6
Global equities	1.7	0.3	(0.8)	1.2
Equities	15.6	(1.1)	(1.7)	12.8
Cash and fixed income	8.3	(1.0)	0.4	7.7
Other	0.9	(0.1)	(0.1)	0.7
All asset classes	24.7	(2.2)	(1.2)	21.3

At the end of (\$bn)	AUM Movements			
	30/06/2020	Net Flows	Other ¹	30/06/2021
Institutional	6.3	(1.0)	1.0	6.3
Intermediary	11.7	(1.4)	2.4	12.7
Retail	4.0	(0.3)	1.0	4.7
Listed Investment Vehicles	0.8	0.0	0.2	1.0
All distribution channels	22.8	(2.8)	4.6	24.7
Australian equities	12.6	(2.6)	3.9	13.9
Global equities	1.1	0.2	0.4	1.7
Equities	13.7	(2.4)	4.3	15.6
Cash and fixed income	8.4	(0.3)	0.2	8.3
Other	0.8	(0.0)	0.1	0.9
All asset classes	22.8	(2.8)	4.6	24.7

1. Includes changes in market value of assets, income, reinvestments, distributions, and asset class rebalancing within the Group's diversified funds.

Figure 5 - PAMA Investment Performance - outperformance versus benchmark



1. Performance as at 30 June 2022.

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6.6.2.2 Perpetual Asset Management International

Business Overview

PAMI is a multi-boutique asset manager with a strong presence in the US, complemented by a growing presence in the UK, Europe and Asia. PAMI is focused on meeting the needs of institutional and retail investors outside of Australia and New Zealand.

PAMI provides world-class investment capabilities through two US based subsidiary asset management boutiques:

- **Barrow Hanley:** Founded in 1979, Barrow Hanley is a diversified investment management firm offering value-focused investment strategies spanning global equities, US equities and fixed income. The business is 75% owned by Perpetual with the remaining interest in the firm held by employees; and
- **Trillium:** Offers ESG investment management strategies and products. The firm has been a value-led, impact driven and ESG-focused asset management business since its foundation in 1982. Trillium combines impactful investment solutions with active ownership. The firm manages equity, fixed income, and alternative investment solutions for institutions, intermediaries, high net worth individuals, as well as charitable and non-profit organisations with the goal to provide both positive impact and long-term value to these clients.

Financial Performance

For the Period	30/06/2020 ¹ \$'m	30/06/2021 \$'m	30/06/2022 \$'m
Revenue by Asset Class¹			
Equities	–	122.2	198.7
Fixed Income	–	16.6	20.1
Other	–	0.3	0.1
Total Revenue	–	139.2	218.8
Operating Expenses	–	(95.8)	(162.6)
EBITDA	–	43.4	56.2
Depreciation and Amortisation	–	(1.7)	(2.3)
Equity Remuneration Expense	–	(0.4)	(0.4)
Interest Expense	–	(0.6)	(0.6)
Underlying Profit Before Tax	–	40.7	52.9

1. PAMI reporting segment did not exist in FY20. Established following acquisition of Trillium (completed in July 2020) and Barrow Hanley (completed in November 2020).

In FY22, PAMI reported underlying profit before tax of \$52.9 million, an increase of \$12.1 million or 30% versus FY21. The increase on FY21 was largely driven by additional earnings from a full twelve month contribution of Barrow Hanley, together with higher average AUM over the period. This increase was partially offset by the investment in the development of the Collateralised Loan Obligation (CLO) strategy for Barrow Hanley and continued investment in our global distribution capability and infrastructure to support the growth in the business.

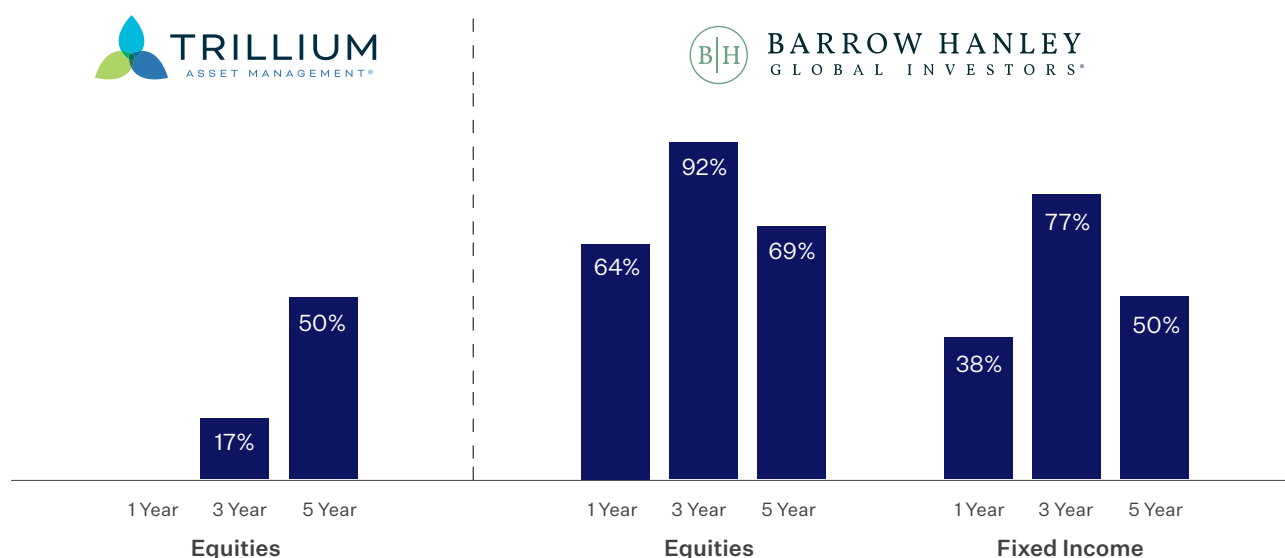
PAMI AUM

At the end of (\$bn)	AUM Movements				
	30/06/21	Net Flows	Other ¹	FX Impacts	30/09/22
Institutional	67.0	(6.7)	(9.6)	10.7	61.4
Intermediary	6.6	0.4	(1.0)	1.2	7.1
All distribution channels	73.6	(6.4)	(10.6)	11.8	68.5
US equities	48.2	(7.2)	(5.1)	7.7	43.5
Global equities	13.0	3.5	(3.4)	2.5	15.7
Equities	61.2	(3.7)	(8.6)	10.2	59.2
Fixed income	12.4	(2.6)	(2.0)	1.5	9.3
All asset classes	73.6	(6.4)	(10.6)	11.8	68.5

At the end of (\$bn)	AUM Movements				
	30/06/20	Net Flows	Other ¹	FX Impacts	30/06/21
Institutional	1.4	(4.1)	71.7	(1.9)	67.0
Intermediary	4.2	0.2	2.5	(0.4)	6.6
All distribution channels	5.6	(3.9)	74.2	(2.3)	73.6
US equities	4.0	(2.8)	48.4	(1.4)	48.2
Global equities	1.6	(0.1)	11.9	(0.4)	13.0
Equities	5.6	(2.9)	60.4	(1.8)	61.2
Fixed income	–	(1.0)	13.8	(0.5)	12.4
All asset classes	5.6	(3.9)	74.2	(2.3)	73.6

1. Includes changes in market value of assets, income, reinvestments, distributions, and asset class rebalancing within the Group's diversified funds.

Figure 6 - PAMI Investment Performance – Proportion of Strategies Outperforming Benchmark



Performance as at 30 June 2022. Trillium includes US Equities and Global Equities, Barrow Hanley equities includes US Equities and Global Equities. These strategies are available to US investors only.

Section 6

Information About Perpetual

6.6.2.3 Perpetual Private

Business Overview

PP is a leading Australian wealth management business, empowering clients to achieve their aspirations by providing a broad range of advisory services. PP manages over \$17 billion in Funds under Advice across all client segments.

Utilising a targeted client segment approach to grow its client base, PP offers advice and wealth management services to established high net worth individuals, business owners, medical practitioners and other professionals, not for profit organisations and native title communities. In 2021, the business enhanced its Family Office service through the creation of a new team of specialists dedicated to ultra-high net worth clients and family offices.

PP is also one of Australia's largest managers of philanthropic managers and advisors. Philanthropy and fiduciary services remain an important part of our heritage and contributor to our business.

One of the key characteristics of the PP business is its ability to integrate specialist wealth businesses which have strong client support and superior skills in the business and then expand the number of services provided to clients.

Examples include:

- Fordham is a specialist accounting firm, acting predominantly for private business owners and their families to manage their businesses and build and protect their wealth.
- Jacaranda Financial Planning is a leading financial advice business in Australia providing high quality investment and strategic advice to the high net worth pre-retiree segment of the wealth management market across the eastern seaboard of Australia. PP acquired Jacaranda Financial Planning in August 2021.
- Priority Life is a specialist insurance business focused on meeting the needs of medical specialists and other professionals across Australia. The business was acquired in November 2019.

Financial Performance

For the Period	30/06/2020 \$'m	30/06/2021 \$'m	30/06/2022 \$'m
Market Related Revenue	122.1	126.7	153.0
Non-market Related Revenue	60.9	57.1	58.3
Total Revenue	183.0	183.8	211.2
Operating Expenses	(135.3)	(134.2)	(151.5)
EBITDA	47.7	49.6	59.7
Depreciation and Amortisation	(10.7)	(10.5)	(9.3)
Equity Remuneration Expense	(3.4)	(3.5)	(4.0)
Interest Expense	(1.0)	(0.6)	(2.1)
Underlying Profit Before Tax	32.6	35.0	44.3
Funds Under Advice (\$B)			
Closing FUA	\$14.3B	\$17.0B	\$17.4B
Average FUA	\$14.7B	\$15.4B	\$18.3B
Market Related Revenue Margin	83bps	82bps	84bps

In FY22, PP reported underlying profit before tax of \$44.3 million, \$9.3 million or 26% higher than FY21.

The increase on FY21 was mainly driven by higher market related revenue due to higher than average equity markets, positive net flows driven by the growth of the business and acquisitions, higher performance fees due to strong performance of the portfolio and non-market related revenue improving with higher insurance revenue partly offsetting the impact of the low interest rate environment.

PP experienced continued new client growth within the high net worth segment in FY22, supported by the organic growth of the business and acquisition of Jacaranda. The cost to income ratio in FY22 was 79% compared to 81% in FY21.

Perpetual Private Funds Under Advice (FUA)

At the end of (\$bn)	FUA Movements			
	FY21	Net Flows	Other ¹	FY22
Total FUA	17.0	1.0	(0.6)	17.4

At the end of (\$bn)	FUA Movements			
	FY20	Net Flows	Other ¹	FY21
Total FUA	14.3	0.8	2.0	17.0

1. Includes reinvestments, distributions, income and asset growth.

6.6.2.4 Perpetual Corporate Trust

Business Overview

PCT's vision is to be the leading fiduciary and digital solutions provider to the banking and financial services industry. Our clients are leading domestic and global financial institutions who leverage our unique suite of products across debt markets, managed funds, and digital solutions to enable their business strategy, while ensuring we act in the best interests of all parties.

Perpetual Digital, PCT's innovation company, is a professional services business, delivering a Software as a Service (SaaS) product and data solutions. Our mission is to drive the success of our own PCT business as well as client's by delivering contemporary software solutions.

PCT's strategy is focused on enabling our client's success, helping our clients and the broader eco-system to be more effective, efficient and scalable, while maintaining compliance.

PCT has three business segments with a broad range of products:

- **Debt Market Services** includes trustee, document custodian, agency, trust management, accounting, standby servicing and reporting solutions;
- **Perpetual Digital** provides data services, industry roundtables, SaaS, plus cash/fixed income dealing and advisory through Laminar Capital; and
- **Managed Funds Services** includes independent responsible entity, wholesale trustee, custodian, investment management and accounting services and Perpetual's Singapore office specialises in Singapore Real Estate Investment Trust (S-REITS) and cross border capital flows into Australia.

Section 6

Information About Perpetual

Financial Performance

For the Period	30/06/2020 \$'m	30/06/2021 \$'m	30/06/2022 \$'m
Debt Market Services	69.9	62.4	68.7
Managed Funds Services	55.6	59.8	70.3
Perpetual Digital ¹	N/A	12.6	19.5
Total Revenue	125.5	134.9	158.5
Operating Expenses	(58.2)	(60.9)	(75.4)
EBITDA	67.3	74.0	83.1
Depreciation and Amortisation	(7.1)	(8.6)	(8.0)
Equity Remuneration Expense	(1.0)	(1.2)	(1.8)
Interest Expense	(0.5)	(0.4)	(0.7)
Underlying Profit Before Tax	58.6	63.8	72.6

1. Newly formed service line which includes revenue from Laminar Capital and PCT's Data and Analytics Solutions (previously reported under Debt Markets Services).

In FY22, PCT reported underlying profit before tax of \$72.6 million, \$8.9 million or 14% higher than FY21. The cost to income ratio in FY22 was 54% compared to 53% in FY21.

Perpetual Corporate Trust Funds Under Administration (FUA)

At the end of (\$bn)	30/06/2020 \$'bn	30/06/2021 \$'bn	30/06/2022 \$'bn
Public Market Securitisation			
RMBS – bank (ADI)	72.9	56.9	57.4
RMBS – non bank	58.5	63.9	78.4
CMBS and ABS	41.9	39.5	52.3
Balance Sheet Securitisation			
RMBS – repos	384.3	331.4	398.9
Covered bonds	80.5	72.9	76.3
Debt Market Services – Securitisation¹	638.0	564.6	663.4
Corporate and Structured Finance	18.1	18.3	18.8
Total Debt Market Services	656.1	582.9	682.2
Custody	158.1	173.4	212.0
Wholesale Trustee	64.3	79.4	100.6
Responsible Entity	28.9	48.2	49.5
Singapore	34.6	38.9	48.0
Managed Funds Services	285.8	339.9	410.1
Total FUA	941.9	922.8	1,092.3

1. Includes warehouse and liquidity finance facilities.

6.7 Capital structure

As at the Last Practical Date, Perpetual has the following securities on issue:

Type of Security	Number on issue
Fully paid ordinary shares	57,308,133
Performance rights	1,872,301

As at the Last Practical Date, Perpetual had a market capitalisation of approximately \$1.8 billion (based on a closing price of \$31.58 per Perpetual Share and 57,308,133 Perpetual Shares on issue).

6.8 Offers to Perpetual

Since early November 2022, Perpetual has, in quick succession received two indicative offers to acquire 100% of Perpetual from a consortium of BPEA Private Equity Fund VIII's wholly owned subsidiary, Morello Pte. Limited, and Regal Partners Limited (Consortium) as well as further actual and speculated interest in Perpetual by other parties.

Further detail regarding the offers from the Consortium is set out below:

- as announced on 3 November 2022, Perpetual received an unsolicited, conditional, non-binding indicative proposal from the Consortium (**Consortium Offer**) to acquire 100% of the Perpetual Shares at \$30 cash per share (with an undefined scrip alternative);
- the Original Indicative Offer was subject to completion of confirmatory due diligence, finalisation of financing, execution of definitive transaction documentation, the transaction with Pendal not proceeding, approval by Australia's Foreign Investment Review Board and other regulatory approvals, and final board and investment committee approvals;
- on 3 November 2022, Perpetual rejected the Indicative Proposal and stated that it materially undervalues Perpetual;
- on 5 November 2022, Perpetual received a letter from the Consortium in which the Consortium indicated that it would likely be able to materially raise the price of their proposal with access to certain non-public information and an ability to engage with senior management;
- as announced on 10 November 2022, Perpetual received a further unsolicited, conditional, non-binding indicative proposal from the Consortium increasing its original indicative offer price to \$33 cash per share (**Revised Consortium Offer**);
- on 10 November 2022, Perpetual rejected the Revised Indicative Offer and stated that the Perpetual Board believed that the Revised Indicative Offer is not in the best interests of its shareholders.

Section 6

Information About Perpetual

6.9 Share price history

Perpetual Shares are listed on the ASX under the code 'PPT'.

The closing price of Perpetual Shares on the ASX on 24 August 2022, being the last trading day prior to the announcement of the Scheme, was \$30.30.

The closing price of Perpetual Shares on the ASX on 16 November 2022, the last practicable trading day before the date of this booklet, was \$31.58.

During the three months ended 24 August 2022:

- the highest recorded daily closing price for Perpetual Shares on the ASX was \$32.96 on 30 May 2022; and
- the lowest recorded daily closing price for Perpetual Shares on the ASX was \$27.87 on 20 June 2022.

Figure 7 – Perpetual's Share price performance over the 24 months to 24 August 2022



6.10 Substantial Perpetual Shareholders

The following persons were substantial holders of Perpetual Shares as at the Last Practical Date:

Name	Number of Ordinary Shares	% of Interest	Date of Last Substantial Shareholder Notification
Citigroup Global Markets Australia and related entities	5,258,883	9.18	24 October 2022
State Street Corporation and its subsidiaries	4,392,882	7.75	9 August 2022
JP Morgan Chase & Co and its affiliates	3,823,776	6.67	16 November 2022
Black Rock Inc. and its subsidiaries	3,742,578	6.62	10 December 2020
UBS Group AG and its related bodies corporate	2,971,296	5.18	27 October 2022
Vanguard Group and its controlled entities	2,836,386	5.00	10 May 2022

6.11 Funding of the Scheme Consideration

The Scheme Consideration is comprised of Scrip Consideration and Cash Consideration components.

If the Scheme becomes Effective, each eligible Shareholder will become entitled to \$1.650 in cash for each Pental Share held on the Scheme Record Date, less the value of the final dividend paid by Pental of 3.5 cents per Pental Share for the financial year ending 30 September 2022 and 1 Perpetual Share for every 7 Pental Shares held on the Scheme Record Date.

Cash Consideration

If the Scheme becomes Effective, the value of the Cash Consideration to be paid to Scheme Shareholders under the Scheme will be \$632,196,659. The Cash Consideration payable by Perpetual under the Scheme will be reduced by the cash amount of the Permitted Dividend Amount of 3.5 cents per Pental Share.

The Cash Consideration will be funded by the new corporate facilities of Perpetual, provided by a syndicate comprising ANZ, Bank of America, MUFG and NAB. This facility will also be used to refinance \$261 million of debt that Perpetual currently holds (as at 30 June 2022). Refer to section 7.6 below for further details regarding the new debt facility.

Scrip Consideration

For the Scrip Consideration, Perpetual will issue approximately 54.7 million New Perpetual Shares, with an implied value of approximately \$1.7 billion, based on an issue price of \$31.58 per Perpetual Share on the Last Practical Date.

6.12 Perpetual interest and dealings in Pental Shares

6.12.1 Interest in Pental Shares

As at the date of the Last Practical Date, there are 218,999 Pental Shares held by Perpetual on behalf of its funds or client discretionary accounts. Perpetual as sole trustee has voting discretion over these shareholdings and such discretion will be exercised in accordance with the law and consistent with Perpetual's conflict of interest policies.

Other as than disclosed above or elsewhere in this Scheme Booklet, neither Perpetual nor any of its Associates has a Relevant Interest in any Pental Shares.

6.12.2 No dealing in Pental Shares in previous four months

Except for the consideration to be provided under the Scheme, neither Perpetual nor any of its Associates has provided or agreed to provide consideration for any Pental Share under any purchase or agreement during the period of four months before the date of this Scheme Booklet.

6.12.3 No pre-Scheme benefits

See section 5.10(b) of this Scheme Booklet for details of the proposed incentive arrangements which involve certain key employees solely in their capacity as employees (and not in a shareholder capacity) agreeing to terminate their Pental rights in return for Perpetual employee incentives.

During the period of four months prior to the date of this Scheme Booklet, neither Perpetual nor any of its Associates gave, or offered to give, or agreed to give a benefit to another person that was likely to induce the other person, or an associate of the other person, to:

- vote in favour of the Scheme; or
- other than as described in the paragraph immediately above, dispose of Pental Shares,

and which will not be provided to all Scheme Shareholders under the Scheme.

6.12.4 No payment or benefits to current Pental Directors

During the four months before the date of this Scheme Booklet, neither Perpetual nor any of its Associates gave, or offered to give, or agreed to give a benefit to any current Pental Directors.

Section 6

Information About Perpetual

6.13 Perpetual employee incentive plans

A high level summary of Perpetual's employee incentive plans is provided below. Further detail on Perpetual's employee incentive plans and remuneration practices more generally is available in the Remuneration Report of Perpetual's FY22 Annual Report.

KMP Variable Incentive Plan

The KMP Variable Incentive Plan has a cash component, and an equity component which is split into three parts, being unhurdled Perpetual Share Rights and two tranches of hurdled Perpetual Performance Rights with three, and four year performance testing and vesting schedules. All equity is restricted from sale for a four-year period. Under the KMP Variable Incentive Plan, the full Variable Incentive, and the total value of Perpetual Share Rights and Perpetual Performance Rights granted annually, is subject to a holistic assessment of group, segmental and individual executive performance at year-end, of which the annual group balanced scorecard is a key input. As foreshadowed in Perpetual's FY22 Remuneration Report, commencing 1 July 2022, the Hurdled Equity component of the KMP Variable Incentive Plan will no longer be subject to the group performance assessment prior to grant.

KMP Growth Incentive

In September 2022, Perpetual also awarded a long-term growth incentive to KMP. The Growth Incentive aims to further align Perpetual's Executive KMP with the Perpetual Shareholder experience through incentivising the delivery of sustained shareholder value from recent strategic investments. Importantly, these awards will only deliver value when absolute TSR exceeds the existing 7-10% per annum vesting range in the Perpetual KMP Hurdled Variable Incentive Awards. The Perpetual Board believes this represents a significant degree of stretch performance when compared to the TSR achieved by Perpetual in recent years, which will require ongoing significant expansion in underlying EPS. The vesting hurdle for these awards will be CAGR absolute TSR of at least 10% (0% vesting) to 15% (100% vesting). Subject to meeting this hurdle, vesting will occur equally after three, four and five years, with any vested equity restricted until year five.

Asset Manager Variable Incentive Plans

Asset manager remuneration aligns with Perpetual's performance-based remuneration philosophy and principles. The remuneration arrangements for asset managers are typically structured to recognise and reward strong investment outcomes to Perpetual's clients and also align to the growth in revenue or manageable profit of the strategies they support. Further detail on Perpetual's asset manager remuneration is available in Perpetual's FY22 Remuneration Report in Perpetual's FY22 Annual Report.

Group STI Plan

Performance against the Perpetual group balanced scorecard and other factors determines the size of the bonus pool for the financial year. Relative segmental performance against a range of inputs then determines the distribution of the bonus pool to each segment. An individual's performance rating is determined based on performance against objectives agreed at the commencement of the performance year. An individual's bonus outcome is generally based on this performance rating, which is reflective of performance against targets in an individual scorecard, delivery of goals against Perpetual's behavioural framework and an employee's approach to the management of risk.

Group Long Term Incentive Plans

Some senior Perpetual employees are also eligible to participate in a long-term incentive plan. All other Australian-based employees are eligible to participate in the One Perpetual Share Plan whereby eligible employees can be awarded annual grants of up to \$1,000 of Perpetual Shares subject to Perpetual meeting the Perpetual Group profit target. The One Perpetual Share Plan is limited to Australian-based staff due to the regulatory environments in other geographies.

6.14 Rights and liabilities attaching to Perpetual Shares

The rights and liabilities attaching to the New Perpetual Shares which will be issued to Scheme Shareholders as Scheme Consideration will be the same as those attaching to existing Perpetual Shares and will rank equally with all issued fully paid ordinary shares of Perpetual from the date of their allotment. These rights and liabilities are detailed in Perpetual's constitution and are subject to the Corporations Act and Listing Rules.

The table below summarises some of the key rules in Perpetual's constitution in relation to the rights and liabilities currently attaching to Perpetual Shares. This summary does not purport to be exhaustive and must be read subject to the full text of the Perpetual constitution. A copy of Perpetual's constitution is available on ASX announcements platform or the Perpetual website.

Item	Description
Meeting of members	Subject to the terms of the Perpetual constitution, each Perpetual Shareholder is entitled to receive notice of, attend and vote at, general meetings of Perpetual and to receive all notices, accounts and other documents required to be sent to Perpetual Shareholders under the Perpetual constitution, the Corporations Act and Listing Rules.
Voting at meetings	<p>At a general meeting of Perpetual, Perpetual Shareholders present in person or by proxy, representative or attorney will have one vote on a show of hands and on a poll one vote for each Perpetual Share held.</p> <p>Perpetual Shareholders are also entitled to, if the Perpetual Board allows, submit direct votes – which may be by way of post, fax or other electronic means approved by the Perpetual Board.</p> <p>In the event of an ordinary resolution where there is an equality of votes, the chair will have a casting vote unless otherwise restricted from voting on that resolution by the Corporations Act, Listing Rules or ASX.</p>
Dividends	<p>The Perpetual Board may from time to time resolve to pay dividends to Perpetual Shareholders and fix the amount of the dividend, the time for determining entitlements to the dividend and the timing and method of payment.</p> <p>Holders of any partly paid Perpetual Shares will only be entitled to the amount of the dividend which is proportional to the amount paid on each partly paid ordinary share.</p>
Transfer of Perpetual Shares	<p>Subject to Perpetual's constitution, Perpetual Shares may be transferred by:</p> <ul style="list-style-type: none"> a proper transfer or any other method of transferring or dealing in shares introduced by ASX or operated in accordance with the ASX Settlement Operating Rules or Listing Rules and recognised under the Corporations Act; or a written instrument of transfer in any usual form or in any other form approved by either the Perpetual Board or ASX, that is otherwise permitted by law. <p>The Perpetual Board may refuse to register a transfer of Perpetual Shares where permitted by the Listing Rules, and will refuse to register any transfer of Perpetual Shares where:</p> <ul style="list-style-type: none"> the Corporations Act or Listing Rules require Perpetual to do so or the transfer is in breach of the Listing Rules; or the Perpetual Shares are Restricted Securities (as defined in the Listing Rules) and the transfer is in breach of any agreement entered into by Perpetual in respect of those Restricted Securities.
Issue of further Perpetual Shares	<p>Subject to the Perpetual constitution, the Perpetual Board may decide to issue further shares, including preference and partly-paid shares, on such terms, rights and restrictions as the Perpetual Board resolves.</p> <p>Unless otherwise specified in the Perpetual constitution, all issued shares rank equally from the date of issue.</p>
Sale of unmarketable parcels	In accordance with the Listing Rules, the Perpetual Board may sell Perpetual Shares that constitute less than a marketable parcel (within the meaning of the Listing Rules) by following the procedure described in the Perpetual constitution.
Variation of class rights	<p>As at the date of this Scheme Booklet, there is only one class of Perpetual Shares on issue, being the Perpetual Shares.</p> <p>The Perpetual Board may, subject to their terms of issue, vary or modify the rights attaching to any class of shares with the written consent of 75% of the issued shares of any particular class or with the sanction of a special resolution passed at a meeting of the holders of that class.</p>
Winding up	<p>If Perpetual is wound up:</p> <ul style="list-style-type: none"> each preference shareholder has a right to repayment of the capital paid up on each preference share and any dividend in arrears, but no right to participate in any surplus assets or profits; and otherwise, the liquidator may, with approval by special resolution, divide among the Perpetual Shareholders all or any of Perpetual's assets and for that purpose, determine how it will carry out the division between the Perpetual Shareholders but may not require a Perpetual Shareholder to accept any shares or other securities in respect of which there is any liability.

Section 6

Information About Perpetual

6.15 Interest of Perpetual Directors

6.15.1 Interests of Perpetual Directors in Perpetual Shares

The table below lists the Relevant Interests of Perpetual Directors in Perpetual Shares as at the date of this Scheme Booklet.

Perpetual Director	Interests in Perpetual Shares
Tony D'Aloisio	9,072 Perpetual Shares
Rob Adams	42,552 Perpetual Shares
Mona Aboelnaga Kanaan	1,011 Perpetual Shares
Greg Cooper	10,317 Perpetual Shares
Nancy Fox	6,188 Perpetual Shares
Ian Hammond	20,818 Perpetual Shares
Fiona Trafford-Walker	1,978 Perpetual Shares
Craig Ueland	7,991 Perpetual Shares

6.15.2 Interests of Perpetual Directors in Pental ordinary shares

As at the date of this Scheme Booklet, Perpetual Director Mr Greg Cooper, indirectly holds 30,000 fully paid ordinary shares in Pental through his personal family superannuation fund.

Other than Mr Greg Cooper, no other marketable securities of Pental are held by, or on behalf of, Perpetual Directors as at the date of this Scheme Booklet.

6.15.3 Other interests of Perpetual Directors

Except as provided for in this Scheme Booklet, the Perpetual Directors have no interest in the outcome of the Scheme.

6.16 Historical financial information

(a) Basis of preparation

This section presents summary financial information in relation to Perpetual for the purpose of this Scheme Booklet. The information has been extracted from Perpetual's audited financial statements for the years ended 30 June 2020, 30 June 2021 and 30 June 2022.

The financial information contained in this section is presented in an abbreviated form and does not contain all the disclosures, presentation, statements or comparatives that are usually provided in the annual report prepared in accordance with the Corporations Act. The financial information has not been subject to further review by an independent accountant. This financial information should therefore be read in conjunction with the financial statements for the respective periods, including the description of accounting policies contained in those financial statements and the notes to those financial statements.

Further details on Perpetual's financial performance and financial statements for FY22 set out in the 2022 Annual Report announced to the ASX on 16 September 2022 can be found on the ASX website (<https://www.asx.com.au>) or the Perpetual website (<https://www.perpetual.com.au/about/shareholders/financial-results>).

(b) Historical consolidated statement of profit or loss and other comprehensive income

Below is a summary of Perpetual's consolidated statements of profit or loss and other comprehensive income for the years ended 30 June 2020, 30 June 2021 and 30 June 2022.

	Perpetual stand alone		
	30/06/2020 \$'m	30/06/2021 ¹ \$'m	30/06/2022 \$'m
Revenue	491.3	652.1	749.6
Expenses	(370.7)	(538.2)	(603.1)
Financing Costs	(4.0)	(10.1)	(9.2)
Net Profit Before Tax	116.6	103.8	137.3
Income Tax Expense	(34.6)	(30.9)	(36.1)
Net Profit After Tax	82.0	72.9	101.2
Other comprehensive income			
Items that are or may be Reclassified Subsequently to Profit or Loss:			
Foreign Currency Translation Differences	(0.1)	(19.1)	32.2
Other Comprehensive Income, Net of Income Tax	(0.1)	(19.1)	32.2
Total Comprehensive Income	81.9	53.8	133.4
Total Comprehensive Income Attributable to:			
Equity Holders of Perpetual Limited	81.9	53.8	133.4
Earnings per Share¹			
Basic Earnings per Share – Cents per Share	175.0	131.4	179.6
Diluted earnings per Share – Cents per Share	171.6	129.6	176.5

1. Prior year comparatives have been restated for the change in accounting policy relating to Software-as-a-Service (SaaS) arrangements. Refer to Perpetual FY22 Annual Report for further details.

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Information About Perpetual

(c) Historical consolidated statement of financial position

Below is a summary of Perpetual's consolidated statements of financial position as at 30 June 2020, 30 June 2021 and 30 June 2022.

	Perpetual stand alone		
	30/06/2020 \$'m	30/06/2021 ¹ \$'m	30/06/2022 \$'m
Assets			
Cash and Cash Equivalents	164.1	147.1	175.4
Receivables	92.0	132.7	122.9
Current Tax Assets	–	–	3.6
Structured Products – EMCF Assets	236.4	163.9	186.3
Other Assets	13.1	13.7	10.2
Total Current Assets	505.7	457.4	498.4
Other Financial Assets	80.7	150.4	152.0
Property, Plant and Equipment	89.5	91.1	77.8
Intangibles	444.5	862.9	951.7
Deferred Tax Assets	40.0	47.2	53.6
Other Assets	8.9	7.9	13.0
Total Non-current Assets	663.5	1,159.5	1,248.1
Total Assets	1,169.2	1,616.9	1,746.5
Liabilities			
Payables	72.0	73.0	54.0
Structured Products – EMCF Liabilities	236.2	163.3	187.7
Current Tax Liabilities	13.3	7.6	–
Employee Benefits	53.0	91.2	90.1
Lease Liabilities	13.8	13.1	16.4
Provisions	2.6	1.6	5.8
Other Liabilities	–	11.4	15.2
Total Current Liabilities	390.9	361.2	369.2
Payables	18.2	17.7	39.7
Borrowings	–	166.0	258.4
Deferred Tax Liabilities	17.4	15.6	14.9
Employee Benefits	13.2	26.4	29.3
Accrued Incentive Compensation	–	48.0	48.6
Lease Liabilities	68.9	70.1	55.9
Provisions	6.3	4.8	4.7
Total Non-current Liabilities	124.0	348.6	451.5
Total Liabilities	514.8	709.8	820.7
Net Assets	654.3	907.1	925.8
Equity			
Contributed Equity	539.8	815.3	817.7
Reserves	19.4	2.5	34.3
Retained Earnings	95.2	89.3	73.8
Total Equity Attributable to Equity Holders of Perpetual Limited	654.3	907.1	925.8

1. Prior year comparatives have been restated for the change in accounting policy relating to Software-as-a-Service (SaaS) arrangements. Refer to Perpetual FY22 Annual Report for further details.

(d) Historical consolidated statement of cash flows

Below is a summary of Perpetual's consolidated statements of cash flow for the financial years ended 30 June 2020, 30 June 2021 and 30 June 2022.

	Perpetual stand alone		
	30/06/2020 \$'m	30/06/2021 ¹ \$'m	30/06/2022 \$'m
Cash Flows from Operating Activities			
Cash Receipts in the Course of Operations	543.6	669.9	834.1
Cash Payments in the Course of Operations	(367.2)	(501.4)	(596.4)
Dividends Received	0.1	0.1	0.5
Interest Received	3.6	0.7	0.4
Interest Paid	(4.1)	(6.1)	(8.2)
Income Taxes Paid	(26.1)	(42.6)	(59.6)
Net Cash from Operating Activities	149.8	120.6	170.8
Cash Flows from Investing Activities			
Payments for Property, Plant, Equipment and Software	(13.7)	(13.7)	(15.0)
Payments for Investments	(19.7)	(97.3)	(43.1)
Payment for Acquisition of a Business	(51.7)	(431.0)	(49.8)
Cash Acquired as Part of Acquisition of Business	–	2.0	3.5
Proceeds from Sale of Investments	11.9	61.1	35.2
Net Cash Used in Investing Activities	(73.2)	(478.9)	(69.2)
Cash Flows from Financing Activities			
Proceeds from Issue of Shares	–	275.1	–
Transaction Costs Related to Issue of Shares	–	(5.0)	–
Transaction Costs Related to Borrowings	–	(5.4)	–
Lease Financing Costs	(14.1)	(15.2)	(14.4)
Receipt from Borrowings	(87.0)	174.6	75.0
Repurchase of Shares on Market	(5.8)	(7.6)	(14.8)
Dividends Paid	(105.3)	(72.4)	(112.4)
Net Cash (Used in) / from Financing Activities	(212.1)	344.1	(66.6)
Net Increase / (Decrease) in Cash and Cash Equivalents	(135.4)	(14.2)	35.0
Cash and Cash Equivalents at 1 July	299.6	164.1	147.1
Effect of Movements in Exchange Rates on Cash Held	–	(2.8)	(6.7)
Cash and Cash Equivalents at 30 June	164.1	147.1	175.4

1. Prior year comparatives have been restated for the change in accounting policy relating to Software-as-a-Service (SaaS) arrangements. Refer to Perpetual FY22 Annual Report for further details.

Section 6

Information About Perpetual

(e) Reconciliation between the statutory net profit after tax and underlying profit after tax

Below is a reconciliation between statutory net profit after tax and underlying profit after tax for the years ended 30 June 2020, 30 June 2021 and 30 June 2022.

For the Period	Perpetual stand alone		
	30/06/2020 \$'m	30/06/2021 \$'m	30/06/2022 \$'m
Net profit after tax attributable to equity holders of Perpetual Limited	82.0	72.9	101.2
Significant items after tax			
Expense cloud computing costs	–	0.7	–
Transaction and integration costs	1.9	32.1	22.2
Non-cash amortisation of acquired intangible assets	4.1	13.6	18.6
Unrealised losses / (gains) on financial assets	1.0	(6.8)	10.9
Accrued incentive compensation liability	–	10.3	(4.7)
Operating model review costs	9.6	–	–
Total Significant Items	16.6	49.9	47.0
Underlying profit after tax attributable to equity holders of Perpetual Limited	98.6	122.8	148.2

6.17 Material changes in Perpetual's financial position

As at the date of this Scheme Booklet, to the knowledge of the Perpetual Directors and other than as disclosed in this Scheme Booklet or announced on the ASX subsequent to the Scheme Booklet, there have been no material changes to the financial position of Perpetual since 30 June 2022, being the date of Perpetual's full year accounts.

6.18 Dividend policy

Dividends paid to shareholders are typically in the range of 60-90% of the consolidated entity's underlying profit after tax attributable to members of the Company, which is in line with the policy announced in December 2020. In certain circumstances, the Board may declare a dividend outside of that range.

Further details on Perpetual's underlying profit after tax (UPAT) calculation for FY22 are set out in the 2022 Annual Report announced to the ASX on 16 September 2022 can be found on the ASX website (<https://www.asx.com.au>) or the Perpetual website (<https://www.perpetual.com.au/about/shareholders/financial-results>).

6.19 Publicly available information

Perpetual is a publicly listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a company listed on ASX, Perpetual is subject to the Listing Rules which require continuous disclosure (with some exceptions) of any information that Perpetual has which a reasonable person would expect to have a material effect on the price or value of Perpetual Shares.

In addition, Perpetual is required to maintain periodic disclosure (including yearly and half yearly financial statements) with ASIC in accordance with the Corporations Act and ASX in accordance with the Listing Rules.

Information disclosed by Perpetual is available on ASX's website at <https://www2.asx.com.au/markets/company/ppt> and Perpetual's website at <https://www.perpetual.com.au/about/shareholders>. Copies of documents lodged by Perpetual with ASIC may be obtained from or inspected at any ASIC office or <https://www.asic.gov.au>.

6.20 No other material information

Except as disclosed elsewhere in this Scheme Booklet, or announced on ASX, so far as Perpetual is aware, as at the date of the Scheme Booklet, there is no other information that is:

- material to the making of a decision by a Pendal Shareholder whether or not to vote in favour of the Scheme; and
- known to Perpetual, at the date of lodging this Scheme Booklet with ASIC for registration, which has not previously been disclosed to Pendal Shareholders.

Section 7

Overview of the Combined Group

7.1 Responsibility for information

The information in this section of the Scheme Booklet regarding the Combined Group (other than any information provided by Pendal to Perpetual or obtained from Pendal's public filings on ASX regarding the Pendal Group which is contained in or used in the preparation of this section, for which Pendal takes responsibility) has been prepared by and is the responsibility of Perpetual.

The information regarding the Pendal Group or which has been provided by Pendal to Perpetual or obtained from Pendal's public filings on ASX regarding the Pendal Group which is contained in or used in the preparation of this section has been prepared by and is the responsibility of Pendal.

7.2 Overview of the Combined Group

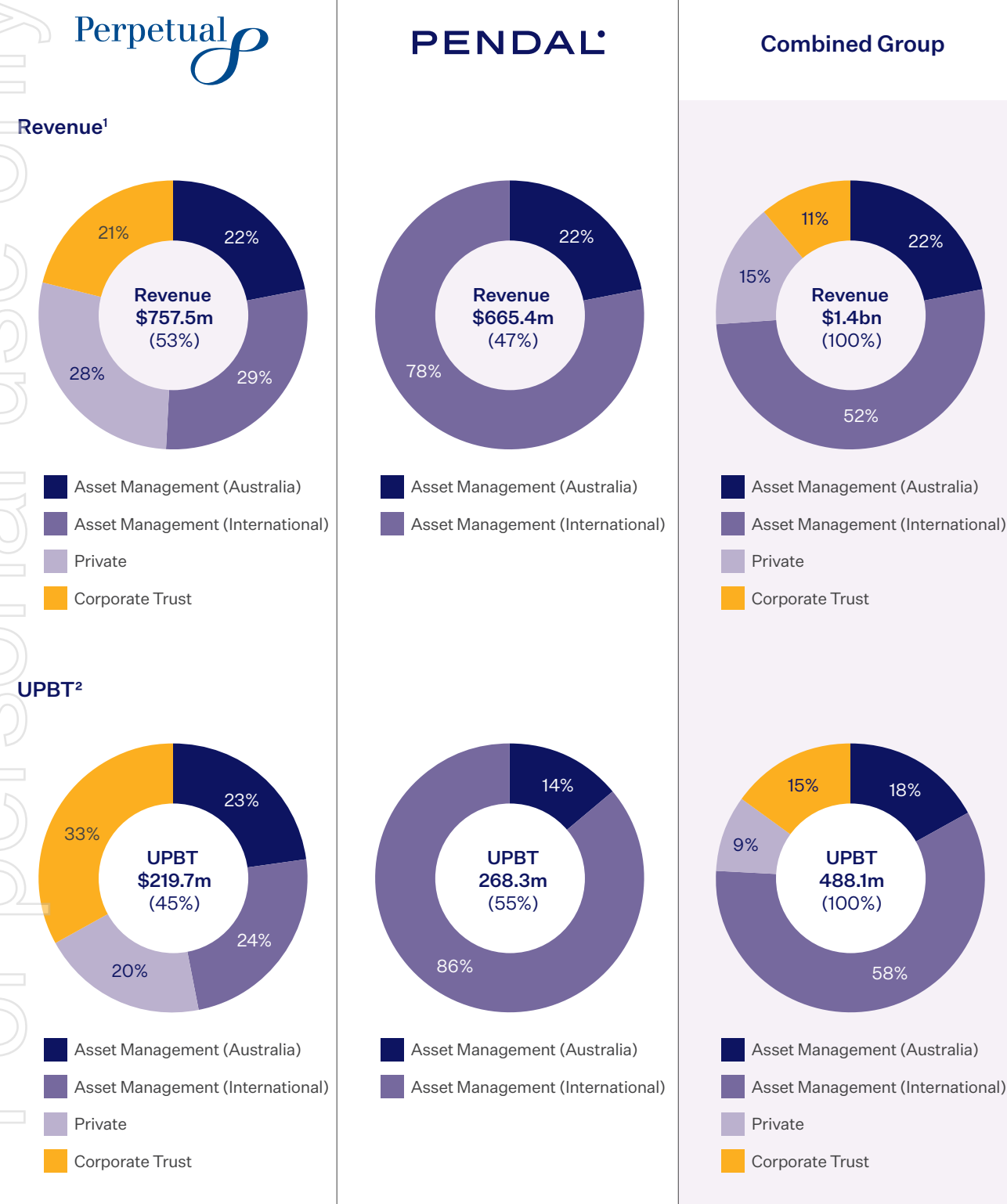
The combination of Perpetual and Pendal, two highly aligned businesses will create a leading global multi-boutique asset manager with significant scale, diversified investment strategies, enhanced ESG capabilities and a global distribution network. The transaction will bring together Pendal's and Perpetual's deeply experienced teams adding further depth and breadth to the talent pool and fostering a culture of collaboration and excellence in a unified global multi-boutique business model. The Combined Group will be well placed to grow and expand its investment capabilities, drive cost efficiencies, while continuing to provide high quality client service and enhancing shareholder value over time.

The Combined Group would also have exposure to non-market linked revenue and earnings growth of PCT and PP. Together the PCT and PP businesses would make up approximately 26% of the Combined Group's revenue and UPBT. The earnings growth of these businesses have historically been stable, scalable and capital light. PCT is a highly respected brand in Australia, has been named "Trustee of the Year" for six consecutive years and has delivered annual UPBT growth of 15% over the last ten years. PP provides another stable engine of growth to the Perpetual business, having delivered its ninth consecutive year of positive net inflows and sustained earnings growth through the same period. Given the non-market linked revenues that PCT and PP generate, these businesses are expected to allow the Combined Group to leverage a strengthened balance sheet to invest and grow earnings in a manner that would not be possible as standalone asset management businesses.

Section 7

Overview of the Combined Group

Figure 8 – Combined Group pro-forma revenue and UPBT by segment

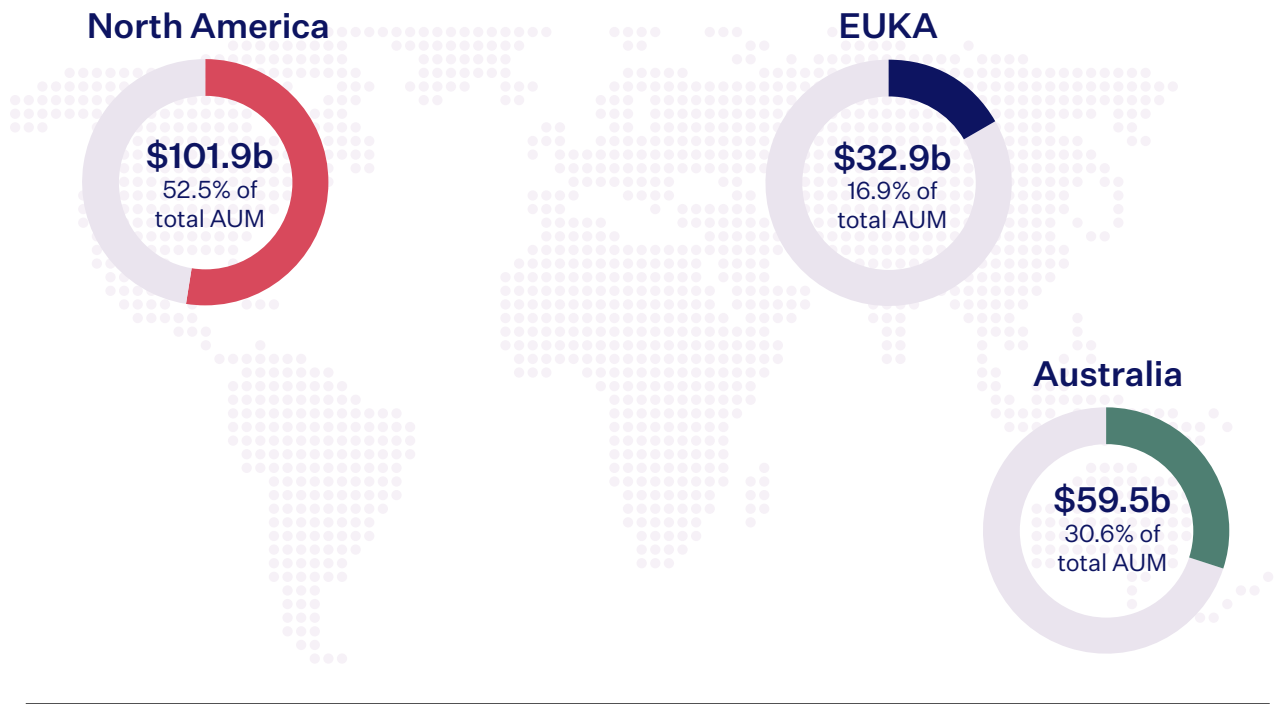


1. Perpetual revenue refers to the last 12 months ending Jun-22. Note this excludes revenue from Perpetual Group Investments and the impact of Significant Items. Pendal revenue refers to the last 12 months ending Jun-22.
2. Perpetual UPBT refers to the last 12 months ending Jun-22. Pendal UPBT refers to Operating Profit in the last 12 months ending Jun-22. Note for Perpetual, this excludes revenue from Perpetual Group Investments, Group Support Services, and the impact of Significant Items.

Overview of the combined asset management business

Following implementation of the Scheme, the Combined Group will have asset management and distribution hubs across the key markets of Australia, the United States, the United Kingdom, Europe and Asia, providing an enlarged platform for future growth.

Figure 9 – Global combined AUM by client geography (A\$)¹



Under a global multi-boutique model, the Combined Group will maintain seven boutique asset management brands with each brand retaining investment autonomy and independence²:



1. Global AUM by client domicile has been rounded to the nearest 1 decimal place. North America includes USA and Canada, EUKA includes Europe, UK and Asia; Australia includes Australia and New Zealand. Pendal Cash AUM classified as Australia. AUM as at 30 September 2022.
2. AUM as at 30 September 2022.

Section 7

Overview of the Combined Group

Barrow Hanley (AUM: \$60.3bn): An SEC registered investment adviser founded in 1979, Barrow Hanley is a diversified investment management firm offering value-focused investment strategies spanning global equities and fixed income. The business is owned 75% by Perpetual with the remaining interest in the firm held by employees of Barrow Hanley.

J O Hambro Capital Management (JOHCM) (AUM: \$39.5bn): JOHCM is an active investment management company with offices in London, Singapore, Munich, Paris, New York, Boston and Berwyn, managing assets across a range of global and regional equity strategies and a multi-asset strategy.

Pendal (AUM: \$38.0bn): Pendal is an independent investment management business focused on delivering superior investment returns through high conviction core style active management. Pendal teams actively manage investments in Australian equities and listed property, Australian and global equities, and multi-asset portfolios.

Perpetual Asset Management Australia (AUM: \$21.3bn): PAMA is an active asset manager, with a range of investment capabilities including Australian and global equities, Australian credit and fixed income, multi-asset as well as environmental, social and governance (ESG) capabilities, focused on the needs of clients across Australia and New Zealand.

Regnan¹⁰: Regnan is a responsible investment leader with a long and proud heritage providing advice and insights on important environmental, social and governance (ESG) issues. Regnan was acquired by Pendal in 2019 to investigate and address ESG-related sources of risk and value for long-term shareholders in Australian companies. Building on that expertise, in 2020 Regnan expanded its capabilities into responsible investment asset management.

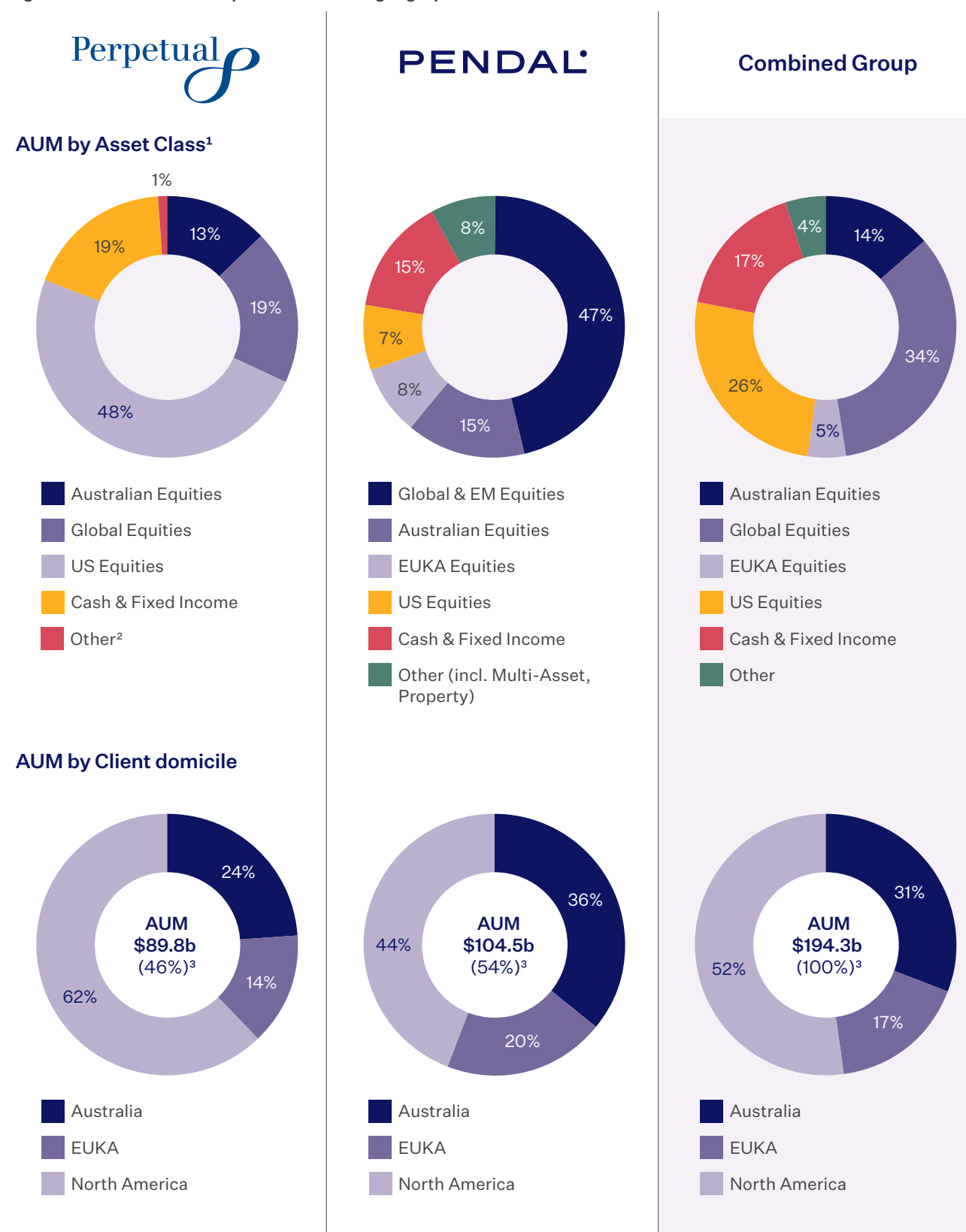
Trillium (AUM: \$8.2bn): Trillium is an SEC registered investment adviser which offers sustainable investment management strategies and products. The firm has been an impact driven, ESG-focused asset management since foundation in 1982 aligning values with investment objectives. Trillium combines impactful investment solutions with active ownership. The firm delivers equity, fixed income, and alternative investments to institutions, intermediaries, high net worth individuals, and other charitable and non-profit organisations with the goal to provide positive impact, long-term value.

Thompson, Siegel & Walmsley (TSW) (AUM: \$27.0bn): TSW is a Delaware limited liability company and an SEC registered investment adviser founded in 1969 in Richmond, Virginia. TSW manages long-term investment assets for institutions including corporations, public funds, insurance companies, endowments, foundations, Taft-Hartley and sub-advisory, as well as individuals. TSW provides a full range of investment management strategies including fixed income, U. S. Large, Mid, Small/Mid, International and International Small Cap Equity, Alternative, Multi-Asset Income and Balanced portfolio strategies. TSW products are managed by experienced teams of investment professionals working in a collaborative environment. Although performance objectives are paramount, TSW distinguishes itself through personalised client services.

¹⁰. Note Regnan AUM is included in Pendal and J O Hambro Capital Management AUM.

The Combined Group is expected to have improved asset class and geographic channel diversity:

Figure 10 – Combined Group asset class and geographies



In addition, the combined asset management business will benefit from a diversified and differentiated set of investment capabilities.

1. "Other" AUM for Perpetual represents funds that are managed by external managers and Multi-Asset investments.
2. Combined percentages in AUM by Asset Class are subject to rounding.
3. For Perpetual, refers to PAMA for Australian and New Zealand client domicile and PAMI for all other domiciles. AUM for Pendal Australia includes Westpac and Cash.

Section 7

Overview of the Combined Group

Figure 11 – Combined investment capabilities



	Australian equities	Australian fixed income	International equities (ex-US)	US equities	ESG style strategies
Perpetual	Value-style	Credit focused	Value-style	Value-style	Shareholder advocacy and integrated ESG investing (Trillium)
Pendal	Core-style	Rates driven	Growth and value	Value-style	Sustainable, thematic and impact

Overview of market positioning

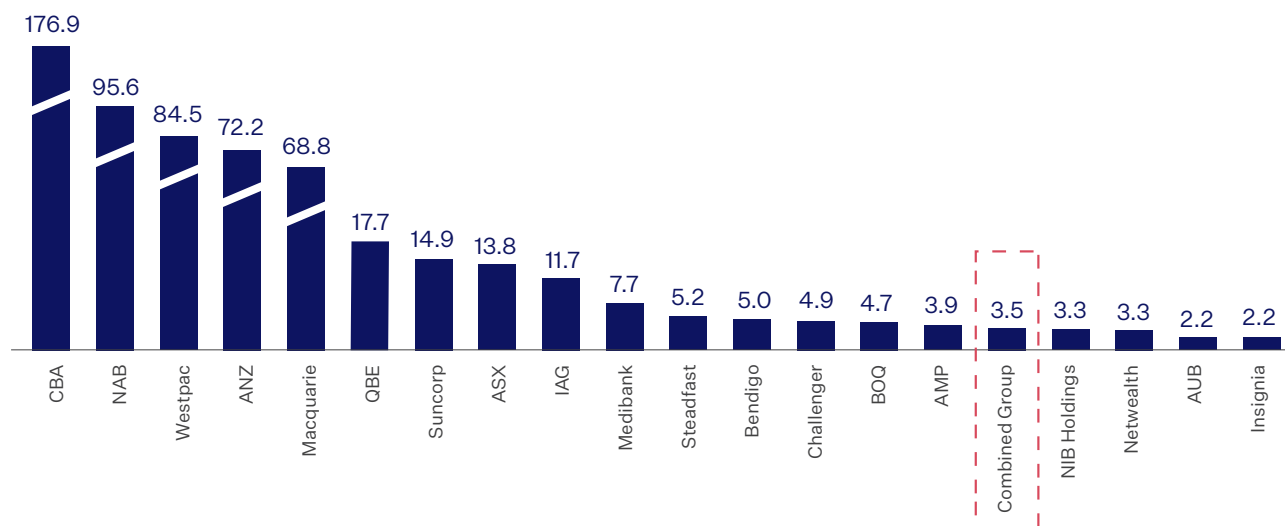
Following the implementation of the Transaction, the Combined Group is expected to be positioned within the S&P ASX200 index by market capitalisation, positioned closely to the top 100 as well as a top 25 financial services business.

Figure 12 – S&P ASX200 by market capitalisation (\$bn)¹



1. Source: IRESS data at market close on 16 November 2022. S&P ASX Constituents as at 16 November 2022 per IRESS. IRESS has not consented to the use of this information in this Scheme Booklet

Figure 13 – Top 20 Financial Institutions and Diversified Financial Services, by market capitalisation (\$bn)¹



1. Source: IRESS data at market close on 16 November 2022. S&P ASX Constituents as at 16 November 2022 per IRESS. IRESS has not consented to the use of this information in this Scheme Booklet

Section 7

Overview of the Combined Group

7.3 Overview of the potential cost synergies and efficiencies

Cost Synergies

Perpetual expects the Transaction to unlock net run-rate pre-tax synergies of ~\$60 million per annum (excluding integration and other one-off costs) on an annualised basis. This is expected to be achieved by the end of the second-year post completion, with 50% expected to be achieved by the end of the first year post completion. To the extent these synergies are realised, it is expected there will be an improvement to the EPS of the Combined Group.

The annual synergies are expected to be realised through a combination of operational and corporate efficiencies, including reduction of corporate overheads, listing, audit, Board, Executive Committee, information technology, borrowing and insurance costs. Realisation of synergies will not directly impact brands and key investment teams.

Pendal Shareholders should note that the potential synergy numbers outlined above represent current expectations, and are subject to a number of assumptions, including as to future events which involve inherent uncertainties and contingencies. The final synergy value will only be able to be determined following Implementation of the Scheme and completion of the Combined Group's detailed review of its operations. There is a risk that the estimate synergies may not be realised or that they may be realised over a longer period of time than anticipated.

Transaction and Integration Costs

If the Scheme is implemented, there is expected to be a one-off pre-tax cost to achieve synergies of \$110 million, with the majority of these incurred over 18 months post completion. There is expected to be \$40.0 million of Perpetual transaction costs and \$31.5 million of Pendal transaction costs (being \$71.5 million in total).

This amount does not distinguish between amounts which may have already been paid by either Perpetual or Pendal prior to the Implementation Date. There is a risk that the estimated integration or transaction costs may be higher than those currently expected to be incurred.

7.4 Strategic rationale for the Transaction

The Transaction will create a leading global multi-boutique asset management business with improved scale and distribution reach while still having exposure to non-market linked revenue and earnings growth of PCT and PP. The Combined Group will have a strong presence across all major markets, with significant capacity for future growth.

The strategic rationale of the Transaction is summarised as follows:

(a) Combining two businesses focused on the same strategic priorities, with similar business models, to improve ability to deliver strong growth outcomes over time

The Combined Group will become a leader in multi-boutique asset management, which brings together the best elements of both a pure boutique model and the traditional institutional model.

Shareholders of the Combined Group will benefit from the continued success and autonomy of the investment talent that exists across both Pendal and Perpetual, amplified by the Combined Group's enlarged global distribution capability, greater scale and deeper capital resources. Perpetual has demonstrated this approach in its acquisitions of Trillium and Barrow Hanley, where the retention of brand, investment philosophy and investment talent has been integral to the success of those transactions.

The Combined Group will be able to reap the following benefits of the multi-boutique model:

- ability to attract and retain world class investment and distribution talent;
- a strong sense of independent culture and personality within each boutique; and
- fund managers will be able to exercise independent investment thinking to provide bespoke solutions to clients, while also receiving the benefits of institutional scale:
 - global, high-quality governance and risk oversight functions;
 - global distribution platform; and
 - larger balance sheet, with increased financial resources to invest in business infrastructure and boutique brands as required, as well as an enhanced ability to seed new capabilities.

(b) Significantly enhanced global distribution footprint

A core driver and strategic logic for combining Pendal and Perpetual is the significant and immediate acceleration of both business's plans to continue to build out their global distribution teams, to deliver the best investment solutions to their respective sets of clients.

The Combined Group's enlarged global distribution team is expected to create new growth opportunities for both investment teams and their capabilities across both businesses, including improved reach across key geographies and the opening of new channels including digital capabilities.

The combined distribution reach is expected to increase the growth potential and velocity of assets under management and earnings for both firms.

(c) The combination creates a significant ESG investing platform, better positioned for growth

Both Pendal and Perpetual share a passion and ambition in relation to ESG investing. Over many years, both businesses have demonstrated a long-term focus and commitment to ESG, and it is clearly a key strategic priority for both organisations.

The combination of both Pendal and Perpetual's ESG and sustainable investing brands, capabilities, resources and focus will create a leader in this critical space and will enable the Combined Group to better capitalise on this focus.

Perpetual has first-hand experience in combining and building out significant ESG capabilities with a larger and stronger platform. In July 2020, Perpetual acquired 100% of Trillium. At the time, Trillium managed \$5.7 billion. Today, Trillium manages \$8.2 billion (as at 30 September 2022). Trillium has benefited from the build out of Perpetual's global distribution capability, experiencing a material increase in positive net flows post Perpetual's acquisition.

The Transaction provides an exciting opportunity to expand ESG solutions across an enlarged client base, establishing a leader in the high growth ESG and sustainable investing segment.

(d) Diversified set of investment capabilities

The combination of Perpetual and Pendal creates a formidable collection of world-class investment capabilities. These capabilities are highly aligned, differentiated by investment style, by asset sector and specialist capabilities within each asset sector.

Given the heritage of both firms, there are some areas where teams manage assets in the same asset sector. In almost every case where there is overlap within those sectors, each team manages their assets in a very different way. This differentiation will mean that teams within sectors will rarely, if at all, compete for clients. Where appropriate, distribution of any overlap will be segregated (see section 7.7 for further details).

(e) The Combined Group will be well capitalised to support future growth initiatives

Both Pendal and Perpetual are well capitalised businesses with sufficient seed capital pools, which are actively managed to invest in new expansion opportunities. As a larger business, the Combined Group will have the capacity to create and seed new investment capability opportunities that would not have been possible as standalone businesses.

7.5 Perpetual's intention following implementation of the Scheme

This section sets out the current intentions of Perpetual in relation to the Combined Group if the Scheme is implemented. The statements of intention are formed on the basis of facts and information known to Perpetual at the date of this Scheme Booklet.

Final decisions regarding the Combined Group's future operations will be made by the Board of the Combined Group in light of material information and circumstances at the relevant time. Accordingly, the statements set out in this section are statements of current intentions only, which may vary as new information becomes available or circumstances change and the Combined Group further develops its strategic focus and outlook.

(a) Operations

If the Scheme is implemented, Perpetual will undertake a review of the Combined Group's operations covering strategic, financial, risk and commercial operating matters to determine and implement improvements to integrate these corporate enabling functions, deliver synergies and explore new potential growth opportunities.

Further information in relation to the current expectations of synergies is set out in section 7.3 of this Scheme Booklet.

Section 7

Overview of the Combined Group

(b) Corporate strategy

If the Scheme is implemented, Perpetual intends that its strategy as outlined in section 7.5 will be applied to the Combined Group. The Combined Group will deliver significant scale and global reach, diversified independent brands and high-quality investment capabilities, a leadership position in ESG investing and a substantial, high quality global distribution team, all complemented by Perpetual's industry-leading wealth management and trustee businesses.

In particular, the Combined Group including the PP and PCT businesses, present the following strategic opportunities:

- maintain strong momentum across each segment with a disciplined operating and investment model;
- maintain the autonomy and independence of key investment teams and continue to build out the multi-boutique model;
- invest in the build-out of the Combined Group's global distribution capability to provide deeper coverage in key markets. The global distribution footprint will be materially expanded from day one with a doubling of the global asset management distribution team;
- expand capability set to offer in-demand contemporary products across all key markets and channels;
- continue to integrate and build-out ESG capabilities across the asset management boutiques and build the Combined Group's position as a leader in ESG investing;
- increased investment in digital capabilities across the Combined Group to enable scale, support client experience and solidify the Combined Group's leading position in key markets;
- leverage the Combined Group's balance sheet to explore attractive acquisitions to support growth, capability expansion and enhance the client value proposition;
- grow Perpetual's presence in key geographic markets and explore opportunities to uplift exposure in regions that are currently underserved by the Combined Group; and
- efficient use of the Combined Group's seed capital to identify and seed new contemporary strategies in which the Combined Group is currently underweight.

(c) Corporate governance

It is intended that the Combined Group will continue to be governed by Perpetual's current corporate governance policies. In addition to Perpetual's 2022 Corporate Governance Statement lodged with ASX on 25 August 2022, available at <http://www.asx.com.au>, a copy of Perpetual's core corporate governance policies can be accessed on Perpetual's website: <https://www.perpetual.com.au/about/our-positions-and-policies>.

(d) Financing

The cash component of the offer, totalling \$632 million (less any dividend paid, determined or declared by Pandal for FY22), will be funded by a new debt facility. The new debt facility will also re-finance Perpetual's existing debt facility and includes undrawn headroom for liquidity management purposes. Pandal is expecting to pay down borrowings and close their current facility as part of implementation. Both Pandal and Perpetual are well capitalised businesses with significant seed capital pools, which the Combined Group will actively manage to invest in new expansion opportunities.

(e) Dividend policy

Following implementation of the Scheme, the payment of future dividends to Perpetual Shareholders will be at the discretion of the Perpetual Board and will be a function of a number of factors including general business conditions, the operating results and financial condition of the Perpetual Group, future funding requirements, compliance with debt facilities, capital management initiatives, taxation considerations, including the availability of franking credits, any contractual, legal or regulatory restrictions on the payment of dividends by the Perpetual Group, and any other factors that the Perpetual Board may consider relevant. Perpetual currently intends to maintain its existing policy to pay ordinary dividends, targeting a payout ratio in the range of 60% to 90% of UPAT.

(f) Corporate matters in relation to Pandal

In accordance with the Implementation Deed, if the Scheme becomes Effective, it is intended that the Pandal Shares will be suspended from trading at the close of trading on the Effective Date. If the Scheme is implemented, Pandal will apply to be removed from the official list of the ASX. Pandal will become a wholly-owned Subsidiary of Perpetual.

(h) Employees

Following the implementation of the Scheme, Perpetual will conduct an analysis of its operations and ongoing resourcing requirements. While operations of both Perpetual and Pental's businesses are not expected to change materially, a final decision regarding the structure of the Combined Group and its employee requirements will be made as part of the integration process and review.

In circumstances where duplications of roles are identified, Perpetual's present intention is to seek to allocate alternative responsibilities to those affected employees within the Combined Group (where practicable and possible to do so). However, it will not be possible for Perpetual to offer suitable alternative roles in all instances. Affected employees who are unable to be allocated alternative responsibilities will receive payments and other benefits to which they are entitled on departure under their terms of employment.

7.6 Capital structure of the Combined Group

Share Capital

As at the date of this Scheme Booklet, there are 57,308,133 Perpetual Shares on issue. If the Scheme is implemented, Perpetual will issue New Perpetual Shares to Scheme Shareholders and the total number of Perpetual Shares on issue will increase.

The total number of New Perpetual Shares that Perpetual will issue under the Scheme to Pental Shareholders is 54,735,642, subject to rounding (being the Total Scrip Pool as defined in the Scheme). Accordingly, the number of Perpetual Shares on issue following implementation of the Scheme will be approximately 112,043,775.

Combined Group Ownership Structure

On implementation of the Scheme, Perpetual Shareholders will own approximately 51.1% of the Combined Group and Pental Shareholders will own approximately 48.9% of the Combined Group.

Based on their respective shareholdings in Perpetual and Pental as at the Last Practical Date, the holders of 5% or more of the issued capital of Perpetual, if the Scheme is implemented would be:

Substantial shareholder	Voting Power %
State Street Corporation and its subsidiaries	7.0
Black Rock Inc. and subsidiaries	6.4
JP Morgan and its subsidiaries	5.4
Vanguard Group and its controlled entities	5.0

New Debt Facility

Overview

To pay the \$632 million Cash Consideration of the offer, Perpetual has engaged four relationship banks, ANZ Bank Limited, Bank of America N.A., Australian Branch, MUFG Bank, Ltd. and National Australia Bank Limited (the **Mandated Lead Arrangers, Underwriters and Bookrunners or MLAUBs**) to underwrite and provide and/or syndicate debt facilities. These facilities will also be used to refinance \$261 million of debt that Perpetual currently holds (as at 30 June 2022). Pental is required under the Implementation Deed to pay down its existing borrowings and close its current facilities as part of Implementation.

The facility size will allow Perpetual to operate with undrawn facility headroom and within Perpetual's publicly stated gearing limit of 30% debt to total capital. Perpetual expects steady deleveraging of the facility post implementation of the Scheme, supported by strong and stable cash flows which are expected from PCT and PP.

There are two components to the new facilities, core facilities and acquisition facilities. The core facilities will initially fund in November 2022 and will replace Perpetual's existing facilities. The acquisition facilities will fund at implementation, subject to the final Conditions Precedent being satisfied (see below).

Section 7

Overview of the Combined Group

Details

Perpetual has entered into a debt commitment letter dated 24 August 2022 (the **Debt Commitment Letter**) with the MLAUBs pursuant to which the MLAUBs will arrange and underwrite the provision of unsecured loan and bank guarantee facilities to Perpetual Limited in an aggregate amount of A\$850 million, US\$173 million and GBP115 million (**Facilities**). Up to A\$450 million, US\$173 million and GBP115 million of the Facilities will be made available on a customary certain funds basis to fund part of the Scheme Consideration and to pay related transaction costs (**Acquisition Facilities**), with the balance being made available for other corporate purposes (including to refinance existing Perpetual financing facilities). Perpetual has elected (or intends to elect) to reduce the amount of the Acquisition Facilities by A\$150 million (with a corresponding reduction to the aggregate amount of the overall Facilities).

The borrower under the Acquisition Facilities will be Perpetual, who is permitted to use part of the proceeds of borrowings under the Acquisition Facilities to fund, among other things, payment of the Scheme Consideration.

The availability of the Facilities is subject to the satisfaction of certain customary conditions precedent, including:

- (a) provision to the facility agents agreed forms of a funds flow statement, director and verification certificates and legal opinions;
- (b) execution of long form financing documentation as described below;
- (c) payment of fees, costs and expenses;
- (d) the non-occurrence of certain 'major' events of default with respect to the Perpetual Group;
- (e) in the case of the Acquisition Facilities only:
 - (i) confirmation from an authorised signatory of Perpetual that the Effective Date has or will occur on the date of the first drawdown under the Facilities and all conditions precedent to implementation of the Scheme have been, or will on the date of the first drawdown under the Facilities, be satisfied or if amended or waived, amended or waived in a manner which is not materially adverse to the interests of the providers of the Facilities; and
 - (ii) the Scheme Implementation Deed has not been amended or waived in a manner which is materially adverse to the interests of the providers of the Facilities.

It is expected that, prior to the Second Court Date and by no later than 5:00pm on 30 November 2022 (or such later date agreed between the MLAUBs and Perpetual), the Debt Commitment Letter will be superseded by a definitive long form financing documentation required to be entered into as a condition precedent to the initial utilisation of the Facilities. Agreed forms of those documents are annexed to the Debt Commitment Letter.

It is expected that the conditions to the Acquisition Facilities will be satisfied on or before the Second Court Date (other than certain procedural conditions which are intended to be satisfied concurrently with, or prior to, the initial utilisation of certain of the Facilities, including the payment of fees, costs and expenses, and other than the condition that the Scheme becomes Effective).

As at the date of this Scheme Booklet, Perpetual is not aware of any reason why the conditions to the Facilities will not be satisfied so as to enable the relevant Facilities to be drawn for the purpose of funding part of the aggregate Scheme Consideration.

7.7 Intentions for the Combined Group

The Combined Group is expected to become a leading global multi-boutique asset manager, corporate trustee and wealth manager.

The business is expected to operate and trade under the following segments:

Perpetual Asset Management Australia (PAMA):

The business will include the Australian-based asset management businesses of Perpetual Asset Management Australia and Pandal Australia.

Perpetual Asset Management Americas (PAM - Americas):

The Perpetual Asset Management Americas segment will cover the Barrow Hanley, TSW and Trillium boutiques and will include US based distribution and operations functions.

Perpetual Asset Management Europe and UK (PAMEUK):

Perpetual Asset Management Europe and UK segment will cover all asset management functions in regions including Europe, and the United Kingdom as well as the management of regionally based Regnan and other strategies.

Perpetual Corporate Trust (PCT):

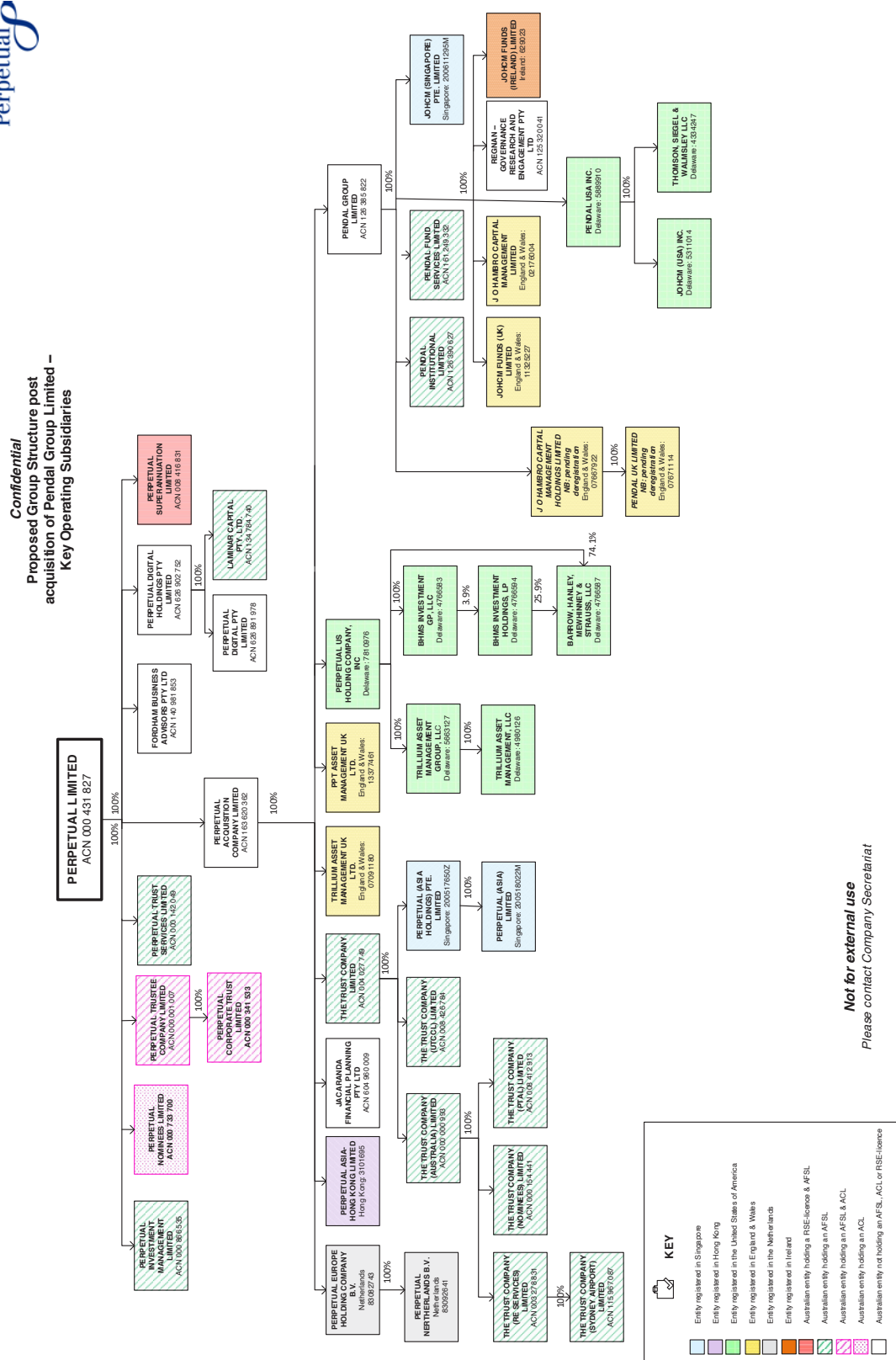
PCT is not expected to be materially impacted by the transaction and will continue to provide critical infrastructure across the Australian financial services ecosystem in line with current operations.

Perpetual Private (PP):

PP is not expected to be materially impacted by the transaction and will continue to provide tailored, holistic financial advice and solutions for successful individuals, families, the not-for-profit sector and community-based organisations.

On implementation of the Scheme, Perpetual Acquisition Company Limited will acquire 100% of the issued shares of Pendl. Perpetual Acquisition Company Limited is a wholly owned Subsidiary of Perpetual.

Accordingly, immediately following implementation of the Scheme, Pental will become a wholly owned Subsidiary of Perpetual Acquisition Company Limited and Perpetual.



Section 7

Overview of the Combined Group

Combined Group Board and Management

If the Scheme is implemented, up to three existing non-executive directors from the Pental Board will be invited to join the Perpetual Board. After implementation of the Scheme, it is intended that the Perpetual Board will comprise up to ten non-executive directors and the Chief Executive Officer and Managing Director, depending on the number of Pental directors who may ultimately join the Perpetual Board.

The Chairman of the Combined Group board will be the current Chairman of Perpetual, Mr Tony D'Aloisio AM.

The Chief Executive Officer and Managing Director of the Combined Group will be the current Perpetual Chief Executive Officer and Managing Director, Mr Rob Adams. Section 6.3 contains further details of the qualifications and background of Mr Adams.

Members of the Combined Group's senior management team will be selected based on the principle that the best executive for the job will be offered the relevant role having regard to the skills, experience, knowledge and expertise required to manage the Combined Group and its assets.

7.9 Combined Group unaudited pro-forma historical consolidated financial information

This section 7.9 contains the pro-forma historical financial information of the Combined Group (together, the "Combined Group Pro-Forma Historical Financial Information") comprising the:

- Combined Group pro-forma historical income statement for the year ended 30 June 2022 ("Combined Group Pro-Forma Historical Income Statement"), as set out in Table (c);
- Combined Group pro-forma historical cash flow for the year ended 30 June 2022 ("Combined Group Pro-Forma Historical Cash Flow"), as set out in Table (e); and
- Combined Group pro-forma historical statement of financial position as at 30 June 2022 ("Combined Group Pro-Forma Historical Statement of Financial Position"), as set out in Table (d).

The Combined Group Pro-Forma Historical Financial Information is based on and should be read in conjunction with:

- the Pental Historical Financial Information presented in section 5.7 of this Scheme Booklet;
- the Perpetual Historical Financial Information presented in section 6.16 of this Scheme Booklet;
- the basis of preparation presented in section 6.16 of this Scheme Booklet;
- the risk factors presented in section 8 of this Scheme Booklet.

(a) Basis of preparation

The Combined Group Pro-Forma Historical Financial Information set out in this section has been prepared in order to give Pental Shareholders an indication of the financial performance, financial position, and cash flows of the Combined Group as if the Scheme had been implemented from 1 July 2021 in respect of the financial performance and cash flows, and 30 June 2022 in respect of the financial position. It does not reflect the actual financial performance, financial position, or cash flows of the Combined Group at the time of implementation. It has been prepared for illustrative purposes only for the purpose of this Booklet.

The Combined Group Pro-Forma Historical Financial Information presented in this section 7.9 is based on the:

- Pental Historical Financial Information, as at and for the year ended 30 June 2022;
- Perpetual Historical Financial Information, as at and for the year ended 30 June 2022; and
- Pro-forma adjustments.

The Historical Financial information presented in this section 7.9 has been derived from the Consolidated Financial Statements of Pental for the financial year ended 30 June 2022 and from the Consolidated Financial Statements of Perpetual for the financial year ended 30 June 2022.

The Consolidated Financial Statements of Pental for the financial year ended 30 June 2022 consist of:

- three months of results from the Financial Statements of the financial year ended 30 September 2021;
- six months from the reviewed Financial Statements for the half year ended 31 March 2022; and
- three months from the reviewed Financial Statements for the period to 30 June 2022.

The Financial Statements for Pental for the year ended 30 September 2021 have been audited by the auditor and an unqualified audit opinion was issued. The auditor also performed a review of Pental's interim Financial Statements for the half year ended 31 March 2022 and for the three months ended 30 June 2022 and provided an unqualified review opinion. The audit and review was carried out by the auditor in accordance with Australian Auditing Standards.

The Consolidated Financial Statements of Perpetual for the financial year ended 30 June 2022 were audited by KPMG in accordance with Australian Auditing Standards who issued an unqualified audit opinion.

The Historical Financial information of Pental and Perpetual has been prepared in accordance with significant accounting policies described in their respective financial statements for the year ended 30 September 2021, half year ended 31 March 2022 and 30 June 2022 respectively. The financial statements for Pental for the year ended 30 September 2022 are available on Pental's website at <https://www.pentalgroup.com/>. The financial statement for Perpetual for the year ended 30 June 2022 are available on Perpetual's website at <https://www.perpetual.com.au/>.

In preparing the Combined Group Pro-Forma Historical Financial Information, Perpetual has undertaken a review to identify significant accounting policy differences where the impact is potentially material to the Combined Group and could be reliably estimated. No material differences have been identified by Perpetual.

(b) Basis of Consolidation

(i) Preliminary purchase price accounting

Perpetual will be required to consolidate Pental from the date upon which control passes. AASB3 allows the acquirer a period of 12 months from the acquisition date to finalise the identification and valuation process of all assets and liabilities and any resultant accounting adjustments. Perpetual has not finalised the identification and valuation of Pental assets and liabilities, with finalisation to take place after implementation of the Scheme. For the purpose of preparing the Combined Group Pro-Forma Historical Statement of Financial Position, it has been assumed that the historical carrying value of assets and liabilities is equal to their fair value and that there will be no additional separately identifiable intangible assets other than those already recognised in the 30 June 2022 historical statement of financial position of Pental.

As purchase price accounting has not been finalised, additional amortisation in relation to identifiable finite life intangible assets may arise and this has not been reflected in the Combined Group Pro-Forma Historical Income Statement. The quantum of any additional amortisation will depend on the incremental fair value allocated and the useful lives ascribed to the identifiable intangibles assets as part of the final purchase price allocation.

Under Perpetual's UPAT definition amortisation of identified intangibles are added back. Therefore there is no effect on the current Combined Group UPAT for additional defined life intangible amortisation.

For the purpose of preparing the Combined Group Pro-Forma Historical Statement of Financial Position, it has been assumed that there will be no resetting of the Combined Group's tax cost bases following the acquisition. It is, however, likely that the allocable cost amount calculation will result in a deferred tax position which is different to the position presented in the Combined Group Pro-Forma Historical Statement of Financial Position. Any resulting adjustment to deferred tax assets and liabilities will have an equal but opposite impact on the amount of goodwill recognised in the Combined Group Pro-Forma Historical Statement of Financial Position.

(ii) Presentation

The Combined Group Pro-Forma Historical Financial Information:

- is provided for illustrative purposes only;
- is presented in a summary form and consequently does not contain all of the presentation and disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act; and
- has been prepared on the basis that Perpetual is the acquiring entity for accounting purposes.

Pro-Forma Adjustments have been made to reflect the financial impacts of the combination of Pental and Perpetual.

The Pro-Forma Adjustments on the Combined Group Pro-Forma Historical Income Statement and Combined Group Pro-Forma Historical Cash Flow include:

- The additional interest expenses relating to the refinancing of existing facilities and drawdown of new facilities resulting in a total \$701.8 million debt at an average interest rate of 6.05% assuming base rates ranging from 3.65% to 4.57%. We note that the actual fluctuation of base rates will impact the interest expenses; and
- The tax effect of the additional interest expenses calculated based on a 30% tax rate in line with the Australian corporate tax rate.

Section 7

Overview of the Combined Group

The Pro-Forma Adjustments on the Combined Group Pro-Forma Historical Statement of Financial Position include:

- The impact of acquisition by scrip and cash, resulting in:
 - the decrease in pro-forma group cash and cash equivalents representing the \$632.2 million gross Cash Consideration (being \$618.8 million after Pandal's Permitted Dividend of 3.5 cents per Pandal Share, totalling \$13.4 million) assuming a 28% gross Cash Consideration (27% net Cash Consideration), the payment of the \$71.5 million transaction costs (see below) offset by the drawdown of the new financing facilities (see below);
 - the decrease in contributed equity, reserves and retained earnings of \$1,293.6 million, reflecting the elimination of Pandal's equity reserves; and
 - the increase in intangible assets (\$983.7 million), reflecting the preliminary goodwill and intangibles estimate (being the difference between the consideration of \$2,277.3 million and the net assets acquired of \$1,293.6 million).
- The issue of 54.7 million Perpetual Shares to Pandal Shareholders, assuming a 73% Scrip Consideration (being net of Pandal's Permitted Dividend Amount of 3.5 cents per Pandal Share), representing \$1,658.5 million (based on the Perpetual closing share price of \$30.30 as at 24 August 2022).
- The impact of transaction costs relating to the estimated costs of the Transaction to be incurred by both Perpetual and Pandal. The pro-forma adjustment results in a reduction to cash of \$71.5 million, resulting in a decrease to retained earnings of \$50.0 million and recognition of a deferred tax asset of \$21.5 million.
- The impact of the new acquisition facilities that will be drawn down by Perpetual as part of the Transaction, increasing pro-forma group debt by \$392.6 million. As part of the Transaction, Perpetual intends to replace its existing financing facilities and raise additional acquisition facilities.

The Combined Group Pro-Forma Historical Financial information presented in this section 7.9 does not purport to reflect the likely actual or prospective reported financial performance, financial position or cash flows of the Combined Group.

The principal non-IFRS measures referred to in this section 7.9 are consistent with those of Perpetual. Refer to section 6.16(e) for explanations of the non-IFRS and for further details on Perpetual's financial performance and financial statements for FY22 as set out in the 2022 Annual Report announced to the ASX on 16 September 2022 can be found on the ASX website (<https://www.asx.com.au>) or the Perpetual website (<https://www.perpetual.com.au/about/shareholders/financial-results>).

It is likely that actual financial performance, financial position and cash flows in future periods will differ from the Combined Group Pro-Forma Historical Financial Information presented in this Section 7.9. The factors which may impact the actual financial performance, financial position or cash flows of the Combined Group include but are not limited to:

- trading of Pandal and Perpetual after 30 June 2022 which is not reflected in the historical financial information of Pandal or Perpetual;
- the ultimate timing of Implementation of the Scheme to combine Pandal and Perpetual;
- the difference between the estimated value of transaction costs and the amount ultimately incurred;
- the finalisation of the acquisition accounting, including determining the appropriate purchase price adjustments, including the value of the assets and liabilities acquired in accordance with the relevant accounting standards;
- the fluctuations of the market interest rates and the related impact on the interest expenses;
- the timing and realisation of synergies (and associated costs) arising from the combination of Pandal and Perpetual (refer to section 7.3 for further details); and
- the value of Perpetual Shares on the Implementation Date will change the value of goodwill and intangibles to be recognised on acquisition.

(c) Combined Group Pro-Forma Historical Income Statement

This section outlines the Combined Group Pro-Forma Historical Income Statement as though the Scheme was implemented prior to 1 July 2021.

	30-Jun-2022 Pendal \$'m	30-Jun-2022 Perpetual \$'m	Proforma adj. \$'m	30-Jun-2022 Combined Group \$'m
Total Fee Revenue	665.4	749.6	–	1,415.0
Employee Expenses	305.7	381.2	–	686.9
Financing Costs	2.5	9.2	34.1	45.8
Other Expenses	158.3	221.9	–	380.2
Total Operating Expenses	466.5	612.3	34.1	1,112.9
Operating Profit Before Tax	199.0	137.3	(34.1)	302.1
Other Income	(11.9)	–	–	(11.9)
Tax	48.8	36.1	(10.2)	74.7
Statutory NPAT After Tax	138.2	101.2	(23.9)	215.5
UPAT	210.8	148.2	(23.9)	335.1
EPS	36.1	179.6	–	194
Underlying EPS ¹	55.1	263.0	–	301.6

1. The above EPS calculation for Pendal, Perpetual and the Combined Group are disclosed on a statutory basis. Pendal Shareholders should be aware that, with the 73% Scrip Consideration, due to the 7.0/1 conversion ratio of Pendal Shares into Perpetual Shares, the Combined Group EPS is not directly comparable to the Pendal EPS presented in the Table above.

Section 7

Overview of the Combined Group

(d) Combined Group Pro-Forma Historical Statement of Financial Position

This section outlines the Combined Group Pro-Forma Historical Statement of Financial Position as at 30 June 2022, as though the Scheme was Implemented on 30 June 2022.

	30-Jun-2022 Pandal \$'m	30-Jun-2022 Perpetual \$'m	Proforma adj. \$'m	30-Jun-2022 Combined Group \$'m
Current Assets				
Cash and Cash Equivalents	207.9	175.4	(297.7)	85.5
Trade and Other Receivables	85.3	122.9	–	208.2
Derivatives	–	–	–	–
Current Tax Assets	14.7	3.6	–	18.3
Structured Products - EMCF Assets	–	186.3	–	186.3
Prepayments	10.3	10.2	–	20.5
Total Current Assets	318.1	498.4	(297.7)	518.8
Non-current Assets				
Property, Plant and Equipment	43.1	77.8	–	120.9
Financial Assets at FVTPL	257.7	152.0	–	409.7
Deferred Tax Assets	36.9	53.6	21.5	112.0
Intangible Assets	907.7	951.7	983.7	2,843.1
Other Assets	–	13.0	–	13.0
Total Non-current Assets	1,245.4	1,248.1	1,005.2	3,498.6
Total Assets	1,563.5	1,746.5	707.4	4,017.4
Current Liabilities				
Trade and Other Payables	42.0	54.0	–	96.0
Structured Products - EMCF Liabilities	–	187.7	–	187.7
Employee Benefits	107.8	90.1	–	197.9
Derivatives	0.7	–	–	0.7
Lease Liabilities	6.3	16.4	–	22.7
Provisions	–	5.8	–	5.8
Current Tax Liabilities	17.3	–	–	17.3
Other Liabilities	–	15.2	–	15.2
Total Current Liabilities	174.2	369.2	–	543.4
Non-current Liabilities				
Payables	–	39.7	–	39.7
Employee Benefits	4.2	29.3	–	33.5
Accrued Incentive Compensation	–	48.6	–	48.6
Lease Liabilities	30.8	55.9	–	86.7
Provisions	–	4.7	–	4.7
Deferred Tax Liabilities	9.9	14.9	–	24.8
Borrowings	50.8	258.4	392.6	701.8
Total Non-current Liabilities	95.7	451.5	392.6	939.8
Total Liabilities	269.9	820.7	392.6	1,483.2
Net Assets	1,293.6	925.8	314.9	2,534.2
Contributed Equity	855.2	817.7	803.3	2476.2
Reserves	234.9	34.3	(234.9)	34.3
Retained Earnings	203.4	73.8	(253.5)	23.7
Equity	1,293.6	925.8	314.9	2,534.2

(e) Combined Group Pro-Forma Historical Cash Flow for the Year Ended 30 June 2022

This section outlines the Combined Group Pro-Forma Historical Cash Flow as though the Scheme was implemented prior to 1 July 2021.

	30-Jun-2022 Pendal \$'m	30-Jun-2022 Perpetual \$'m	Proforma adj. \$'m	30-Jun-2022 Combined Group \$'m
Cashflows from operating activities				
Fees	667.6	834.1	–	1,501.7
Interest	0.0	(7.8)	–	(7.8)
Distributions	1.1	0.5	–	1.6
Fund Applications Settled	5.6	–	–	5.6
Income Taxes Paid	–	(59.6)	10.2	(49.4)
Expenses	(444.6)	(596.4)	–	(1,041.0)
Net cashflows from operating activities	229.7	170.8	10.2	410.7
Cashflows from investing activities				
Payments for Subsidiary	(379.0)	(49.8)	–	(428.8)
Proceeds from Sales	90.6	35.2	–	125.8
Payments for Assets	(89.2)	(43.1)	–	(132.3)
Payments for PPE	(1.5)	(15.0)	–	(16.5)
Proceeds /(Payments) on Hedging	4.3	–	–	4.3
Cash Acquired as Part of Acquisition of Business	–	3.5	–	3.5
Payments for IT Dev	(1.1)	–	–	(1.1)
Net cashflows from investing activities	(376.0)	(69.2)	–	(445.2)
Cashflows from financing activities				
Costs Associated with Share Issue	(0.6)	–	–	(0.6)
Transaction costs – issue of shares	–	–	–	–
Proceeds from Borrowings	48.0	75.0	–	123.0
Repayment of borrowings	–	–	–	–
Transaction costs – borrowings	–	–	–	–
Payment of Dividends	(167.0)	(112.4)	–	(279.4)
Payment for Treasury Shares	(58.3)	(14.8)	–	(73.1)
Payment for Leases	(10.7)	–	–	(10.7)
Fund Applications Settled	(5.6)	–	–	(5.6)
Interest and Financing Costs	(1.1)	(14.4)	(34.1)	(49.6)
Net cashflows from financing activities	(195.4)	(66.6)	(34.1)	(296.1)
Net movement in cash and cash equivalents	(341.7)	35.0	(23.9)	(330.6)
Cash and Cash Equivalent	548.9	147.1	–	696.0
Exchange Rates	0.7	(6.7)	–	(6.0)
Cash and Cash Equivalent End	207.9	175.4	(23.9)	359.4

Section 7

Overview of the Combined Group

(f) Reconciliation between the statutory net profit after tax and underlying profit after tax

Below is a reconciliation between the Combined Group Pro-Forma statutory net profit after tax and underlying profit after tax as though the Scheme was implemented prior to 1 July 2021.

Pendal and Perpetual have different methodologies in relation to the identification of significant items. In preparing Pendal's consolidated statement of comprehensive income for the year ended 30 June-22, Perpetual's methodology has been applied. The key differences are:

- for the recognition of gains and losses on financial assets, Perpetual adjusts for unrealised gains or losses on financial assets within their UPAT, while Pendal adjusts for both unrealised and realised gains or losses; and
- in terms of presentation, Perpetual presents the tax impact of significant items under each of the adjustments, while Pendal presents the aggregated tax impact on a separate line.

	30-Jun-2022 Pendal \$'m	30-Jun-2022 Perpetual \$'m	Proforma adj. \$'m	30-Jun-2022 Combined Group \$'m
Statutory NPAT to UPAT (Jun-22)				
Statutory NPAT	138.2	101.2	(23.9)	215.5
Significant items after tax				
Expense cloud computing costs	–	–	–	–
Transaction and integration costs	13.3	22.2	–	35.5
Non-cash amortisation of acquired intangible assets	31.6	18.6	–	50.2
Unrealised losses / (gains) on financial assets	27.7	10.9	–	38.6
Accrued incentive compensation liability	–	(4.7)	–	(4.7)
Operating model review costs	–	–	–	–
Total significant items after tax	72.6	47.0	–	119.6
UPAT	210.8	148.2	(23.9)	335.1

Section 8

Risk Factors

8.1 Introduction

This section describes certain key risks associated with the Scheme. You should carefully consider the risk factors in this section, as well as the other information contained throughout the Scheme Booklet before voting on the Scheme.

This section 8 outlines:

- specific risks relating to the business and operations of Pendal;
- specific risks relating to the Scheme and the creation of the Combined Group;
- risks relating to the business and operations of Perpetual and the Combined Group; and
- risks if the Scheme does not proceed.

The outline of risks in this section 8 is a summary only and should not be considered exhaustive. This section 8 does not attempt to set out every risk that may be associated with an investment in Pendal, Perpetual or the Combined Group now or in the future. The occurrence or consequences of some of the risks described in this section 8 may be partially or completely outside the control of each of Pendal, Perpetual or the Combined Group.

While Pendal, Perpetual and the Combined Group have or will have in place a number of strategies to minimise the exposure to, and mitigate the effects of, some of these risks, there can be no assurance that such arrangements will protect Pendal, Perpetual or the Combined Group fully.

This Scheme Booklet does not take into account the investment objectives, financial situation, or the particular needs or risk profiles of individual Pendal Shareholders. You should carefully consider the following risks, as well as the other information contained in this Scheme Booklet, and seek independent professional advice before deciding whether to vote on the Scheme.

8.2 Specific risks relating to the business and operations of Pendal

Risk factors in respect of Pendal's business that Shareholders will remain exposed to if the Scheme does not proceed are described below. Many of these risks will also continue to be relevant to Pendal Shareholders if the Scheme is implemented, on the basis that after the Scheme is implemented, Perpetual will own Pendal and the Scheme Consideration includes New Perpetual Shares. The Pendal Group's Annual Report also provides more details on the material risks relating to the business and operations of Pendal.

Loss of or failure to attract key personnel

Pendal'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. The loss of key personnel or any delay in their replacement, may adversely affect Pendal's future financial performance. This risk may be heightened if the creation of the Combined Group prompts Pendal fund managers to pursue opportunities outside the Combined Group. Pendal has been in frequent communication with key personnel and fund managers and understands that the Scheme has the strong support of key personnel and fund managers.

Section 8

Risk Factors

Concentration risk

There is also risk of concentration whereby a material proportion of Pendal's revenue is delivered via a few investment strategies and therefore creates reliance on a few key investment personnel. Loss of any key investment personnel would have a material impact on retaining/winning new business and Pendal's future financial performance.

Product and investment performance

There are risks associated with Pendal's products and solutions, specifically if these do not meet client preferences. This includes changing client needs, fee structures, and client preferences to different asset classes.

The risk that portfolios will not meet their investment objectives or a failure to achieve consistent long-term performance that delivers on the clients' expectations may also adversely impact Pendal's business and delivery of the strategy. Pendal also invests its own seed capital in some of the investment strategies, and therefore poor investment performance could result in a capital reduction or loss.

Distribution risk

Pendal provides investments across a global distribution platform. There are risks inherent to Pendal's distribution platform which includes, among other things, ineffective design and execution of the distribution strategy, resulting in a failure to positively identify, engage and support clients, which in turn may result in a failure to deliver budgeted fund flows.

In the current environment, there are also a number of specific external factors that heightened the risk of outflows, including the ongoing geo-political tensions impacting global economies and markets, the impacts from Brexit and COVID-19 and the competitive nature of different strategies, for example passive versus active. While Pendal's overall FUM grew in the period to 31 October 2022, notable outflows have continued over a number of months in certain Pendal key investment strategies which, if sustained, may adversely impact on the earning and financial position of Pendal or the Combined Group.

General economic conditions

The financial performance of Pendal and the value of the Pendal Shares may fluctuate due to various factors, including movements in the Australian and international capital markets, recommendations by brokers and analysts, interest rates, exchange rates, inflation, Australian and international economic conditions, change in government, fiscal, monetary and regulatory policies, prices of commodities, global geo-political events and hostilities, global health pandemics, acts of terrorism, investor perceptions and various other factors which may affect Pendal's financial position and earnings. In the future, these factors may affect Pendal and may cause the price of Pendal Shares to fluctuate and trade below current prices.

In light of recent global macroeconomic events, including the impact of the COVID-19 pandemic and other geopolitical/economic challenges, Australia and other Pendal jurisdictions, may experience an economic recession or downturn of uncertain severity and duration which could impact Pendal's ability to attract and retain clients and to invest sufficiently in its technology. These economic disruptions may adversely impact Pendal's earnings and assets, as well as the value of the Pendal Shares.

Securities market fluctuations

There are various risks associated with investing in any form of business and with investing in listed entities generally. As with any entity listed on the ASX, the value of Pendal Shares is influenced by a variety of factors, including macroeconomic factors and broader social occurrences which are beyond Pendal's ability to control or predict.

Strategic alignment and business model

There are various risks that impact Pendal's strategy and the business model. This includes the risk that Pendal's strategy is not aligned to maximise shareholder and client value or there is a failure to effectively execute Pendal's strategy. Whilst Pendal aims to manage these risks, if they were to materialise both can impact on the ability of Pendal to deliver on its expected outcomes.

Pendal is also exposed to the risk that the business model does not respond effectively to external change which could result in loss or missed opportunities. This includes external factors such as the markets, geopolitical events and competition.

Environment, Social & Governance (ESG) Strategies

Pendal provides ESG-related products and there are risks associated with these ESG offerings. Pendal may fail to adequately progress on executing its ESG and Responsible Investing strategy, including the risk of not developing products to meet client needs in a timely manner or failing to adequately meet evolving ESG stakeholder expectations and regulatory requirements.

There are also risks around how Pandal will continue to progress its own ESG initiatives under Perpetual's ownership and Perpetual's ongoing commitment to support ESG initiatives for Pandal.

International operations

Pandal conducts operations in a number of geographies and countries. The future operating results in the countries or regions in which Pandal will operate, or may in the future operate, could be negatively affected by a variety of factors beyond the control of Pandal, including political instability, economic conditions, legal and regulatory constraints, trade policies, currency regulations. Additional risks inherent in Pandal's global operations generally include, among other things, the costs and difficulties of managing international operations, complying with local legislation, adverse tax consequences arising from carrying on operations in a large number of countries and the conduct of cross-border transactions.

Market, financial and treasury

Pandal'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. Loss of assets would also add further pressure on our cost base and reduce investment in the business.

Pandal also invests its own capital alongside clients when establishing new financial products and building them to scale. This exposes Pandal to the same potential loss of capital as clients.

There is also the risk of the failure of Pandal to maintain appropriate working capital and reserves to respond to unexpected adverse events.

Exposure of earnings to fluctuating foreign exchange rates

Pandal has operations in many jurisdictions. Therefore, it will be exposed to foreign earnings, expenses and borrowings affecting the value of transactions when translated back to the functional currency on a transaction basis. As Pandal may hold some borrowings or receive income denominated in a foreign currency, it will therefore be exposed to this risk against movements in the exchange rate of these currencies, such exchange rate movements may adversely affect its earnings and/or statement of financial position.

Compliance with laws, regulations and industry standards

Pandal operates in a range of jurisdictions and is subject to legislation and different regulatory frameworks in the various jurisdictions. Furthermore, with the geographic expansion of Pandal's business, Pandal may become subject to additional legal, regulatory, tax, compliance requirements and industry standards.

Pandal must maintain robust internal systems, processes and controls to ensure that Pandal and its employees and representatives comply with all the relevant legal obligations. Failure to comply with any applicable laws and regulations in any relevant jurisdiction may result in legal or regulatory sanctions or enforcement action.

Exposure to potential security breaches and cyber-attacks

Pandal collects, processes and stores, through the ordinary course of its business, a wide range of confidential and personal data and information. The measures Pandal takes to protect such information and data may be insufficient to prevent security breaches from arising, or other unauthorised access or disclosure of such information and data. Any data security breaches or Pandal's failure to protect private, personal, confidential or sensitive information could result in a significant disruption to Pandal's systems, cause reputational damage, loss of system integrity and breaches of Pandal's obligations under applicable laws, each of which may materially and adversely impact Pandal's business, results from operations, profitability, reputation and prospects.

Security breaches may also involve unauthorised access to Pandal's networks, systems and databases and the deployment of malicious software designed to create system and service disruptions, exposing financial, proprietary, client and/or personal information. Any systemic failure or sustained disruption to the effective operation of Pandal's technology (e.g. through cyber-attacks) could severely damage Pandal's reputation and its ability to generate new business or retain existing business, directly impair Pandal's operations or require increased expenditure on technology or generally across the business. This could also result in a financial loss via ransom requests, investigation costs, remediation costs and restitution costs.

Tax

Any changes to the current rate of company income tax may impact shareholder returns. In addition, any change in tax rules and tax arrangements could have an adverse effect on the level of dividend franking and shareholder returns. Personal tax liabilities are the responsibility of each individual Scheme Shareholder. Pandal is not responsible for tax or penalties incurred by Pandal Shareholders.

Section 8

Risk Factors

Change in accounting or financial reporting standards

Australian Accounting Standards (AAS) are set by the Australian Accounting Standards Board (AASB) and are outside the control of Pental. Changes to accounting standards issued by the AASB could materially adversely affect the financial performance and position reported in the financial statements of Pental.

Supplier management (including outsourcing)

Pental engages with different suppliers and third-party providers which exposes Pental to the risk of loss or reputation damage arising from inadequate supplier selection and oversight processes. There are risks associated with failure to manage the business' exposure to heightened supplier risks as it introduces and transitions to new infrastructure suppliers.

COVID-19

Whilst material risks from the COVID-19 pandemic appear to be subsiding, there is an ongoing risk of potential further disruption. The global economic outlook continues to remain uncertain due to the COVID-19 pandemic and while the effects of the COVID-19 pandemic are subsiding in many countries, it has contributed to a variety of economic outcomes which have the potential to be disruptive, including global supply-chain bottlenecks, lockdowns and worker shortages. There is no certainty as to when these circumstances may subside, and they may continue to have significant impact on economic growth, capital markets and share prices.

Many of the operational and general risks relating to Pental highlighted in this section are likely to be heightened due to the ongoing direct and indirect impacts of the COVID-19 pandemic. To date, the COVID-19 pandemic has affected, amongst other things, economic conditions, employment markets, equity markets and fiscal and monetary policy interventions.

Transformation (change management)

There are risks associated with failure to effectively manage material change projects which could result in loss or missed opportunities for Pental. Such a risk could result from poor planning, ineffective project governance, insufficient resourcing (including human capital), ineffective execution, poor management of project interdependencies and regulatory requirements.

Further, failure to effectively manage the material risks arising from Pental's global transformational change program focused on enhancing operational infrastructure would adversely affect Pental's business.

Force majeure events

Events may occur within or outside Australia that could impact upon the global or Australian economy, the operations of Pental and the price of Pental Shares. These events include, but are not limited to, acts of terrorism, a global health pandemic such as the current COVID-19 pandemic, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events or occurrences that can have an adverse effect on the demand for Pental's services and its ability to conduct business. Pental has only a limited ability to insure against some of these risks.

Litigation and claims

As with any business in financial services and other heavily regulated industries, Pental faces a risk of litigation (including litigation instigated by regulators and plaintiffs in representative proceedings otherwise known as 'class actions') and disputes arising in the ordinary course of its business which has the potential to affect its financial standing or its reputation and to divert the attention of staff from the ordinary business of Pental.

Litigation and disputes may arise from a regulator, by Pental originating these or by a third party (including an applicant in a representative proceeding) originating these, with such events having the potential to affect the value of any investments made as well as the reputation and standing of Pental.

Additional risks and uncertainties

There are a range of other general risks, which may impact on Pental's business or Pental Shares, which include but are not limited to:

- industrial action impacting the business directly or indirectly;
- litigation or conduct disputes brought by third parties, including but not limited to clients, suppliers, business partners, employees and government bodies; and
- government regulation and policies generally (in addition to wealth management, taxation and those regulations and policies noted above).

Additional risks and uncertainties not currently known to Pendal may also have a materially adverse effect on Pendal and the information set out above does not purport to be, nor should it be construed as representing, an exhaustive list of the risks affecting Pendal.

8.3 Specific risks relating to the Scheme and the creation of the Combined Group

Implied value of Scheme Consideration

In respect of the scrip component of the Scheme Consideration, the value that each Pendal Shareholder may realise on the sale of Perpetual Shares issued as part of the Scheme Consideration will depend on the price at which Perpetual Shares trade on the ASX after the Implementation Date.

Some Pendal Shareholders may not wish to continue to hold Perpetual Shares received under the Scheme and may sell them on the ASX soon after the Implementation Date. There is a risk that such sales may drive down the price of Perpetual Shares in the short term.

In any event, there is no guarantee regarding the market price of Perpetual Shares before the Scheme Meeting or after the Implementation Date. The value of Perpetual Shares may fluctuate before Perpetual Shares are issued on the Implementation Date. The table in section 4.2(b) illustrates the implied value of the Scheme Consideration per Pendal Share. Future market prices may be either above or below current or historical market prices. Information about the current trading prices of Perpetual Shares may be obtained from <https://asx.com.au>.

Completion of the Scheme is subject to various Conditions Precedent

The implementation of the Scheme is subject to the satisfaction or waiver of various Conditions Precedent (which are summarised in section 4.15 of this Scheme Booklet).

The Scheme will not proceed to the Second Court Date unless the Conditions Precedent are satisfied or waived (as applicable). Given that there are Conditions Precedent which are yet to be satisfied, there is a risk that the Second Court Date will be delayed, which will in turn delay the Implementation Date.

The Scheme will not proceed if the Conditions Precedent are not satisfied or waived (as applicable) before the End Date.

There can be no certainty, nor can Pendal provide any assurance, that these conditions will be satisfied or waived (where applicable), or if satisfied or waived (where applicable), when that will occur. There are also a number of conditions which are outside the control of Pendal, including, but not limited to, regulatory approvals and approval of the Scheme by the Requisite Majority of Pendal Shareholders.

A failure to satisfy any of the relevant Conditions Precedent, or a delay in satisfying the relevant Conditions Precedent and implementing the Scheme, may adversely affect the market price of Pendal Shares or Perpetual Shares.

Integration risk and realisation of synergies

There is a risk that the integration of Pendal and Perpetual into the Combined Group may encounter unexpected challenges or issues, including that any integration could take longer or cost more than anticipated, or that the extraction of potential benefits and synergies of the combination of Pendal and Perpetual may be less than expected.

There is a risk that the Combined Group's success and profitability could be adversely affected if Pendal's business is not integrated effectively into Perpetual. Any failure to achieve expected potential synergies may also impact on the financial performance and position of the Combined Group and the future price of Perpetual Shares.

Implementation Deed may be terminated

Each of Pendal and Perpetual has the right to terminate the Implementation Deed in certain circumstances as set out in section 4.22 of this Scheme Booklet. Accordingly, there is no certainty that the Implementation Deed will not be terminated by either Pendal or Perpetual before the implementation of the Scheme.

If the Implementation Deed is terminated, there is no assurance that the Pendal Board will be able to find a party willing to pay an equivalent or greater price for Pendal Shares than the price to be paid pursuant to the terms of the Implementation Deed. This may adversely affect the future market price of Pendal Shares.

Section 8

Risk Factors

Performance risk in relation to Perpetual

There is a risk that Perpetual refuses, or otherwise fails, to comply with its obligations under the Implementation Deed, including:

- to use all reasonable endeavours, and work in a timely and cooperative fashion, to implement the Scheme as soon as reasonably practicable and as far as possible in accordance with the timetable;
- under clause 7.2 to comply with its obligations set out in Part A of Schedule 5 and to take all reasonable steps to assist Pental to implement the Scheme as soon as practicable; and
- to provide the Scheme Consideration to Pental Shareholders.

If Perpetual refuses, or otherwise fails, to comply with its obligations to implement the Scheme (including those listed above), then there is a risk that the Scheme will not be able to be implemented. Any enforcement action by Pental would involve significant time and cost and there is no assurance that Pental would succeed.

Court approval

There is a risk that the Court may not approve the Scheme, either at all or in the form proposed, or the Court's approval of the Scheme may be delayed. In particular, if there is a material change in circumstances between the Scheme Meeting and the Second Court Date, the Court will take the change into account in deciding whether it should approve the Scheme. If there is a material change of sufficient importance so as to materially alter the Scheme, there is a risk that the Court may not approve the Scheme on the Second Court Date.

Transaction costs may vary

If the Scheme is implemented, there is expected to be a one-off cost of \$110m to achieve business synergies, with the majority of these incurred over 18 months post completion. There is expected to be an additional \$40m of Perpetual transaction costs and \$31.5m of Pental transaction costs (being \$71.5m in total).

This amount does not distinguish between amounts which may have already been paid by either Perpetual or Pental prior to the Implementation Date. These costs are not certain and the actual transaction costs incurred may differ from the current estimates.

Contract risk

Some contracts to which Pental is a party contain 'change of control' provisions (or equivalent) that could be triggered by implementation of the Scheme, allowing the counterparty to renegotiate or terminate the contract. In particular, there are a number of client contracts which either automatically terminate upon a change of control or provide rights for clients to terminate or other adverse consequences upon a change of control. It is a Condition Precedent to implementation of the Scheme that the Client Consent Percentage is equal to or greater than 82.5%. If the necessary Pental client consents are not obtained, the Condition Precedent will not be satisfied and the Scheme may not be implemented, which could have a material and adverse effect on the financial position and share price of Pental.

If the Scheme becomes Effective, and a counterparty to a contract containing a change of control provision were to validly terminate or seek to renegotiate the contract this may have an adverse effect on the financial performance of the Combined Group, depending on the relevant contract.

As at the date of this Scheme Booklet, Pental has sought and obtained some, but not all, of the consents or waivers which are required in these circumstances.

Change in risk and investment profile

After implementation of the Scheme, Scheme Shareholders will be exposed to certain additional risks relating to the Combined Group, as noted below.

While the operations of Pental and Perpetual are similar in a number of ways, there will be differences between the size, capital structure, infrastructure, business offerings and clients of the Combined Group and Pental currently which may give rise to a different investment and business risk profile which may not align with the risk tolerance of Pental Shareholders.

Tax consequences

If the Scheme proceeds, there may be tax consequences for Scheme Shareholders. Scheme Shareholders should seek their own professional advice regarding the individual tax consequences of the Scheme.

General information on the Australian tax consequences of the Scheme is set out in section 9 of the Scheme Booklet.

8.4 Risks relating to the business and operations of Perpetual and the Combined Group

The following risks are relevant to Perpetual as a standalone entity and will also be relevant to the Combined Group after Implementation of the Scheme. The Perpetual Group annual report also provides more details on the material risks relating to the Perpetual business on a standalone basis, and accordingly will also be relevant to the Combined Group. In addition, many of the risks relevant to Pendal as a standalone entity as set out in section 8.2 will also continue to be relevant to the Combined Group.

General economic conditions

The financial performance of the Combined Group and the value of the Perpetual Shares may fluctuate due to various factors, including investment market volatility, movements in the Australian and international capital markets, interest rates, exchange rates, inflation, Australian and international economic conditions, change in government, fiscal, monetary and regulatory policies, prices of commodities, global geo-political events and hostilities, global health pandemics, acts of terrorism, investor perceptions and various other factors which may affect the Combined Group's financial position and earnings. In the future, these factors may affect the Combined Group and may cause the price of Perpetual Shares to fluctuate and trade below historical and current prices.

In light of recent global macroeconomic events, including the impact of the COVID-19 pandemic and other geopolitical/economic challenges, the global economy may experience an economic recession or downturn of uncertain severity and duration which could impact the Combined Group's performance, the Combined Group's ability to attract and retain clients and to invest sufficiently in its technology. These economic disruptions may adversely impact the Combined Group's earnings and assets, as well as the value of the Perpetual Shares.

Market risk, product and investment performance

The Combined Group's revenue will be dependent on funds under management, funds under advice and funds under administration which are influenced by movements in equity and fixed income markets, global currencies, interest rates and broader economic conditions (including those described above). Accordingly, there is a risk that adverse changes in the equity market conditions, foreign exchange and interest rates may reduce the market value of assets under management, advice and administration which may lead to a decrease in revenue and have an adverse impact on the Combined Group's financial position and performance.

In particular, the Combined Group's financial performance will continue to be sensitive to the prevailing conditions in equity fixed income and other financial markets and to the level of activity within these industries. The level of activity in some or all of these markets is cyclical in nature. The timing and application of these cycles differ among markets and products, and therefore may be difficult to predict reliably. Market conditions may be unfavourable to 'value' style investing which may contribute to underperformance of investment strategies. Such movements could have an adverse impact on the Combined Group's financial position and performance.

There are also risks associated with the Combined Group's products and solutions, specifically if these do not meet client preferences. This includes changing client needs, fee structures, and client preferences to different asset classes. The risk that portfolios will not meet their investment objectives or a failure to achieve consistent long-term performance that delivers on the clients' expectations may result in loss of clients and adversely impact the Combined Group's business.

Strategic alignment and business model

There are various risks that impact the Combined Group's strategy and the business model. This includes the risk that the combined business model does not respond effectively to external change which could result in loss or missed opportunities. This includes external factors such as the markets, geopolitical events and competition.

There also is the risk that the Combined Group's strategy is not aligned to maximise shareholder and client value or there is a failure to effectively execute the Combined Group's strategy. Both can impact on the ability of the Combined Group to deliver on its expected outcomes.

Growth strategy

There is a risk that the Combined Group's growth strategy and objectives may not be met. There is a risk that expected revenue will not meet targets or that expenses may increase disproportionately to revenue.

There are ongoing risks with the growth of a business which include the costs associated with staffing, third party services and regulatory compliance.

Section 8

Risk Factors

Key personnel

Key personnel will be a core component of the Combined Group's business, responsible for managing client relationships and retaining corporate knowledge, promoting investment mandates and business efficiencies. There is an ongoing risk of the industry that the Combined Group operates within of key employees leaving the business to join competitors or to exit the industry entirely. There is also a risk of not being able to replace key employees if they have left the business. Loss of key management and other personnel may have a negative impact on the Combined Group's businesses and the ability to implement its strategies in the near term, and may also impair its ability to grow and expand in the markets in which it operates.

The Combined Group will also be responsible for safeguarding the work, health and safety of its people, clients and suppliers, and any failure to do so may cause a detrimental impact on the Combined Group.

Regulatory matters

The Combined Group's business will be governed by a range of legislation and regulations in Australia and overseas. This is a complex and constantly changing regulatory environment which is subject to the prevailing and potentially changing political climate. In addition to this, the regulatory environment for financial services is complex and regulation has increased in recent times, resulting in an increased burden on the business as well as risks and direct costs associated with compliance.

Future changes to legislation, regulation, standards or policies may require the Combined Group to modify its product offerings or incur additional costs to ensure compliance, which may increase the costs of operations, affect profitability, the viability of some operations or adversely affect the Combined Group's ability to conduct its operations.

There is a risk that the Combined Group's processes and systems may not be adequate to detect and prevent all potential breaches. Serious breaches could have significant consequences, including the suspension or cancellation of the Combined Group's financial services and other regulatory licences. The cancellation of licences may result in the Combined Group being unable to operate the combined business, being issued with fines or other penalties arising from regulatory action and reputational damage.

The Combined Group will be subject to the privacy laws in Australia and all the jurisdictions where it operates. These laws regulate the handling of personal information and data collection. Such laws impact the way the Combined Group can collect, use, analyse, transfer and share personal and other information. Any actual or perceived failure by the Combined Group to comply with relevant privacy laws and regulations may result in the imposition of fines or other penalties, client losses, a reduction in existing services, and limitations on the use and development of technology requiring the input of such data. Any of these events could adversely impact the combined business, financial condition and financial performance.

Technology and cyber-security risks

The Combined Group will be reliant on its information technology and equipment infrastructure and systems, and the success of its business depends on the efficient and uninterrupted operation of this infrastructure and these systems. Systems could be exposed to damage or interruption as a result of a number of events and factors. There is also a risk that technology related services performed by external service providers are not managed in line with the servicing contract or operations standards required. These events could result in business interruptions, loss of customers and revenue, reputation damage and weakening of the Combined Group's competitive position and financial performance.

The Combined Group also faces the risk of cyber-security breaches resulting from unauthorised access or tampering with the Combined Group's information technology systems or data. Any successful cyber-attack or other breach of security could result in financial loss to clients, loss of information integrity or breaches of the Combined Group's obligations under applicable laws, including privacy, data breach or customer agreements, each of which could adversely impact the Combined Group's reputation, retention of client, ability to attract new clients and financial performance.

Risk associated with debt facility

The Combined Group's ability to service its debt depends upon its financial position, financial performance and cash flows which to some extent are subject to general economic, financial, regulatory and other factors beyond the control of the Combined Group. If the Combined Group is unable to generate sufficient cash flow to meet specific debt repayment obligations, it may face additional financial penalties, higher interest rates or difficulty obtaining further funding in the future.

The debt is also subject to the adherence to certain covenants related to financial performance and position. There is a risk that these covenants may be breached and the facilities may be repayable sooner than anticipated.

The Combined Group is also subject to the risk that it may not be able to refinance its bank facilities when they fall due or that the terms (including in relation to pricing) on refinancing will be less favourable than the existing terms. If there is a deterioration in the level of debt market liquidity, this may prevent the Combined Group from being able to refinance some or all of its debt.

Finance risks

The Combined Group will rely on access to debt and equity financing. The ability to secure financing, or financing on acceptable terms, may be materially adversely affected by volatility in financial markets, either globally or affecting a particular geographic region, industry or economic sector, or by a downgrade in the credit rating of Perpetual, Pandal or the Combined Group. For these or other reasons, financing may be unavailable or the cost of financing may significantly increase. Such inability to obtain, or increase to the costs of obtaining, financing could materially adversely affect the Combined Group's operations or financial performance.

Environment, Social & Governance (ESG)

If the Combined Group does not sufficiently consider and respond to ESG considerations in both its business and investment decision-making there is a risk of adverse impacts upon its business. There has been increasing global scrutiny and regulatory activity in relation to ESG considerations.

In addition, there is a risk of legal or reputational issues if the Combined Group asserts it is doing more in regard to ESG integration in its investment products than it is doing in practice, known as "greenwashing".

Climate change is a risk for the Combined Group, its business and its customers. The Combined Group will have a variety of investments and trustee clients that are directly or indirectly affected by the weather, climate, and other natural disasters. An increase in frequency and severity of these natural disasters could lead to an adverse impact on the Combined Group's business and operations.

Litigation and claims

As with any business in financial services and other heavily regulated industries, the Combined Group faces a risk of litigation, including litigation and exposure to liability arising from actions or conduct of Pandal or any of its Subsidiaries prior to the Effective Date (including litigation instigated by regulators and plaintiffs in representative proceedings otherwise known as 'class actions') and disputes arising in the ordinary course of its business which has the potential to affect its financial standing or its reputation and to divert the attention of staff from the ordinary business of the Combined Group.

Litigation and disputes may arise from a regulator, by the Combined Group originating these or by a third party (including an applicant in a representative proceeding) originating these, with such events having the potential to affect the value of any investments made as well as the reputation and standing of the Combined Group.

From time to time, the trade secrets, trademarks, patents and other intellectual property of the Combined Group may be infringed or misappropriated by an unauthorised third party. Identifying such infringements can be difficult and even if identified, litigation and enforcement can be costly.

Reputation

The Combined Group will be reliant on its reputation in respect to all aspects of its business, including in engaging and retaining client relationships, retaining internal key personnel, hiring and retaining talent, engagement with staff and third party suppliers and engaging with the wider public.

There is a continuing risk of the Combined Group's good corporate standing and reputation being affected by regulatory action, poor investment performance, actions by third-parties or key personnel exiting the business.

Section 8

Risk Factors

Operational

Perpetual relies on internal risk management control systems to manage various risks to which the business may be subject (including execution, confirmation and settlement, and accurate recording of transactions). There is a risk that the Combined Group may suffer loss arising from limitations to these internal processes, human error or external events, including but not limited to fraud and events which disrupt business continuity.

Perpetual relies on servicing arrangements or services performed by external service providers, including related and third parties. There is a risk that these arrangements may not be managed in line with the servicing contract or the operational standards required by the Combined Group, which could result in financial losses as well as reputational damage to the Combined Group.

Securities market fluctuations

There are various risks associated with investing in any form of business and with investing in listed entities generally. As with any entity listed on the ASX, the value of Perpetual Shares is influenced by a variety of factors, including macroeconomic factors and broader social occurrences which are beyond Perpetual's ability to control or predict. The events (including relating to the COVID-19 pandemic) have recently resulted in significant market falls and volatility including in the prices of securities trading on the ASX. The value of Perpetual Shares following implementation of the Scheme will depend upon general share market and economic conditions, which are uncertain and subject to fluctuation, as well as the specific performance of the Combined Group. Any investment in the Combined Group is subject to the liquidity of Perpetual Shares on the ASX and is dependent on market appetite, the size of the shareholding and the price sought for any Perpetual Shares. There is no guarantee of profitability, dividends, return of capital, or the price at which Perpetual Shares will trade on the ASX. The past performance of Perpetual Shares is not necessarily an indication as to future performance as the trading price of Perpetual Shares can go down or up in value.

Exposure of earnings to fluctuating foreign exchange rates

The Combined Group has operations in many jurisdictions. Therefore, it will be exposed to foreign earnings, expenses and borrowings affecting the value of transactions when translated back to the functional currency on a transaction basis. As the Combined Group may hold some borrowings denominated in a foreign currency, it will therefore be exposed to this risk in the absence of effective hedging. To the extent the Combined Group does not hedge effectively, or at all, against movements in the exchange rate of these currencies, such exchange rate movements may adversely affect its earnings and/or statement of financial position.

Inability to pay dividends

The payment of dividends (if any) by Perpetual will be determined by the Perpetual Board from time to time at its discretion. Due regard is given to relevant factors, which include available profits, cashflow, financial condition, operating results, future capital requirements, covenants in relation to financing agreements, as well as economic conditions more broadly. There is no guarantee that a dividend will be paid or, if paid, paid at historical levels.

COVID-19

Whilst material risks from the COVID-19 pandemic appear to be subsiding, there is an ongoing risk of potential further disruption. The global economic outlook continues to remain uncertain due to the COVID-19 pandemic and while the effects of the COVID-19 pandemic are subsiding in many countries, it has contributed to a variety of economic outcomes which have the potential to be disruptive, including global supply-chain bottlenecks, lockdowns and worker shortages. There is no certainty as to when these circumstances may subside, and they may continue to have significant impact on economic growth, capital markets and share prices.

Many of the operational and general risks relating to the Combined Group highlighted in this section are likely to be heightened due to the ongoing direct and indirect impacts of the COVID-19 pandemic. To date, the COVID-19 pandemic has affected, amongst other things, economic conditions, employment markets, equity markets and fiscal and monetary policy interventions.

Acquisition risk

There is an inherent risk that any information relating to a potential target company obtained in due diligence is not complete or true which may result in the acquisition and investment being less favourable than desired or planned by Perpetual. There is a risk that the accounting methodology used in financial information supplied does not accurately reflect the value of any businesses which Perpetual may choose to acquire or invest in.

Although Perpetual will take all reasonable precautions to determine the value of such acquisitions or investments, there remains an inherent risk that any acquisition or investment is not as favourable as desired which may be as a result of Perpetual's accounting methodology or due to the figures and accounting standards used by these businesses.

In making the proposed acquisition of Pental, Perpetual may be liable for historical liabilities of these businesses which may affect future profitability and reputation.

Perpetual has taken all reasonable steps to ensure that it is aware of and taken into account all historical liabilities relating to Pental, however, there remains a risk of undisclosed historical liabilities including those associated with tax, disputes, litigation and intellectual property which may substantially affect the value of any acquisitions.

Equity dilution

Perpetual may undertake offerings of equities in the future. Factors including the increase in the number of fully paid shares issued, the ability of an individual shareholder to participate in the equity offer, the issue price and the possibility of selling such equities may have an adverse effect on the financial position or voting power of any individual shareholder.

Insurance

While the Combined Group will hold insurance, not all risks are insurable and there is a risk that the Combined Group's insurance is not adequate or does not cover particular risks. There is also a risk that in the future the Combined Group is unable to take out insurance of equivalent coverage or that the cost of obtaining insurance increases significantly. These risks may have a materially adverse effect on the Combined Group's financial position and performance.

Change in accounting or financial reporting standards

AAS are set by the AASB and are outside the control of Pental, Perpetual or the Combined Group. Changes to accounting standards issued by the AASB could materially adversely affect the financial performance and position reported in the financial statements of Pental, Perpetual or the Combined Group.

Tax

A change to the current tax regime may affect Pental, Perpetual or the Combined Group, and Pental Shareholders.

Any changes to the current rate of company income tax may impact shareholder returns. In addition, any change in tax rules and tax arrangements could have an adverse effect on the level of dividend franking and shareholder returns. Personal tax liabilities are the responsibility of each individual Scheme Shareholder. Pental, Perpetual and the Combined Group are not responsible for tax or penalties incurred by Pental Shareholders.

Force majeure events

Events may occur within or outside Australia that could impact upon the global or Australian economy, the operations of the Combined Group and the price of the Perpetual Shares. These events include, but are not limited to, acts of terrorism, a global health pandemic such as the current COVID-19 pandemic, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events or occurrences that can have an adverse effect on the demand for the Combined Group's services and its ability to conduct business. The Combined Group has only a limited ability to insure against some of these risks.

Competition

The Combined Group will operate in a competitive market, with the Combined Group's expectations and market research indicating that this market will remain competitive. The Combined Group's position in the market is subject to change and is dependent on the actions, investments and position of its competitors as well as its clients.

Increased or improved competition may adversely affect the Combined Group's financial performance and key business.

Factors that may impact the Combined Group's performance in this competitive market include:

- new or improved products made available by its competitors;
- the Combined Group's pricing and competitiveness; and
- ability to respond to changing preferences of the Combined Group's clients and their underlying investor client.

Section 8

Risk Factors

Additional risks and uncertainties

Additional risks and uncertainties not currently known to Pandal or Perpetual may also have a materially adverse effect on Pandal, Perpetual or the Combined Group and the information set out above does not purport to be, nor should it be construed as representing, an exhaustive list of the risks affecting Pandal, Perpetual or the Combined Group.

8.5 Risks if the Scheme does not proceed

If the Scheme does not proceed and no other acceptable proposal is received, Pandal will continue on a standalone basis and Pandal Shareholders will retain their Pandal Shares.

In these circumstances, Pandal Shareholders will remain exposed to the normal risks inherent in Pandal's business as set out in section 8.2 and the advantages of the Scheme described in the 'Reasons to vote in favour of the Scheme' in section 2.2 of this Scheme Booklet will not be realised.

In addition to the normal risks inherent in Pandal's business, should the Scheme not be implemented, it is expected that Pandal Shareholders will also face exposure to the following risks.

Share price fall

There is a risk that Pandal Shares may trade below their current market price as a result of the absence of the opportunity to obtain the premium which the Scheme represents for each Pandal Share, as well as the impact of both the direct transaction costs and indirect costs described further below.

Transaction costs

If the Scheme is not implemented, Pandal expects to pay an aggregate of approximately \$15.6 million in aggregate transaction costs in connection with the Scheme. These transaction costs are primarily payable to Pandal's financial, legal, tax and accounting advisors, the Independent Expert and the Pandal Share Registry.

Only in certain limited circumstances will Perpetual be required to pay Pandal a reverse reimbursement fee of approximately \$23.0 million if the Scheme does not proceed which will contribute to payment of these transaction costs. See section 4.18(e) for further information on the reverse reimbursement fee.

In addition to the transaction costs it has incurred, under the Implementation Deed, Pandal will be required to pay a reimbursement fee of approximately \$23.0 million to Perpetual if the Scheme does not proceed in certain circumstances. See section 4.17(f) for further information on the reimbursement fee.

Fund outflows

If the Scheme is not implemented, Pandal's brand may be adversely affected, and clients may therefore have reduced confidence in Pandal's business and strategic direction. This may result in client redemptions and an outflow of funds from Pandal products as clients look to alternative investment managers. This subsequently may impact the profitability of Pandal, affecting share price movements and dividend payments which can have an impact on future shareholder returns.

Employee loss

There is a risk that if the Scheme is not implemented, there may be uncertainty amongst Pandal employees regarding the strategic direction of the business and future remuneration schemes. This may result in higher attrition levels amongst fund managers and employees than would be usual. Given the relationships that fund managers have with clients, this may lead to an outflow of funds and/or client redemptions, impacting future financial performance and shareholder returns.

Indirect costs

In addition to direct transaction costs it has and will incur, Pandal may have incurred potential opportunity costs in pursuing the Scheme or in not pursuing strategic initiatives which Pandal could have developed to further its business and objectives, the distraction of Pandal's management from conducting Pandal's business as usual and potential damage to Pandal's reputation associated with a failed transaction (and the implications of that damage to Pandal's business).

Section 9

Taxation Implications

9.1 Introduction

The following is a general summary of the Australian income tax, goods and services tax (**GST**), and stamp duty implications for Pental Shareholders relating to their disposal of Pental Shares under the Scheme.

This summary is general in nature only, should be read in conjunction with the rest of this Scheme Booklet, and is not intended to be an authoritative or complete analysis of the tax consequences arising from the Scheme. It is not intended to provide, and should not be relied on for, tax or legal advice. Pental Shareholders are advised to seek professional tax advice in relation to their particular circumstances.

This summary is based on the provisions of the Income Tax Assessment Act 1936 (Cth) (**ITAA 1936**) and the Income Tax Assessment Act 1997 (Cth) (**ITAA 1997**), the GST Act and the Australian stamp duties legislation, as at the date of this Scheme Booklet. The laws are complex and subject to change periodically, as is their interpretation by the courts and the tax authorities.

The information provided below is not applicable to all Pental Shareholders. This tax summary applies to Australian tax resident and non-resident shareholders who hold their shares on capital account for income tax purposes. This summary will not apply to Pental Shareholders who:

- hold their Pental Shares on 'revenue account' (such as share trading entities or entities who acquired their Pental Shares for the purposes of resale at a profit) or as 'trading stock';
- hold their Pental Shares under an employee share scheme offered by Pental or otherwise hold Pental Performance Rights or nil-cost options that will vest if the Scheme becomes effective where those rights or shares remain subject to deferred taxation under Division 83A of the ITAA 1997;
- may be subject to special tax rules, such as partnerships, tax exempt organisations, insurance companies, dealers in securities or shareholders who change their tax residency while holding their Pental Shares;
- have a functional currency for Australian tax purposes other than an Australian functional currency;
- are subject to the taxation of financial arrangements rules in Division 230 of the ITAA 1997 in relation to gains and losses on their Pental Shares; or
- are non-residents of Australia who hold their Pental Shares in carrying on a business at or through a permanent establishment in Australia.

Section 9

Taxation Implications

9.2 Application for Class Ruling

Pendal is in the process of applying for a class ruling from the ATO to obtain the Commissioner of Taxation's views on specific Australian income tax implications for certain Pendal Shareholders in relation to their disposal of Pendal Shares under the Scheme (**Class Ruling**). The Scheme is not conditional on the receipt of the Class Ruling.

Specifically, the class ruling application seeks the ATO's confirmation:

- on the CGT implications for Australian resident Pendal Shareholders of participating in the Scheme, including the availability for scrip roll-over relief for these Pendal Shareholders on the disposal of Pendal Shares under the Scheme;
- that the Pendal Permitted Dividend should not be included in capital proceeds received for the disposal of Pendal Shares; and
- that the ATO will not seek to apply any integrity measure to the Scheme Consideration.

The Class Ruling is not expected to be issued until after the implementation of the Scheme. Pendal Shareholders should refer to the Class Ruling once it is published. The Class Ruling will be available on the ATO website at <https://www.ato.gov.au>.

It is important that Pendal Shareholders be aware that the Commissioner of Taxation may reach an alternative view to that detailed below. This summary should be considered in light of that possibility and read together with the Class Ruling once it is available.

9.3 Australian resident shareholders – CGT consequences

(a) CGT event on disposal of Pendal Shares

The disposal of Pendal Shares will constitute a CGT event for Australian resident Pendal Shareholders. The CGT event will occur on the Implementation Date.

Subject to the availability of roll-over relief (discussed below), Pendal Shareholders will derive a capital gain on the disposal of their Pendal Shares to the extent the market value of the total consideration received under the Scheme (capital proceeds) exceeds the tax cost base of their Pendal Shares. Conversely, Pendal Shareholders will incur a capital loss on the disposal of their Pendal Shares to the extent that the market value of the total consideration received under the Scheme (capital proceeds) is less than the reduced tax cost base of their Pendal Shares.

The sum of all capital gains made by a Pendal Shareholder in the income year in which the Implementation Date occurs, reduced by any capital loss incurred during that year or carried forward from prior years (known as the net capital gain), should be included in the assessable income of the Pendal Shareholder (subject to the availability of CGT roll-over relief, as outlined below). Specific CGT provisions relevant to the calculation of capital gains and losses are outlined below.

Any net capital loss may be carried forward to offset a capital gain made in a future income year (subject to the satisfaction of certain loss recoupment tests which apply if the Pendal Shareholder is a company).

(b) Capital proceeds received under the Scheme

The capital proceeds received for the disposal of the Pendal Shares include the Scheme Consideration (that is, the cash payment and the market value of New Perpetual Shares that a Pendal Shareholder receives under the Scheme).

The Pendal Permitted Dividend should not be included in the capital proceeds received for the disposal of Pendal Shares.

The market value of the New Perpetual Share should be determined at the Implementation Date and may not be known until after the Implementation date.

(c) Cost base

Generally, the tax cost base of any Pendal Shares will be equal to the consideration paid to acquire the Pendal Shares. Other incidental costs incurred by a Pendal Shareholder for their acquisition or ownership of Pendal Shares (such as brokerage fees) that are otherwise non-deductible to the Pendal Shareholder may also be included in the cost base of shares they own.

The reduced tax cost base of the Pendal Shares of a Pendal Shareholder will be determined in a similar manner to the tax cost base, although some differences in the calculations of reduced tax cost base may exist depending on the relevant Pendal Shareholder's circumstances.

Pendal Shares acquired in different transactions may have different tax cost bases and therefore capital gains may arise in respect of some Pendal Shares while capital losses may arise in respect of other Pendal Shares.

(d) CGT discount

An Australian resident Pandal Shareholder who is an individual, the trustee of a trust (conditions apply) or a complying superannuation entity may be entitled to claim a CGT discount in calculating any capital gain if their Pandal Shares were acquired at least 12 months before disposal under the Scheme. The CGT discount is not available for Pandal Shareholders that are companies.

The CGT discount is applied to the capital gain after any available current year capital losses and prior year capital losses are applied.

The applicable CGT discount which would reduce a capital gain arising from the disposal of Pandal Shares is 50% in the case of individuals and trusts, and 33⅓% in the case of Australian complying superannuation entities.

(e) Availability of CGT roll-over relief

Pandal has requested that the availability of CGT roll-over relief for Pandal Shareholders be addressed by the ATO in the Class Ruling. Pandal Shareholders should refer to the Class Ruling once published. The information below is subject to the Commissioner of Taxation's determination in the Class Ruling.

If a Pandal Shareholder makes a capital gain on the disposal of their Pandal Shares under the Scheme, they should be eligible to make a choice whether or not to seek CGT roll-over relief to defer some or all of that gain, in accordance with Subdivision 124-M of the ITAA 1997. CGT roll-over relief is not available in respect of Pandal Shares for which a Pandal Shareholder realises a capital loss on disposal or in respect of the Cash Consideration component of the Scheme Consideration.

Pandal Shareholders must make a choice to apply CGT roll-over relief before lodging their income tax return for the income year in which the Implementation Date occurs. A Pandal Shareholder will provide evidence of having made a choice to apply CGT roll-over relief by the way they prepare their income tax return (i.e. by excluding the disregarded capital gain from assessable income). There is no need for a Pandal Shareholder to lodge a separate notice with the ATO. Perpetual will not make a choice under subsection 124-795(4) of the ITAA 1997 to deny CGT roll-over.

If a Pandal Shareholder elects to apply CGT roll-over relief, the capital gain that they would otherwise make on the disposal of their Pandal Shares will be disregarded to the extent that the capital proceeds received are New Perpetual Shares.

If CGT roll-over relief is available and chosen, the first element of the tax cost base and reduced tax cost base of the New Perpetual Shares received by the Pandal Shareholder should equal a reasonable attribution of the Pandal Shareholder's tax cost base and reduced tax cost base (respectively) of their Pandal Shares for which CGT roll-over relief is applied.

Any part of the tax cost base and reduced tax cost base (respectively) of the Pandal Shares for which Cash Consideration is received is not included. For these purposes, a reasonable basis for calculating the first element of the tax cost base of the New Perpetual Shares may be to multiply the tax cost base of the Pandal Shares by the proportion that is equal to the market value of the Scrip Consideration divided by the sum of the Cash Consideration and the market value of the Scrip Consideration.

This tax cost base is allocated on a proportionate basis across the New Perpetual Shares received.

The benefit of choosing CGT roll-over relief will depend on the individual circumstances of each Pandal Shareholder and therefore Pandal Shareholders should seek professional tax advice.

(f) Where CGT roll-over relief is not chosen or available

Where a Pandal Shareholder is not eligible for CGT roll-over relief or does not elect to apply CGT roll-over relief, as outlined above, any capital gain or capital loss made by the Pandal Shareholder from the disposal of their Pandal Shares will be taken into account in calculating their net capital gain for the income year.

The first element of the tax cost base and reduced tax cost base of each New Perpetual Share that the Pandal Shareholder receives should be equal to the market value of the New Perpetual Shares on the Implementation Date.

Section 9

Taxation Implications

9.4 Australian residents – Implications of holding Perpetual Shares

(a) Subsequent disposal of Perpetual Shares

As a consequence of participating in the Scheme, a Pandal Shareholder will cease to be a shareholder of Pandal and will become a shareholder of Perpetual.

If a Pandal Shareholder sells their New Perpetual Shares after the Implementation Date, any gain or loss is subject to CGT as the New Perpetual Shares received by the Pandal Shareholder will be an asset for CGT purposes.

For Pandal Shareholders who elect for CGT roll-over relief to apply, the first element of the tax cost base or reduced tax cost base for the New Perpetual Shares they own will equal the tax cost base or reduced tax cost base referred to in section 9.3 above.

For the purposes of determining whether the CGT discount applies on any subsequent disposal of the New Perpetual Shares, the acquisition date for Pandal Shareholders who elect for CGT roll-over relief to apply will be the date on which they acquired their original Pandal Shares.

If an election for CGT roll-over relief is not made, the tax cost base of the New Perpetual Shares is equal to the market value of the New Perpetual Shares at the Implementation Date. The CGT discount is only available once the Pandal Shareholder has held their New Perpetual Shares for at least 12 months.

(b) Dividends from Perpetual

Any dividends and franking credits received from Perpetual should be included in the assessable income of the shareholder. If the shareholder is a resident individual or complying superannuation fund, and the shareholder has excess franking credits available for the income year, those excess franking credits may be refunded to the shareholder.

While corporate shareholders are not eligible to receive a refund of excess franking credits, they may be entitled to convert any excess credits into a loss that may be used to offset income earned in future years (subject to the satisfaction of the loss utilisation rules).

Shareholders are generally required to have held their shares 'at risk' for 45 days (not including the day of the share's acquisition or disposal) in order to be eligible for the franking benefits outlined above. Pandal Shareholders should obtain their own advice on the application of these rules to their circumstances.

9.5 Foreign residents – Australian tax considerations

Australian CGT consequences

Pandal Shareholders who are non-residents of Australia for income tax purposes are not generally subject to Australian CGT on the disposal of their Pandal Shares. Australian CGT only applies to foreign resident Pandal Shareholders if:

- (a) the Pandal Shareholder, together with their Associates, owns more than 10% of the shares in Pandal for any continuous 12-month period in the 24-month period before the Implementation Date; and
- (b) the Pandal Shares are an indirect Australian real property interest.

Based on the financial statements of Pandal (reproduced at section 5.7 of this Scheme Booklet), the Pandal Shares should not be indirect Australian real property interests and no Australian CGT should be payable by foreign residents who dispose of their Pandal Shares under the Scheme.

However, a non-resident individual Pandal Shareholder who has previously been an Australian tax resident and chose to disregard a capital gain or loss (i.e. CGT event I1) in respect of their Pandal Shares on ceasing to be an Australian tax resident, or a Pandal Shareholder who used their Pandal Shares at any time in carrying on a business through a permanent establishment in Australia, may be subject to Australian CGT consequences on disposal of their Pandal Shares.

Foreign Resident CGT Withholding

The foreign resident capital gains withholding regime may impose a 12.5% withholding obligation (calculated by reference to the Scheme Consideration) on Perpetual if Perpetual considers, or reasonably believes, that a Pandal Shareholder is a foreign resident and Australian CGT applies to the disposal of Pandal Shares. On the basis that the Pandal Shares should not be indirect Australian real property interests, the foreign resident CGT withholding regime should not operate to require Perpetual to withhold any amount from the Scheme Consideration.

9.6 Stamp duty

Neither the sale of Pendal Shares, nor the issue of New Perpetual Shares, should give rise to any stamp duty liabilities for existing Pendal Shareholders on the following basis:

- (a) the acquisition of New Perpetual Shares by existing Pendal Shareholders occurs at a time when Perpetual is listed on the ASX, all of the shares in Perpetual are quoted on the market operated by ASX and no Pendal Shareholder (whether alone or together with any interests of associated persons or interests acquired under one arrangement or acting in concert) acquires or holds an interest of 90% or more in Perpetual; and
- (b) Perpetual has agreed to pay the stamp duty, if any, for the transfer of Pendal Shares under the Scheme.

9.7 Goods and Services Tax

No GST should be payable by Pendal Shareholders on the sale of Pendal Shares or acquisition of New Perpetual Shares under the Scheme.

Where a Pendal Shareholder is registered or required to be registered for GST, the sale of the Pendal Shares should be an input taxed financial supply and not subject to GST. Similarly, the acquisition of New Perpetual Shares should be an input taxed financial supply and not subject to GST. Where a Pendal Shareholder is not registered for GST, the transactions should be outside the scope of GST. For those Pendal Shareholders that are registered for GST, they should obtain independent advice in relation to whether there is an ability to claim any input tax credits for the costs (such as legal or professional fees) associated with the disposal of Pendal Shares and acquisition of New Perpetual Shares.

Section 10

Additional Information

10.1 Interests of Pandal Directors in Pandal Shares

As at the date of this Scheme Booklet, the Pandal Directors have the following Relevant Interests in Pandal Shares.

Pandal Director	Position	Relevant Interest in Pandal Shares	Performance Share Rights
Deborah Page	Chairman, Non-executive Director	48,817	Nil
Nick Good ¹	Group Chief Executive Officer and Managing Director	278,806	262,194
Sally Collier	Non-executive Director	28,412	Nil
Ben Heap	Non-executive Director	20,000	Nil
Christopher Jones	Non-executive Director	32,000	Nil
Kathryn Matthews	Non-executive Director	25,000	Nil

1. Nick Good's relevant interest in Pandal Shares is comprised of 71,719 fully paid ordinary shares and 207,087 unrestricted fully paid ordinary shares.

Pandal Directors who hold Pandal Shares will be entitled to vote at the Scheme Meeting and receive the Scheme Consideration along with the other eligible Pandal Shareholders.

Each Pandal Director intends to vote (or procure the voting of) all Pandal Shares held or controlled by him or her at the time of the Scheme Meeting in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Pandal Shareholders.

Section 10

Additional Information

10.2 Transaction related payments

A selected number of eligible Pental employees, including certain executive officers of Pental, whose role has been determined by the Pental Board to be critical to the implementation of the Scheme and the conduct of Pental's business until the Implementation Date, will be entitled to receive a retention amount in the form of a one-off cash payment if the Scheme is implemented and, in some cases, a reduced one-off cash payment should the Scheme not progress to implementation (**Retention Payments**).

The aggregate amount of all Retention Payments payable to Pental employees will be no more than \$3.0 million.

Payment of the full amount of the Retention Payments is conditional on (amongst other conditions):

- implementation of the Scheme; and
- other terms of the individual Key Employee's offer documentation (including for the Key Employee to remain an employee of Pental at the Implementation Date).

In addition to Retention Payments, the Pental Board will make one-off discretionary cash payments to certain Pental employees, including certain executive officers, in recognition of the significant contribution and professional and personal sacrifice which those Pental employees have made to facilitate the implementation of the Scheme and the conduct of Pental's business until the Implementation Date (**Discretionary Payments**).

The aggregate amount of all Discretionary Payments payable to Pental employees will be no more than \$2.5 million.

Nick Good (CEO and Managing Director) is eligible to receive Retention Payments and Discretionary Payments of up to \$804,840.¹¹

Finally, to ensure stable leadership through the implementation period and in support of the Scheme process, the Pental Board approved the addition of Scheme specific key performance indicators to the existing short term incentive plans applicable to certain executive officers of Pental for FY22. In respect of Nick Good, the Scheme related KPI carries a 75% weight (being a total at risk amount of \$2,112,989 in relation to the Scheme).¹² The full amount of the Scheme related KPI was awarded to Nick Good as at 30 September 2022, with payment of 50% of that amount remaining contingent on successful implementation of the Scheme.

Apart from payments made to Mr Good (as detailed above), no Director of Pental (or any Related Body Corporate) will receive any Retention Payment, Discretionary Payment or Scheme linked STI payment.

10.3 Interest of Pental Directors in Perpetual Shares

As at the date of this Scheme Booklet, no Pental Directors have a Relevant Interest in Perpetual Shares.

10.4 Other benefits and agreements

Other than as set out in this Scheme Booklet, no Pental Director, secretary or executive officer of Pental (or any of its Related Bodies Corporate) has agreed to receive, or is entitled to receive, any payment or benefit from Perpetual which is conditional on, or is related to, the Scheme, other than in their capacity as a Pental Shareholder.

10.5 Deed Poll

Under the terms of the Deed Poll, Perpetual agrees in favour of those persons who hold Scheme Shares at the Scheme Record Date to undertake all obligations under the Scheme which are attributed to it, including to pay the Scheme Consideration under the terms of the Scheme.

A copy of the signed Deed Poll is at Annexure E.

10.6 Warranties by Pental Shareholders

The Scheme provides that each Scheme Shareholder is taken to have warranted to Pental, Perpetual and Perpetual Sub on the Implementation Date that:

- (a) all their Pental Shares (including any rights and entitlements attaching to those shares) which are transferred will, at the date of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including within the meaning of section 12 of the Personal Property Securities Act 2009 (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfers of any kind; and
- (b) they have full power and capacity to transfer their Pental Shares to Perpetual Sub, together with any rights and entitlements attaching to those shares.

11. The Retention Payment and Discretionary Payment payable to Nick Good is accurate based on the AUD / USD exchange rate as at the Last Practical Date.

12. The Scheme related KPI payment payable to Nick Good is accurate based on the AUD / USD exchange rate as at the Last Practical Date.

Section 10

Additional Information

10.7 ASIC relief and ASX waivers

(a) ASIC relief

Relief has been sought from ASIC in relation to:

- (i) Paragraph 8302(h) of Part 3 of Schedule 8 of the Corporations Regulations 2001 (Cth) which requires this Scheme Booklet to set out whether, within the knowledge of the directors, the financial position of Pental has changed since the date of the last balance sheet laid before the company in general meeting or sent to Pental Shareholders in accordance with section 314 or 317 of the Corporations Act and, if so, full particulars of any change. Pental has applied to ASIC for relief from this requirement on the basis that:
 - Pental will give a copy of the documents referred to in section 292 of the Corporation Act for the financial year ended 30 September 2022 free of charge to anyone who asks for them before the Scheme is approved by order of the Court;
 - this Scheme Booklet discloses all material changes to Pental's financial position occurring after 30 September 2022, but prior to the date of this Scheme Booklet; and
 - Pental discloses all material changes to its financial position that occur after the date of this Scheme Booklet, but prior to the Scheme being approved by the Court, in announcements to ASX.
- (ii) Paragraph 8302(d) of Part 3 of Schedule 8 of the Corporations Regulations 2001 (Cth) which requires this Scheme Booklet to disclose particulars of payments made or benefits given to a director, secretary or executive officer of Pental in relation to their retirement from office. Pental has applied to ASIC for relief from this requirement so that this Scheme Booklet is only required to disclose particulars of payments or benefits described above where those payments or benefits are made in connection with or are materially affected by the implementation of the Scheme.

(b) ASX waivers

ASX has granted Pental a waiver from Listing Rule 6.23.2 to allow for the cancellation of certain Pental Employee Rights in accordance with the arrangements outlined in section 5.10(b) of this Scheme Booklet and the Implementation Deed without the need to obtain specific Pental Shareholder approval. The waiver is conditional upon the Scheme being approved by Pental Shareholders and the Court.

10.8 Lodgement of this Scheme Booklet

This Scheme Booklet was given to ASIC on 24 October 2022 as required by section 411(2)(b) of the Corporations Act. Pental has asked ASIC to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court on the Second Court Date.

A copy of this Booklet has also been lodged with the ASX.

None of ASIC, ASX nor any of their officers takes any responsibility for the content of this Scheme Booklet.

10.9 No unacceptable circumstances

The Pental Directors believe that the Scheme does not involve any circumstances in relation to the affairs of Pental that could reasonably be characterised as constituting "unacceptable circumstances" for the purposes of section 657A of the Corporations Act.

10.10 Transaction costs

Pental will incur external transaction costs in connection with the Scheme. Certain of these costs are conditional on the Scheme proceeding, and if the Scheme is implemented Pental estimates its aggregate transaction costs to be approximately \$31.5 million (including GST and disbursements).

This amount includes approximately \$5.5 million in discretionary and retention payments to be paid by Pental in connection with the Scheme. These payments are described in detail in section 10.2. If the Scheme is not implemented, Pental expects to pay an aggregate of approximately \$15.6 million in aggregate transaction costs in connection with the Scheme. These transaction costs are primarily payable to Pental's financial, legal, tax, accounting, client and shareholder proxy solicitation advisers, the Independent Expert, the Investigating Accountant, and the Pental Share Registry.

These transaction costs do not include any reimbursement fee that may be payable by Pental (see section 4.17(f) for information on the circumstances in which a reimbursement fee may be payable by Pental).

10.11 Other material information

Other than as contained or referred to in this Scheme Booklet, there is no information material to the making of a decision by Pendal Shareholders whether or not to vote in favour of the Scheme that is known to any Pendal Director, at the time of lodging this Booklet with ASIC for registration, which has not previously been disclosed to Pendal Shareholders.

10.12 Supplementary information

Pendal will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of lodgement of this Scheme Booklet for registration by ASIC and the Scheme Meeting:

- (a) a material statement in this Scheme Booklet is false or misleading;
- (b) a material omission from this Scheme Booklet;
- (c) a significant change affecting a matter included in this Scheme Booklet; or
- (d) a significant new matter has arisen that would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Pendal may circulate and publish any supplementary document by:

- (a) approaching the Court for a direction as to what is appropriate in the circumstances;
- (b) placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- (c) posting a supplementary document on Pendal's website, <https://www.pendalgroup.com/>; or
- (d) making an announcement to the ASX.

Disclosure as to the outcome of Conditions Precedent to the Scheme which would require disclosure under the continuous disclosure obligations set out in Listing Rule 3.1, will be addressed by announcement to the ASX.

10.13 Foreign Selling Restrictions

(a) Summary

The distribution of this Scheme Booklet outside of Australia may be restricted by law and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities law. Pendal disclaims all liabilities to such persons. Pendal Shareholders who are nominees, trustees or custodians are encouraged to seek independent advice as to how they should proceed. No action has been taken to register or qualify this Scheme Booklet or any aspect of the Transaction in any jurisdiction outside of Australia.

(b) United States

This Scheme Booklet is neither an offer to sell nor a solicitation of an offer to buy securities as such terms are defined under the US Securities Act. The New Perpetual Shares have not been and will not be registered under the US Securities Act. Pendal and Perpetual intend to rely on an exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10) thereof in connection with the issuance of New Perpetual Shares.

For the purpose of qualifying for this exemption, the Court was advised at the time of the First Court Hearing that its approval of the Scheme will be relied upon by Pendal and Perpetual as an approval of the Scheme following a hearing on the fairness of the terms and conditions of the Scheme to Scheme Shareholders at which hearing all such shareholders are entitled to appear in person or through counsel to support or oppose the approval of the Scheme and with respect to which notification has been given to all Scheme Shareholders. In connection with the implementation of the Scheme, and the issuance of the New Perpetual Shares, approval of the Scheme by the Court will be relied upon by Pendal and Perpetual and constitute the basis for New Perpetual Shares to be issued without registration under the US Securities Act in reliance upon the exemption from the registration requirements of the US Securities Act provided in Section 3(a)(10). None of the US Securities and Exchange Commission, any US state securities commission or any other US regulatory authority has approved or disapproved of the securities to be issued by Perpetual or passed comment upon or endorsed the merits of the Scheme or the accuracy, adequacy or completeness of this Scheme Booklet. Any representation to the contrary may be a criminal offence.

Section 10

Additional Information

(c) Czech Republic, France, Germany, Ireland and Spain

This Scheme Booklet is not a prospectus under Regulation (EU) 2017/1129 of the European Parliament and the Council of the European Union (the “Prospectus Regulation”). Therefore, the Scheme Booklet has not been, and will not be, registered with or approved by any securities regulator or supervisory authority in the European Union. Accordingly, this Scheme Booklet may not be made available, nor may the New Perpetual Shares be offered for sale or exchange, in the European Union except in circumstances that do not require the obligation to publish a prospectus under the Prospectus Regulation.

In accordance with Article 1(4) of the Prospectus Regulation, an offer of New Perpetual Shares in the Czech Republic, France, Germany, Ireland and Spain is limited:

- to persons who are “qualified investors” (as defined in Article 2(e) of the Prospectus Regulation);
- to fewer than 150 other natural or legal persons, except in France; and
- in any other circumstance falling within Article 1(4) of the Prospectus Regulation.

(d) New Zealand

This Scheme Booklet is not a New Zealand disclosure document and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Financial Markets Conduct Act 2013 or any other New Zealand law.

The offer of New Perpetual Shares under the Scheme is being made to existing shareholders of Pendal in reliance upon the Financial Markets Conduct (Incidental Offers) Exemption Notice 2021 and, accordingly, this Scheme Booklet may not contain all the information that a disclosure document is required to contain under New Zealand law.

(e) Singapore

This Scheme Booklet and any other document relating to the Scheme have not been, and will not be, registered as a prospectus with the Monetary Authority of Singapore and the Scheme is not regulated by any financial supervisory authority in Singapore. Accordingly, statutory liabilities in connection with the contents of prospectuses under the Securities and Futures Act 2001 (the “SFA”) will not apply.

This Scheme Booklet and any other document relating to the Scheme may not be made the subject of an invitation for subscription, purchase or receipt, whether directly or indirectly, to persons in Singapore except pursuant to exemptions in Subdivision (4) Division 1, Part 13 of the SFA, including the exemption under section 273(1)(c) of the SFA, or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Any offer is not made to you with a view to New Perpetual Shares being subsequently offered for sale to any other party in Singapore. You are advised to acquaint yourself with the SFA provisions relating to on-sale restrictions in Singapore and comply accordingly.

This Scheme Booklet is being furnished to you on a confidential basis and solely for your information and may not be reproduced, disclosed, or distributed to any other person. Any investment referred to in this Scheme Booklet may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about such investment.

Pendal is not in the business of dealing in securities or holds itself out, or purports to hold itself out, to be doing so. As such, Pendal is not licensed nor exempted from dealing in securities or carrying out any other regulated activities under the SFA or any other applicable legislation in Singapore.

(f) Jersey

This Scheme Booklet may be distributed in Jersey only to shareholders of Pendal. No offer or invitation to subscribe for New Perpetual Shares may be made to the public in Jersey.

(g) Switzerland

The New Perpetual Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange or on any other stock exchange or regulated trading facility in Switzerland. Neither this Scheme Booklet nor any other offering material relating to the New Perpetual Shares constitutes a prospectus or a similar notice as such terms are understood pursuant to art. 35 of the Swiss Financial Services Act (FinSA) or the listing rules of any stock exchange or regulated trading facility in Switzerland. Neither this Scheme Booklet nor any other offering material relating to the New Perpetual Shares may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Scheme Booklet nor any other offering material relating to the New Perpetual Shares have been, or will be, filed with or approved by any Swiss regulatory authority or authorized review body. In particular, this Scheme Booklet will not be filed with, and the offer of New Perpetual Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA).

This Scheme Booklet may be distributed in Switzerland only to existing shareholders of Pendal and is not for general circulation in Switzerland.

(h) United Kingdom

Neither this Scheme Booklet nor any other document relating to the Scheme has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (“FSMA”)) has been published or is intended to be published in respect of the New Perpetual Shares.

This Scheme Booklet does not constitute an offer of transferable securities to the public within the meaning of the UK Prospectus Regulation or the FSMA. Accordingly, this Scheme Booklet does not constitute a prospectus for the purposes of the Prospectus Regulation or the FSMA.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the New Perpetual Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to Pendal.

In the United Kingdom, this Scheme Booklet is being distributed only to, and is directed at, persons (i) who fall within Article 43 (members of certain bodies corporate) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005, or (ii) to whom it may otherwise be lawfully communicated (together “relevant persons”). The investments to which this Scheme Booklet relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Scheme Booklet.

10.14 Additional disclosure

No action has been taken to register or qualify the New Perpetual Shares or otherwise permit a public offer of such securities in any jurisdiction outside Australia.

Based on the information available, Shareholders of Pendal whose addresses are shown in the register on the Record Date for the Scheme as being in the following jurisdictions will be entitled to receive the Scheme Booklet and have New Perpetual Shares issued to them under the Scheme subject to any qualifications set out below in respect of that jurisdiction:

- Australia;
- Czech Republic, where (i) the Pendal Shareholder is a “qualified investor” (as defined in Article 2(e) of the Prospectus Regulation) or (ii) the number of other Pendal Shareholders is less than 150;
- France, where the Pendal Shareholder is a “qualified investor” (as defined in Article 2(e) of the Prospectus Regulation) and, solely with respect to the issuance of New Perpetual Shares upon completion of the Scheme, the number of other Pendal Shareholders is less than 150;
- Germany, where (i) the Pendal Shareholder is a “qualified investor” (as defined in Article 2(e) of the Prospectus Regulation) or (ii) the number of other Pendal Shareholders is less than 150;
- Ireland, where (i) the Pendal Shareholder is a “qualified investor” (as defined in Article 2(e) of the Prospectus Regulation) or (ii) the number of other Pendal Shareholders is less than 150;
- Jersey, where the number of Pendal Shareholders is less than 50;
- New Zealand;
- Singapore;
- Spain, where (i) the Pendal Shareholder is a “qualified investor” (as defined in Article 2(e) of the Prospectus Regulation) or (ii) the number of other Pendal Shareholders is less than 150;
- Switzerland;
- United Kingdom;
- United States of America; and
- any other person or jurisdiction in respect of which Perpetual reasonably believes that it is not prohibited and not unduly onerous or impractical to issue New Perpetual Shares to a Pendal Shareholder with a registered address in such jurisdiction.

Nominees, custodians and other Pendal Shareholders who hold Pendal shares on behalf of a beneficial owner resident outside Australia, New Zealand, Singapore, Switzerland and the United Kingdom may not forward this Scheme Booklet (or any accompanying document) to anyone outside these countries without the consent of Pendal.

Section 10

Additional Information

10.15 Disclosure and consents

(a) Disclosure

None of the persons referred to in paragraph (b) has authorised or caused the issue of this Scheme Booklet and does not make or purport to make any statement in this Scheme Booklet other than those statements made in the capacity and to the extent the person has provided its consent, as referred to in paragraph (b).

To the maximum extent permitted by law, each person referred to in paragraph (b) disclaims all liability in respect of, makes no representation regarding and takes no responsibility for, any part of this Scheme Booklet other than as described in paragraph (b) with that person's consent.

The Perpetual Information has been prepared and is the responsibility of Perpetual. Pental does not assume responsibility for the accuracy or completeness of the Perpetual Information.

(b) Consents

The following parties have given and have not withdrawn, before the time of registration of this Scheme Booklet by ASIC, their written consent to be named in this Scheme Booklet in the form and context in which they are named:

- Macquarie Capital (Australia) Limited as financial adviser to Pental;
- Adara Partners as co-financial adviser to Pental;
- King & Wood Mallesons as legal adviser to Pental;
- KPMG as Investigating Accountant;
- Kroll as Independent Expert;
- EY as Tax Adviser;
- PricewaterhouseCoopers ABN 52 780 433 757, as Pental's Auditor; and
- Link Market Services as the operator of the securities registry.

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Term	Meaning
AAS	means the Australian Accounting Standards.
AASB	means the Australian Accounting Standards Board.
Active Client Consent Contract	means a form of investment management agreement, investment advisory agreement or investment sub-advisory agreement or other similar agreement (however described) the terms of which provide for automatic termination of the agreement if the consent, agreement or waiver of the relevant client counterparty to the change of control contemplated by the Transaction is not obtained or deemed to be obtained in accordance with the contract or applicable law.
Active Client Consent Process End Date	means the date on which the final client to an Active Client Consent Contract has provided (or is deemed to have provided) a response that the required consent, agreement and/or waiver either has or has not been obtained in accordance with the terms of the relevant Active Client Consent Contract or relevant law (as applicable).
AIFRS	means the Australian International Financial Reporting Standards.
ASIC	means the Australian Securities & Investments Commission.
Associate	has the meaning given to that term in section 12 of the Corporations Act.
ASX	means ASX Limited or Australian Securities Exchange, as appropriate.
ATO	means the Australian Taxation Office.
AUM	means assets under management.
Business Day	means a business day as defined in the Listing Rules.
BTIM	means BT Investment Management.
Cash Consideration	means consideration provided in the form of cash for each Scheme Share held on the Scheme Record Date on the terms and conditions set out in the Scheme.
Client Consent Percentage	means the fraction, expressed as a percentage, given by the following formula: (<i>Pendal Consenting Client Management Fee Revenue Run Rate</i> / <i>Pendal Management Fee Reference Revenue Run Rate</i>).

Section 11

Glossary

Term	Meaning
CLO	means collateralised loan obligation.
Combined Group	means the combination of the Pendal Group and the Perpetual Group, as comprised by Perpetual and its Subsidiaries following implementation of the Scheme.
Competing Transaction	<p>means any proposal, agreement, arrangement, transaction or expression of interest which, if completed, would:</p> <p>(a) mean a person (other than Perpetual or its Related Bodies Corporate or Representatives) would (alone or together with its Associates):</p> <p>(i) directly or indirectly acquire an interest or Relevant Interest in or become the holder of 20% or more of the shares in Pendal (other than as a custodian, nominee or bare trustee); or</p> <p>(ii) otherwise acquire (whether directly or indirectly) or have a right to acquire or have an economic interest in all or a substantial part of the business conducted by, or assets of, the Pendal Group, including by way of sale of assets, sale of shares or joint venture, dual listed company structure or otherwise;</p> <p>(iii) acquire Control of Pendal; or</p> <p>(iv) otherwise acquire or merge (including by a reverse takeover bid, dual listed company structure, scheme of arrangement, capital reduction or other synthetic merger) with Pendal; or</p> <p>(b) have the effect that Pendal would, or would be required to abandon, or otherwise fail to proceed with, the Transaction.</p> <p>For the avoidance of doubt, each successive material modification or variation of any proposal, agreement, arrangement or transaction in relation to a Competing Transaction will constitute a new Competing Transaction.</p>
Conditions Precedent	means the conditions precedent set out in Schedule 3 of the Implementation Deed.
Control	has the meaning given in section 50AA of the Corporations Act.
Corporations Act	means the <i>Corporations Act 2001</i> (Cwlth).
Court	means a court of competent jurisdiction under the Corporations Act.
CRM	means customer relationship management.
Deed Poll	means the deed poll substantially set out in the form of Annexure C to the Implementation Deed.
Discretionary Payments	has the meaning given in section 10.2 of this Scheme Booklet.
Effective	when used in relation to the Scheme, means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC.
Effective Date	means the date on which the Scheme becomes Effective.
End Date	means 13 June 2023, or such other date as Pendal and Perpetual agree in writing.
EPS	means earnings per share.
Excluded Shareholder	means a Pendal Shareholder who is a member of the Perpetual Group (and does not hold Pendal Shares on behalf of, or for the benefit of, any other person) or any Pendal Shareholder who holds any Pendal Shares on behalf of, or for the benefit of, any member of the Perpetual Group (and does not hold Pendal Shares on behalf of, or for the benefit of, any other person).

Term	Meaning
Exclusivity Period	means the period from and including the date of the Implementation Deed to the earlier of: <ul style="list-style-type: none"> the termination of the Implementation Deed in accordance with its terms; and the End Date.
Fairly Disclosed	has the meaning given in clause 1.1 of the Implementation Deed.
FINSIA	means Financial Services Institute of Australasia.
FLE	means fund linked equity which allows participating fund managers to partly convert the revenue generated by the investment strategy into Pental equity over time, with full conversion required by the end of the seven-year period.
FLE Shares	means a notional share in J O Hambro Capital Management Limited allocated under any fund linked equity scheme operated under the Pental Group Limited & J O Hambro Capital Management Limited Fund Linked Equity Scheme Plan Rules dated 28 July 2021 (and as amended from time to time).
FUM	means funds under management.
FVTPL	means fair value through profit or loss.
Government Agency	means any governmental, semi-governmental, administrative, fiscal, judicial or quasi-judicial body, department, commission, authority, tribunal, agency or entity.
GST	means goods and services tax.
Implementation Date	means the fifth Business Day following the Scheme Record Date.
Implementation Deed	means the Scheme Implementation Deed dated 25 August 2022 between Perpetual and Pental, as amended by the Implementation Deed Amendment Letter.
Implementation Deed Amendment Letter	means the deed entered into between Perpetual and Pental on 16 November 2022 amending the Implementation Deed.
Incentive Rollover Arrangements	has the meaning given in section 5.10(b)(i) of this Scheme Booklet.
Independent Expert	means Kroll Australia Pty Ltd ACN 116 738 535.
Independent Expert's Report	means the report from the Independent Expert for inclusion in the Scheme Booklet, including any update or supplementary report, stating whether in the Independent Expert's opinion the Scheme is in the best interests of Pental Shareholders.
Ineligible Foreign Shareholders	a Scheme Shareholder will be an Ineligible Foreign Shareholder where their address shown in the Register as at the Record Date is a place outside Australia (and its external territories), the USA, Czech Republic, Germany, Ireland, Spain, France, Jersey, Singapore, Switzerland and New Zealand unless Perpetual determines that it is lawful and not unduly onerous or impracticable to provide that Scheme Shareholder with New Perpetual Shares.
Initial Consideration Mix	has the meaning given in section 4.2 of this Scheme Booklet.
Investigating Accountant's Report	means the investigating accountant's report from KPMG (Australia), which is set out in Annexure B and any update or supplementary report.
JOHCM	means J O Hambro Capital Management Limited.
Key Employees	has the meaning given in section 5.10(b)(i) of this Scheme Booklet.
Last Practical Date	means 16 November 2022.
Listing Rules	means the official listing rules of ASX.
Marketable Parcel	has the meaning given in clause 1 of the Scheme.

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Term	Meaning
New Perpetual Share	means a Perpetual Share to be provided to Scheme Shareholders under the Scheme.
Notice of Scheme Meeting	means the notice of scheme meeting set out in Annexure F.
NPAT	means net profit after tax.
Pendal	means Pendal Group Limited ABN 28 126 385 822.
Pendal Board	means the board of directors of Pendal.
Pendal Directors	means a director of Pendal.
Pendal Employee Rights	<p>means:</p> <ul style="list-style-type: none"> (a) an instrument or right, including any performance share right, deferred share right or nil-cost option, or any similar right, which upon vesting or conversion or satisfaction of any condition (as applicable) entitles the holder to have a Pendal Share transferred or issued to them; (b) any registered, beneficial or other interest held in Pendal Shares which is restricted (including as to transferability), potentially subject to forfeiture (including as a result of its holder ceasing to be an employee of the Pendal Group during a vesting period) or deferred under the terms of any incentive plan or scheme operated by any member of the Pendal Group or any other agreement or arrangement between any member of the Pendal Group and any other person; and (c) any other right, interest, entitlement or claim to the issue or transfer of a Pendal Share (or other security or instrument issued by any member of the Pendal Group), or to have a Pendal Share (or any other security or instrument issued by any other member of the Pendal Group) registered in a person's name, or to the grant of any instrument, right or interest referred to in paragraphs (a) or (b) above, whether under any incentive plan or scheme operated by any member of the Pendal Group or any other actual or purported agreement or arrangement between any member of the Pendal Group and any person (regardless of whether such agreement or arrangement is documented), <p>excluding:</p> <ul style="list-style-type: none"> (d) any FLE Share; (e) TS&W Investment Consideration and TS&W Investment Consideration Performance; and (f) any unit or other interest in a Pendal Group fund (that does not give or result in any right or entitlement to a Pendal Share) that may be a Pendal Employee Right pursuant to paragraph (c), but that has been agreed in writing by Perpetual and Pendal in any offer made pursuant to and in accordance with the Pendal Employee Rights Rollover Proposal, whether before or after the date of the Implementation Deed, to vest, be granted, awarded or remain in place following Implementation of the Transaction.
Pendal Group	means Pendal and its Subsidiaries.
Pendal Information	means the information in this Scheme Booklet, other than Perpetual Information, the Independent Expert's Report and the Investigating Accountant's Report.
Pendal Management Fee Reference Revenue Run Rate	means the Pendal Management Fee Revenue Run Rate as at the Reference Date, calculated by reference to the Pendal Reference FUM.

Term	Meaning
Pendal Management Fee Revenue Run Rate	<p>means the calculated annualised gross revenue of the Pendal Group derived from management and equivalent fees (excluding, for avoidance of doubt, performance and equivalent fees, and net of rebates, discounts and similar arrangements) under any form of management or services agreement by Pendal Group members in any given calendar month or as at 8:00am on the Second Court Date, calculated as follows:</p> <p>(a) the Pendal Reference FUM or Adjusted Pendal Reference FUM (as applicable) as at the end of the calendar month or as at 8:00am on the Second Court Date; multiplied by</p> <p>(b) the applicable annual fee rate or fee schedules in the relevant agreement (or, in the case of pooled funds, its effective annualised fee margin for the immediately prior calendar quarter) referable to the components of the underlying FUM or FUA comprising the Pendal Reference FUM or Adjusted Pendal Reference FUM (as applicable) as of the determination time.</p>
Pendal Material Adverse Change	<p>means an event, change, condition, matter, circumstance or thing occurring before, on or after the date of the Implementation Deed (each a Specified Event) which, whether individually or when aggregated with all other Specified Events that have occurred, has caused a reduction in the Pendal Management Fee Revenue Run Rate by at least 17.5% compared to the Pendal Management Fee Reference Revenue Run Rate.</p>
Pendal Prescribed Event	<p>means, except to the extent:</p> <ul style="list-style-type: none"> expressly required or permitted by the Implementation Deed or the Scheme or the transactions contemplated by either; Fairly Disclosed in Pendal's Disclosure Materials or in any announcement it has made to the ASX on or after 1 January 2021 but before the date of the Implementation Deed; agreed to in writing by Perpetual (such agreement not to be unreasonably withheld or delayed); or undertaken in the ordinary course of Pendal's fiduciary capacity as trustee, responsible entity or manager or otherwise on behalf of a third party trust, client portfolio or fund, <p>any of the events listed in Schedule 2 of the Implementation Deed.</p>
Pendal Share Register	<p>means the register of members of Pendal maintained in accordance with the Corporations Act.</p>
Pendal Share Registry	<p>means Link Market Services Limited ACN 083 214 537.</p>
Pendal Shareholder	<p>means each person who is registered in the Register from time to time as the holder of a Pendal Share.</p>
Pendal Shareholder Information Line	<p>means the contact for Pendal Shareholder Information on +61 1300 038 212 (Australia) or +61 2 9066 4052 (overseas) between 9:00am – 5:00pm on Monday – Friday.</p>
Pendal Shares	<p>means fully paid ordinary shares in the capital of Pendal.</p>
Permitted Dividend Amount	<p>means the dividend amount of 3.5 cents (fully franked) per Pendal Share for the financial year ending 30 September 2022.</p>
Perpetual	<p>means Perpetual Limited (ABN 86 000 431 827).</p>
Perpetual Group	<p>means Perpetual and its Subsidiaries.</p>

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Glossary

Term	Meaning
Perpetual Information	means the information regarding the Perpetual Group and the Combined Group provided by Perpetual to Pandal for including in this Scheme Booklet, being: <ul style="list-style-type: none"> the information contained in section 3 (to the extent it contains information as set out below); the information contained in section 6; the information contained in section 7; and the information contained in section 8.4, except to the extent it relates to Pandal or Pandal's contribution to the information regarding the Combined Group.
Perpetual Major Transaction	has the meaning given in the Implementation Deed.
Perpetual Material Adverse Change	means an event, change, condition, matter, circumstance or thing occurring before, on or after the date of the Implementation Deed (each a Specified Event) which, whether individually or when aggregated with all other Specified Events that have occurred, has caused a reduction in the Perpetual Revenue Run Rate by at least 17.5% compared to the Perpetual Reference Revenue Run Rate.
Perpetual Prescribed Event	means, except to the extent: <ul style="list-style-type: none"> required or permitted by the Implementation Deed, the Scheme or the transactions contemplated by either; Fairly Disclosed in Perpetual's Disclosure Materials or in any announcement it has made to the ASX on or after 1 January 2021 but before the date of the Implementation Deed; agreed to in writing by Pandal (such agreement not to be unreasonably withheld or delayed); or undertaken in Perpetual's fiduciary capacity as trustee, responsible entity or manager or otherwise on behalf of a third party trust, client portfolio or fund, any of the events listed in Schedule 1 of the Implementation Deed.
Perpetual Reference Revenue Run Rate	means: <ul style="list-style-type: none"> (a) the Perpetual Management Fee Reference Revenue Run Rate; plus (b) annualised revenue referable to the Perpetual PCT Business as at the Reference Date; (c) plus annualised revenue referable to the Perpetual Private Business (to the extent not already included in (a) above as at the Reference Date).
Perpetual Representations and Warranties	means the representations and warranties given by Perpetual in Schedule 7 of the Implementation Deed.
Perpetual Revenue Run Rate	means: <ul style="list-style-type: none"> (a) the Perpetual Management Fee Revenue Run Rate; plus (b) annualised revenue referable to the Perpetual PCT Business as at the relevant determination time; plus (c) annualised revenue referable to the Perpetual Private Business (to the extent not already included in (a) above) as at the relevant determination time.
Perpetual Share	means fully paid ordinary shares in the capital of Perpetual.
Perpetual Sub	means Perpetual Acquisition Company Limited (ACN 163 620 362), a wholly owned direct Subsidiary of Perpetual.
PPE	means property, plant and equipment.
PSR	means performance share rights.

Term	Meaning
Regulatory Authority	includes: <ul style="list-style-type: none"> ASX, ASIC and the Takeovers Panel in Australia, the Financial Conduct Authority of the United Kingdom, the Central Bank of Ireland, the Federal Trade Commission in the United States and the Monetary Authority of Singapore and regulatory bodies performing similar functions in other countries; a Government Agency; a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and any regulatory organisation established under statute.
Reimbursement Fee	has the meaning given in section 5.17(f) of this Scheme Booklet.
Related Bodies Corporate	has the meaning it has in the Corporations Act.
Relevant Interest	has the same meaning given by sections 608 and 609 of the Corporations Act.
Representative	of a person, means any person acting for or on behalf of that person, including any director, officer, employee, agent, contractor or professional advisor of the person.
Requisite Majority	means a resolution passed by: <ul style="list-style-type: none"> a majority in number (more than 50%) of Pendal Shareholders present and voting at the Scheme Meeting (online, or by proxy, attorney or, in the case of corporate Pendal Shareholders, corporate representative); and at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by Pendal Shareholders present and voting at the Scheme Meeting (online or by proxy, attorney or, in the case of corporate Pendal Shareholders, corporate representative). <p>The Court has the discretion to waive the first of these two requirements if the Court considers it appropriate to do so.</p>
Retention Payments	has the meaning given in section 10.2 of this Scheme Booklet.
Revised Consideration Mix	has the meaning given in section 4.1 of this Scheme Booklet.
Reverse Reimbursement Fee	has the meaning given in section 4.18(e) of this Scheme Booklet.
Sale Agent	means the sale agent appointed to sell the Sale Securities pursuant to clause 6.7 of the Scheme.
Sale Facility	has the meaning given in clause 6.4 of the Scheme.
Sale Securities	has the meaning given in clause 6.7(a) of the Scheme.
Scheme	means the Scheme of Arrangement under Part 5.1 of the Corporations Act under which all shares in Pendal will be transferred to Perpetual Sub substantially in the form of Annexure D together with any amendment or modification made pursuant to section 411(6) of the Corporations Act and agreed to by Perpetual and Pendal.
Scheme Booklet	means this scheme booklet, issued under section 412 of the Corporations Act.
Scheme Consideration	has the meaning given in clause 1 of the Scheme.
Scheme Consideration Trust Account	means the trust account to be operated by Pendal as trustee for the Scheme Shareholders for the purpose of paying the Cash Consideration to each Scheme Shareholder.
Scheme Meeting	means the meeting of Pendal Shareholders, ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and if thought fit approve the Scheme.

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Glossary

Term	Meaning
Scheme Record Date	means 7:00pm on the second Business Day following the Effective Date or such other date as Pental and Perpetual agree.
Scheme Resolution	means the resolution to be put to the Scheme Meeting to approve the Scheme.
Scheme Share	means Pental Shares held by Scheme Shareholders as at the Scheme Record Date.
Scheme Shareholder	means Pental Shareholders on the Pental Share Register on the Scheme Record Date.
Scrip Consideration	means consideration provided in the form of New Perpetual Shares for each Scheme Share held on the Scheme Record Date on the terms and conditions set out in the Scheme.
Second Court Date	means the first day on which an application made to the Court for an order under paragraph 411(4)(b) of the Corporations Act approving this Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application or appeal is heard.
Shareholder	means Pental shareholders on the Pental Share Register.
Subsidiary	has the meaning given in section 9 of the Corporations Act.
Superior Proposal	<p>means a bona fide Competing Transaction:</p> <ul style="list-style-type: none"> • of the kind listed in paragraphs (a)(ii), (a)(iii), (a)(iv) or (b) of the definition of Competing Transaction; and • not resulting from a breach by Pental of any of its obligations under clause 11 of the Implementation Deed, <p>which the Pental Board, acting in good faith, and after receiving written advice from its legal and financial advisors, determines is:</p> <ul style="list-style-type: none"> • reasonably capable of being completed taking into account all aspects of the Competing Transaction; and • more favourable to Pental Shareholders than the Transaction (and, if applicable, than the Transaction as amended or varied following application of the matching right set out in clause 11.6 of the Implementation Deed), taking into account all terms and conditions and other aspects of the Competing Transaction (including any timing considerations, any conditions precedent, the identity and reputation of the person proposing the Competing Transaction, funding and other matters affecting the probability of the Competing Transaction being completed).
Third Party	means a person other than Perpetual or its Related Bodies Corporate.
Total Cash Pool	means \$632,196,659 less the Total Permitted Dividend Amounts paid to Pental Shareholders.
Total Scheme Consideration	has the meaning given in clause 6.11 of the Scheme.
Total Scrip Pool	means 54,735,642 Perpetual Shares.
Total Permitted Dividend Amount	means the aggregate of all Permitted Dividend Amounts paid to Pental Shareholders.
Transaction	means the acquisition of the shares in Pental by Perpetual Sub through the implementation of the Scheme.
TSR	means total shareholder return.
TSW	means Thompson, Siegel & Walmsley LLC.
UPAT	means underlying profit after tax.
VR	means variable reward.
VWAP	means volume-weighted average price.

Annexure A

Independent Expert's Report

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PO Box: Q113, Queen Victoria Building 1230
ABN: 73 116 738 535



The Directors
Pental Group Limited
Level 14
The Chifley Tower
2 Chifley Square
Sydney NSW 2000

21 November 2022

Dear Directors

Part One – Independent Expert's Report

1 Introduction

On 25 August 2022, Pental Group Limited (**Pental**) and Perpetual Limited (**Perpetual**) announced that they had entered into a Scheme Implementation Deed (**Implementation Deed**) under which Perpetual agreed to acquire 100% of the issued shares in Pental (**Pental Shares**) by way of a scheme of arrangement (the **Scheme**) (together, the **Transaction**).

After market close on 16 November 2022, Pental announced revised terms for the Scheme under which Pental shareholders (**Pental Shareholders**) who hold Pental Shares on 16 January 2023¹ (**Scheme Shareholders**) will receive \$1.615 cash and 1 New Perpetual Share² for every 7 Pental Shares (the **Scheme Consideration**). The Scheme Consideration will be reduced by the cash value of the final dividend amount of 3.5 cents per Pental Share (fully franked) (**Permitted Dividend Amount**) for the 2022 financial year (**FY**).³

Ineligible Foreign Shareholders⁴ will not receive New Perpetual Shares. Instead, those New Perpetual Shares to which the Ineligible Foreign Shareholders would otherwise have been entitled to will be sold or procured pursuant to a Sale Facility⁵ and the cash proceeds remitted. Non-Marketable Parcel Shareholders⁶ will also participate in the Sale Facility.

Pental is listed on the Australian Securities Exchange (**ASX**) and is an independent global investment manager. Together with wholly owned subsidiaries J O Hambro Capital Management Limited (**JOHCM**) and Thompson, Siegel & Walmsley LLC (**TSW**), Pental actively manages investments in equities, listed property, fixed interest and multi-asset portfolios. As at 30 September 2022, Pental's total funds under

¹ Scheme Record Date.

² New Perpetual Share means a Perpetual Share to be provided to Scheme Shareholders under the Scheme.

³ For Pental, FY represents the 12 months to 30 September and for Perpetual, it represents the 12 months to 30 June.

⁴ A Scheme Shareholder will be an Ineligible Foreign Shareholder if their address, as shown in the Pental Share Register on the Scheme Record Date, is a place outside Australia and its external territories.

⁵ Sale Facility as set out in Sections 4.8 and 4.9 of the Scheme Booklet.

⁶ Non-Marketable Parcel Shareholders are those Pental Shareholders who are entitled to receive a parcel of Perpetual Shares under the Transaction with a value of less than \$500.

management (**FUM**) were \$104.5 billion. As at 1 April 2022, the last trading day prior to the announcement of the Indicative Proposal,⁷ Pental had a market capitalisation of \$1.7 billion.⁸

Perpetual is an ASX listed company and provides a diverse range of offerings including investment products, financial advice and corporate trustee services to individuals, financial advisers, and organisations across four business divisions: Perpetual Asset Management International, Perpetual Asset Management Australia, Perpetual Private and Perpetual Corporate Trust. As at 30 September 2022, Perpetual had \$89.8 billion in FUM⁹ in Perpetual Asset Management,¹⁰ \$17.2 billion of funds under advice in Perpetual Private and \$1.12 trillion in funds under administration in Perpetual Corporate Trust. As at 1 April 2022, Perpetual had a market capitalisation of \$1.9 billion.¹¹

The Scheme Meeting¹² to consider and vote on the Scheme Resolution¹³ will be held as a hybrid meeting on 23 December 2022. Pental Shareholders registered on 21 December 2022 will be entitled to attend and vote on the Scheme Resolution to implement the Scheme. For the Scheme to proceed, the Scheme Resolution must be approved by at least 75% of the total number of votes cast by eligible Pental Shareholders and more than 50% of eligible Pental Shareholders present and voting (in person or by proxy) at the Scheme Meeting.

The Scheme is subject to certain conditions as set out in Section 5.3 of this report and Section 4.15 of the Scheme Booklet.

If the Scheme becomes effective, Perpetual will acquire all of the Scheme Shares.¹⁴ Pental will be delisted from the ASX and become a wholly owned subsidiary of Perpetual. The implementation of the Scheme will create a leading global multi-boutique asset manager (the **Combined Group**). The Combined Group will be one of the largest listed funds management businesses in Australia, with combined FUM of approximately \$194 billion.¹⁵

In order to assist Pental Shareholders in assessing the Scheme, the Directors of Pental (**Pental Directors**) have appointed Kroll Australia Pty Ltd (**Kroll**), to prepare an independent expert's report setting out whether, in our opinion, the Scheme is in the best interests of Pental Shareholders. This report sets out Kroll's opinion as to the merits or otherwise of the Scheme and will be included with the Scheme Booklet, incorporating the Notice of General Meeting and the Notice of Scheme Meeting (the **Scheme Booklet**) to be sent to Pental Shareholders.

Further information regarding Kroll, as it pertains to the preparation of this report, is set out in Appendix 1 of this report. Kroll's Financial Services Guide is contained in Part Two of this report.

2 Scope of report

The Transaction is to be implemented by way of a scheme of arrangement under Section 411 of the Corporations Act 2001 (Cth) (**Corporations Act**) and requires the approval of Pental Shareholders. Section 412(1) of the Corporations Act requires that an explanatory statement issued in relation to a proposed scheme of arrangement includes information that is material to the making of a decision by a creditor or member as to whether or not to approve the scheme.

Part 3 Schedule 8 of the Corporations Regulations specifies that the information to be lodged with the Australian Securities and Investments Commission (**ASIC**) must include a report prepared by an expert:

- if the other party to a reconstruction in a scheme of arrangement holds at least 30% of the company; or
- where the parties to the reconstruction have common Directors.

⁷ On 4 April 2022, Pental announced that it had received a conditional, non-binding indicative proposal (the **Indicative Proposal**) from Perpetual to acquire 100% of the Pental Shares by way of a scheme of arrangement.

⁸ Calculated as closing price on 1 April 2022 of \$4.48 multiplied by 383,149,490 shares.

⁹ Whilst Perpetual uses the term Assets Under Management (**AUM**), we have used FUM for consistency with Pental.

¹⁰ Perpetual Asset Management Australia and Perpetual Asset Management International together.

¹¹ Calculated as closing price on 1 April 2022 of \$34.23 multiplied by 56,079,060 shares.

¹² Any meetings of Pental Shareholders as holders of Pental Shares, ordered by the Court to be convened under subsection 411(1) of the Corporations Act to consider and vote on the scheme of arrangement.

¹³ The resolution to be put to the Scheme Meeting to approve the Scheme.

¹⁴ Scheme Shares being Pental Shares held by Scheme Shareholders as at the Scheme Record Date.

¹⁵ FUM is an aggregate from ASX Pental Funds Under Management for quarter ended 30 September 2022; ASX Perpetual Q1 Business Update – 19 October 2022.

In the case of the Transaction, a statutory requirement for an independent expert's report does not apply since:

- none of the Shareholders of Perpetual are entitled to 30% or more of the voting securities in Pental; and
- none of the directors of Perpetual are a director of Pental.

In undertaking our work, we have referred to guidance provided by ASIC in its Regulatory Guides in particular, Regulatory Guide 111 'Content of expert reports' (**RG 111**) which outlines the principles and matters which it expects a person preparing an independent expert report to consider.

Further details of the relevant technical requirements and the basis of assessment in forming our opinion are set out in Section 6 of this report.

3 Opinion

3.1 Background

Pental is one of Australia's largest and most enduring pure play investment managers. The company operates as a multi-boutique style business without a 'house view' on how funds should be managed. Pental offers individual and institutional clients a broad range of investment strategies across many asset classes, using different investment approaches. It is a global fund manager operating in five countries.

Over the five years to 2021, the global asset management industry has demonstrated strong growth in FUM underpinned by the growth in retirement, superannuation, and pension funds, increasing asset values and inflows from increasing personal wealth and economic growth of developing countries.

However, in recent years the industry has faced adverse structural trends, including an increase in the market share of funds with passive management strategies at the expense of the market share of actively managed funds, rising drawdowns in aging countries, increasing internalisation of investment management activities by superannuation and pension funds, a need for greater investment in data analytics and technology to enhance customer service and support fund managers, increased regulatory oversight, and fee compression (refer to Section 7.2.2 of this report for more detail).

To counter some of the adverse structural trends, fund managers have increasingly sought to achieve benefits through scale in order to manage costs, enhance distribution capabilities and have sufficient capacity to grow and optimise product suites to meet changing client expectations.

The industry is currently impacted by a cyclical downturn, as rising interest rates in the global economy, energy supply disruptions, slowing economic growth and heightened fears of a protracted global economic recession have created increasing economic and geopolitical uncertainties. These uncertainties have led to a decline in investment values and an increase in fund redemptions, which have reduced FUM globally, exacerbating the ongoing structural trends and increasing the strategic rationale to grow scale through acquisition.

The effect of these challenges is reflected in Pental's broker consensus forecasts, which show a 42.8% decline in underlying profit after tax (**UPAT**) for FY23, driven by expectations of net outflows in FUM, lower performance fees and declining margins. Brokers are forecasting UPAT to increase only modestly in the next two years, and in FY25, broker consensus UPAT remains 33.4% below FY22 levels.

It is within this challenging environment that on 4 April 2022, Pental announced the Indicative Proposal from Perpetual to acquire 100% of the Pental Shares by way of a scheme of arrangement. The consideration under the Indicative Proposal was 1 New Perpetual Share for every 7.5 Pental Shares plus \$1.67 cash for each Pental Share.

Following continued negotiations, Pental and Perpetual announced on 25 August 2022 that they had entered into a binding agreement that included an increase in the cash component of the Scheme Consideration from \$1.67 to \$1.976 per Pental Share (noting that the \$1.976 cash component of the Scheme Consideration would be reduced by the Permitted Dividend Amount).

After market close on 16 November 2022 Pental announced revised terms for the Scheme under which Pental Shareholders will receive Scheme Consideration of 1 New Perpetual Share¹⁶ for every 7 Pental

¹⁶ New Perpetual Share means a Perpetual Share to be provided to Scheme Shareholders under the Scheme.

Shares plus \$1.650 cash for each Pandal Share (noting that the cash component of the Scheme Consideration would be reduced by the Permitted Dividend Amount of 3.5 cents per Pandal Share).

Since the announcement of the Indicative Proposal, Pandal's FUM as well as those of its peers have continued to decline as listed fund managers have been negatively re-rated. From the announcement of the Indicative Proposal until 2 November 2022, the last trading day before the announcement that Perpetual had received and rejected the Consortium Offer, the Comparable Companies Index¹⁷ declined by 30.3%¹⁸ and the S&P/ASX 200 Index (**ASX 200**) declined by 7.0%.¹⁹

The Combined Group is likely to be better able to withstand the adverse structural and cyclical trends facing the funds management industry. It will be a larger and more diversified business, benefitting from increased scale, with greater FUM, product offerings, distribution capability in key markets and depth of talent, and a greater diversification of earnings. Perpetual has also indicated that it expects to achieve substantial net pre-tax cost synergies amounting to \$60 million per annum (full run-rate) through a combination of operational and corporate efficiencies, within two years post implementation. Furthermore, approximately 25% of the revenue and UPAT for the Combined Group will be generated from non-market linked businesses, Perpetual Corporate Trust and Perpetual Private, providing a level of diversification and stability in earnings during times of market volatility.

3.1.1 Consortium Offer and Revised Consortium Offer for Perpetual

On 3 November 2022, Perpetual announced that it had received and rejected an unsolicited, conditional, non-binding indicative proposal to acquire 100% of the Perpetual Shares from a consortium comprising BPEA Private Equity Fund VIII's indirect wholly owned subsidiary Morello Pte. Limited and Regal Partners Limited (together, the **Consortium**) for \$30.00 in cash per Perpetual Share (**Consortium Offer**). Any transaction would be conditional on the termination of the Implementation Deed with Pandal. Perpetual stated that the Consortium Offer materially undervalued its business.

Since that time, there has been media speculation about further approaches from the Consortium and other parties seeking alternative transactions with Perpetual, and Perpetual itself has informed Pandal to that effect.

On 10 November 2022, Perpetual announced that it had received and rejected a further unsolicited conditional, non-binding indicative proposal to acquire Pandal at \$33.00 cash per Perpetual Share (the **Revised Consortium Offer**). Perpetual stated that it continues to materially undervalue the company. Perpetual's Board stated that it had considered a number of factors, including value, high conditionality, transaction and execution risks, in determining that the Consortium's Revised Indicative Proposal is not in the best interests of shareholders.

Also on 10 November 2022, Pandal announced that despite requests by Perpetual for a delay, it intended to proceed with the Scheme.

3.1.2 Court Decision

On 17 November 2022, Pandal advised to the market that the Court had declared that should Perpetual breach the Implementation Deed to pursue an alternative transaction to the Scheme or because it (for reasons pertaining to the fiduciary duties of the Perpetual Directors) no longer wishes to move forward with the Scheme, the payment of the \$23 million break fee does not exclude Pandal's right to seek orders to enforce Perpetual's obligations to complete the Scheme, including by way of specific performance or injunctive relief (**Court Decision**). The award of these remedies would be subject to separate court consideration. Pandal and Perpetual announced their continued commitment to the Scheme.

¹⁷ An index developed by Kroll comprising the market capitalisation of comparable ASX listed funds managers. Includes Pandal, Perpetual, Magellan, Platinum, Insignia and Janus Henderson. Excludes GQG, which was listed on 26 October 2022 and Pinnacle, which has a different business model. It is calculated by Kroll on the basis of the aggregate market capitalisations of these companies as at 4 April 2022. Movements in the index are calculated as changes in relative market capitalisations to the total market capitalisation as at 4 April 2022.

¹⁸ Period from 4 April to 2 November 2022.

¹⁹ From the announcement of the Consortium Offer on 3 November 2022 and the Revised Consortium Offer on 10 November 2022, until 16 November 2022, the Comparable Companies Index increased by 9.0%, outperforming the ASX 200 which increased by 1.9%, however, this potentially reflects a degree of contagion amongst fund managers with movement of the index particularly evident following the Consortium Revised Offer. During this time, global equity markets were broadly higher following the US mid-term elections.

We note that while any new proposal for Perpetual may impact the likelihood that the Transaction proceeds, it does not in itself impact Kroll's analysis as to whether the Scheme is in the best interests of Pandal Shareholders since as far as Kroll is aware, Pandal Shareholders are not a participant in any other offers for Perpetual.

3.2 Summary of opinion

In our opinion, the Scheme is in the best interests of Pandal Shareholders, in the absence of a superior proposal.

In arriving at this opinion, we have assessed whether the Scheme is:

- **fair**, by comparing the value of the Scheme Consideration on a minority interest basis to our assessed equity value of Pandal on a controlling interest basis. This approach is in accordance with the guidance set out in RG 111; and
- **reasonable**, by assessing the implications of the Scheme for Pandal Shareholders, the alternatives to the Scheme that are available to Pandal, and the consequences for Pandal Shareholders of not approving the Scheme.

We have assessed the Scheme to be fair and reasonable. Consequently, consistent with RG 111, we have concluded that the Scheme is in the best interests of Pandal Shareholders, in the absence of a superior proposal.

Kroll has assessed the value of the equity of Pandal to be in the range of \$1,866 million to \$2,136 million, which corresponds to a value per Pandal Share in the range of \$4.87 to \$5.71. Based on an assessed value range of \$24.00 to \$28.00 per Perpetual share (**Perpetual Share**), the Scheme Consideration has been valued in the range of \$5.04 to \$5.62 per Pandal Share. **As the Scheme Consideration overlaps our assessed value range for Pandal Shares, we have assessed the Scheme to be fair to Pandal Shareholders.**

In forming our view as to the equity value of Pandal, we have considered a range of factors including the current environment for asset managers globally and expectations for the future, including the impact of continued adverse structural trends including an increase in market share for passive management strategies, rising drawdowns in countries with aging populations, increasing internalisation of investment management activities by superannuation and pension funds, a need for greater investment in data analytics and technology to enhance customer service and support fund managers, increased regulatory oversight and fee compression as well as the cyclical downturn, whereby economic and geopolitical uncertainties have resulted in lower asset values and an increase in fund redemptions, which have reduced FUM globally (refer to Section 7.2.2 of this report).

Our valuation of New Perpetual Shares of \$24.00 to \$28.00 is based on trading in Perpetual Shares from the announcement of the Scheme until 2 November 2022, the last trading day before Perpetual announced that it had received and rejected the Consortium Offer, as well as trading on 17 November 2022. From the announcement of the Consortium Offer until 16 November 2022, the last trading day before the announcement of the Court Decision, Perpetual Shares traded above Kroll's valuation range. However, we do not consider this range of trading to be appropriate in determining our valuation range for New Perpetual Shares since Regal has stated that any future transaction will be conditional on the termination of the Implementation Deed such that Pandal Shareholders will not be able to participate in such a transaction. Furthermore, trading in Perpetual Shares over this period was on a control basis as it reflected speculation regarding a potential transaction and it also potentially did not reflect the impact of the Scheme, given the market speculation and resulting uncertainty as to whether the Scheme would proceed. Following the Court Decision on 17 November 2022, the Perpetual share price declined to trade in the range of \$25.41 to \$29.00, at a volume weighted average price (**VWAP**) of \$26.79. Trading on this day reflects an expectation that the Scheme would proceed and the revised terms of the Scheme.

Our analysis of the fairness of the Scheme is detailed further in Section 3.3 of this report.

In accordance with RG 111, an offer is reasonable if it is fair. As we have assessed the Scheme to be fair, it is also reasonable. Regardless of this requirement, we have considered a range of other factors that are relevant to an assessment of the reasonableness of the Scheme, including:

- the Scheme Consideration represents a modest premium to the trading prices of Pandal Shares up until 1 April 2022, however, there has been a negative re-rating of the funds management sector since that date, which is reflected in our assessed value range for Perpetual Shares;

- the combination of Pental and Perpetual is expected to result in significant cost synergies and earnings per share (EPS) accretion, however, implementation costs are substantial. It is also expected to generate a number of strategic benefits;
- enhanced liquidity and improved access to capital markets;
- Pental Shareholders' risk profile will change;
- Pental's share price will likely fall in the absence of the Scheme;
- the value of the scrip component of the Scheme Consideration is not certain; and
- the likelihood of a superior proposal.

Other matters which Pental Shareholders should consider in assessing the Scheme include:

- risk that the Scheme does not proceed;
- one-off transaction costs associated with the Scheme;
- the dividend payout ratio may change;
- the Combined Group will have higher gearing;
- the Scheme is subject to the satisfaction of certain conditions;
- the impact on Ineligible Foreign Shareholders and Non-Marketable Parcels;
- taxation implications of the Scheme; and
- the consequences if the Scheme does not proceed.

Our analysis of the reasonableness of the Scheme is detailed further in Section 3.4 of this report.

The decision to approve the Scheme is a matter for individual Pental Shareholders based on their views as to value, expectations about future market conditions and their particular circumstance including investment strategy and portfolio, risk profile and tax position. If in doubt, Pental Shareholders should consult their own professional adviser regarding the action they should take in relation to the Scheme.

3.3 The Scheme is fair

3.3.1 Pental equity value

Kroll has assessed the value of Pental's equity to be in the range of \$1,866 million to \$2,136 million, which corresponds to a value per Pental Share in the range of \$4.87 to \$5.71. Our range of assessed values represents 100% ownership of Pental and, therefore, incorporates a control premium. The value attributed to Pental's equity is an overall judgement as to the opportunities and risks associated with the business, having regard to a market approach. The total equity value is the value of the equity for Pental's operating business plus the value of seed investments, for which no income is currently generated. The valuation is summarised as follows.

Pental Valuation Summary (\$ millions)

	Section Reference	Valuation Range	
		Low	High
Maintainable earnings (UPAT)	11.3.2	140.0	150.0
Capitalisation multiple	11.3.3	12.0x	13.0x
Equity value of Pental (Excl. seed investments, controlling basis)		1,680.0	1,950.0
Add: Seed investments as at 30 September 2022	8.10	199.1	199.1
Less: Pental FY22 Final Dividend	8.9.2	(12.9)	(12.9)
Total equity value of Pental (controlling basis)		1,866.2	2,136.2
Divided by: Number of Pental Shares outstanding (millions) ¹	8.13	383.1	373.9
Value of a Pental Share (controlling basis)		\$4.87	\$5.71

Source: Kroll analysis.

Note 1: The high end number of shares excludes 9,246,311 treasury shares that Perpetual will acquire as part of the Transaction.

Our range of assessed values for Pental excludes the value attributable to cost savings and other benefits that Perpetual may realise in completing the acquisition of Pental which are unique to Perpetual, however,

takes into consideration the synergies and benefits available to a pool of potential purchasers (refer to Section 11.2.3 of this report).

Our valuation range of \$4.87 to \$5.71 per Pental Share reflects a premium over the closing price of Pental Shares on 1 April 2022, being the day prior to the announcement of the Indicative Proposal, of between 8.7% and 27.5%. The premium is below the premiums observed in completed transactions, which are broadly in the range of 25% to 40% depending on the individual circumstances.²⁰ The premiums are, however, understated since the funds management industry (including Perpetual) has been negatively re-rated in recent months as a result of adverse structural and cyclical trends as outlined in Section 7.2.2 of this report. From the announcement of the Indicative Proposal until 2 November 2022,²¹ the ASX 200 Index has declined by 7.0% and the Comparable Companies Index has declined by 30.3%.²²

We note, however, that the selected multiple for Pental of 12 to 13 times maintainable UPAT represents a premium of 27.7% to 38.3% relative to the median P/E multiple for the comparable companies of 9.4 times FY25 UPAT and a premium of 25.0% to 35.4% relative to the P/E multiple for the Combined Group of 9.6 times FY25 UPAT and is consistent with the range of premiums typically observed.

It should be noted that a valuation of Pental in the current economic and geopolitical environment is complex and requires judgement of the duration and impact of the cyclical downturn, as well as the long-term structural trends impacting the funds management industry.

In forming our view as to the value of Pental's equity, we have considered a range of factors including:

- external factors, such as:
 - ongoing structural trends facing the funds management industry, including an increase in market share for passive management strategies, rising drawdowns in aging countries, increasing internalisation of investment management activities by superannuation and pension funds, a need for greater investment in data analytics and technology to enhance customer service and support fund managers, increased regulatory oversight and fee compression (refer to Section 7.2.2 of this report);
 - adverse cyclical trends facing the funds management industry, including the decline of global equity markets, with the S&P 500 Index decreasing by 21.1% from January 2022²³ until 2 November 2022²⁴ and the ASX 200 and FTSE 100 Index decreasing by 6.8% and 5.2%, respectively, from April 2022,²⁵ caused by increasing economic and geopolitical uncertainties as a consequence of rising interest rates in the global economy, energy supply disruptions, slowing economic growth and heightened fears of a protracted global economic recession. This uncertainty has led to a decline in investment values and an increase in fund redemptions, which have reduced FUM globally, and exacerbated the ongoing structural trends;
 - the negative re-rating of the funds management industry as a consequence of the adverse structural and cyclical trends. From August 2021 until 2 November 2022,²⁶ the Comparable Companies Index declined by 59.5%;²⁷
- factors related to Pental, such as:
 - Pental's range of activities, which are focused on providing investment management services only and unlike Perpetual, does not include non-market linked services. Pental, therefore, has a greater exposure to the cyclicity of share markets than Perpetual;
 - Pental's current strategy, which is based on increasing Pental's product diversification and global distribution. The implementation of this strategy carries elevated fixed costs related to the development of products and the recruitment of personnel and is subject to execution risk and

²⁰ 2022 Mergerstat Review. Range represents median premium from 2012 to 2021. Premiums are calculated based on the seller's closing price five business days before the initial announcement. The calculations exclude negative premiums and premiums over 250%.

²¹ The last trading day before the announcement that Perpetual had received and rejected the Consortium Offer.

²² Period 4 April to 2 November 2022.

²³ Period 1 January 2022 to 2 November 2022.

²⁴ The last trading day before the announcement that Perpetual had received and rejected the Consortium Offer.

²⁵ Period 1 April 2022 to 2 November 2022.

²⁶ The last trading day before the announcement that Perpetual had received and rejected the Consortium Offer.

²⁷ Period 1 August 2021 to 2 November 2022.

market risk. Recent declines in FUM have reduced the revenue base over which to spread these costs. In addition, it will require significant time to reach sufficient scale in international markets;

- Pental's dependence on a few key investment personnel to generate revenue. The loss of any key investment personnel would negatively impact Pental's future financial performance;
- the growth opportunities related to the recent acquisition of TSW and the development of Environmental, Social and Governance (**ESG**) investing products. Pental expects to be able to cross-sell ESG and other products across Pental Australia, Pental EUKA and Pental US, therefore, benefiting from scale economies;
- significant investment is required in data analytics and technology to enhance customer service and support fund managers; and
- the increasing complexity for Pental of managing its operations in different regions, with different regulatory requirements and tax regimes and increased exposure to risks such as legal and cyber-security risks.

3.3.2 Valuation of the Scheme Consideration

Based on an assessed value range of \$24.00 to \$28.00 per Perpetual Share, the Scheme Consideration has been valued in the range of \$5.04 to \$5.62 per Pental Share.

Value of the Scheme Consideration

	Scheme Consideration	
	Low	High
Value per Perpetual Share	\$24.00	\$28.00
Exchange ratio	0.143	0.143
Value of scrip component	\$3.43	\$4.00
Add: cash component	\$1.62	\$1.62
Value of Scheme Consideration per Pental Share	\$5.04	\$5.62

Source: Kroll analysis.

Note: The Scheme Consideration values depicted have been reduced by the cash value of the Permitted Dividend Amount of 3.5 cents per Pental Share. Figures in the table have been rounded.

The New Perpetual Shares to be received by Pental Shareholders will represent minority interests in Perpetual. In such circumstances, RG 111 requires the value of the scrip component of the Scheme Consideration to be assessed on a minority interest basis. In a transaction with a scrip component, it is common practice to utilise the post announcement market price as a basis for estimating the value of the scrip component.

We have cross-checked our value of a Perpetual Share as follows:

- compared the historical and forecast P/E multiples and percentage of FUM implied by our selected value range for Perpetual Shares to market evidence derived from listed fund managers; and
- compared our selected value range for Perpetual Shares to brokers' target prices.

Kroll's range of values for Perpetual Shares is lower than the closing Perpetual share price on 24 August 2022 (the last trading day prior to the announcement of the Scheme) of \$30.30 on which the Scheme Consideration of \$5.944 per Pental Share was based (being the revised Scheme Consideration of \$5.979 less the cash value of the Permitted Dividend Amount of 3.5 cents per Pental Share). This is not unexpected as subsequent to the announcement of the Transaction:

- global equity markets have been broadly flat or declined, with the ASX 200, S&P 500 and FTSE 100 having decreased by 0.2%, 9.2% and 4.4% respectively, between 24 August 2022 and 2 November 2022, caused by, inter-alia, increasing economic and geopolitical uncertainties as a consequence of rising interest rates in the global economy, energy supply disruptions, slowing economic growth and heightened fears of a protracted global economic recession;

- the funds management industry has continued to be negatively re-rated following large declines in FUM resulting from institutional investor led fund outflows and adverse market movements. Since 24 August 2022, the Comparable Companies Index has declined by 9.5% (as at 2 November 2022²⁸);
- the share prices of listed Australian fund managers have continued to decline, with peers Magellan Financial Group Ltd (**Magellan**) and Janus Henderson Group Plc (**Janus Henderson**) trading lower by 21.2% and 0.3%, respectively, between 24 August 2022 and 2 November 2022; and
- the Perpetual Shares have traded ex distribution (since 8 September 2022).

Our valuation of New Perpetual Shares of \$24.00 to \$28.00 is based on trading in Perpetual Shares from the announcement of the Scheme until 2 November 2022, the last trading day before Perpetual announced that it had received and rejected the Consortium Offer, as well as trading on 17 November 2022.

On 3 November 2022, Perpetual announced that it had received and rejected the Consortium Offer, an all cash proposal to acquire 100% of the Shares in Perpetual for \$30.00. Kroll notes that from this announcement until 16 November 2022, the last trading day before the announcement of the Court Decision, Perpetual Shares traded above our selected value range, in the range of \$27.95 to \$34.80, at a VWAP of \$30.72, and closed at \$31.58 on 16 November 2022, and traded above \$30.00 from 10 November 2022 until 16 November 2022 following the announcement that Perpetual had received and rejected the Revised Consortium Offer. This potentially reflected speculation of a renewed or improved offer, and/or speculation that the Scheme would not proceed. However, we do not consider this range of trading to be appropriate in determining our valuation range for the New Perpetual Shares for the following reasons:

- the Perpetual Board rejected the Consortium Offer and Revised Consortium Offer, noting that they materially undervalued Perpetual (on a control basis);
- the offers are conditional, non-binding and indicative and are not capable of acceptance. They are highly uncertain, contingent on several factors including the satisfactory completion of due diligence, the BPEA EQT Fund's final internal approvals, and final Regal Board approval. There is no certainty that a binding proposal that is capable of acceptance will emerge;
- Regal has stated that any future transaction will be conditional on the termination of the Implementation Deed between Pendal and Perpetual. As the two proposals cannot co-exist, the range of trading post announcement of the Consortium Offer and Revised Consortium Offer is not an appropriate determinant in the valuation range for New Perpetual Shares;
- the New Perpetual Shares to be received by Pendal Shareholders will represent minority interests in Perpetual and, therefore, as required by RG 111.31, the value of the scrip component of the Scheme Consideration must be assessed on a minority interest basis. In contrast, the Consortium Offer, Revised Consortium Offer, and any potential binding transaction, is a control transaction and, consequently, the Perpetual share price during this period likely included a control premium;
- given the market speculation over this period that the Scheme would not proceed, trading in Perpetual Shares potentially did not reflect the impact of the Scheme; and
- Perpetual Shares did not trade above \$26.90 since Perpetual traded ex-dividend on 8 September 2022 until 2 November 2022.²⁹ Consequently, it is likely that the market priced in expectations for a renewed or improved offer for Perpetual, and/or speculated that the Scheme would not proceed.

We note that since Pendal's announcement of the Court Decision on 17 November 2022 (refer to Section 3.1.2 of this report for further details), Perpetual Shares traded declined to trade in the range of \$25.41 to \$29.00, at a VWAP of \$26.79. Trading on this day reflects the revised terms of the Scheme and an expectation that the Scheme would proceed.

The value of the Scheme Consideration will vary with movements in the Perpetual share price. It is possible that the Perpetual share price may be higher or lower than Kroll's assessed range of values. Therefore, until the New Perpetual Shares are issued under the Scheme, Pendal Shareholders are exposed to changes in overall equity market conditions, industry dynamics and company specific events that affect the Perpetual share price. Furthermore, as most of the Scheme Consideration is in the form of New Perpetual Shares, the value of the Scheme Consideration is particularly sensitive to movements in the Perpetual

²⁸ The last trading day before the announcement that Perpetual had received and rejected the Consortium Offer.

²⁹ The last trading day before the announcement that Perpetual had received and rejected the Consortium Offer.

share price. The following table illustrates the sensitivity of the implied value of the Scheme Consideration to changes in the Perpetual share price.

Sensitivity of the Scheme Consideration¹ to Changes in the Perpetual Share Price (\$)

Illustrative Perpetual Share Price	Implied Value of Scheme Consideration ¹
21.00	4.62
22.00	4.76
23.00	4.90
24.00²	5.04
25.00	5.19
26.00	5.33
27.00	5.47
28.00	5.62
29.00	5.76
30.00	5.90
30.30³	5.94
31.00	6.04

Source: Kroll analysis.

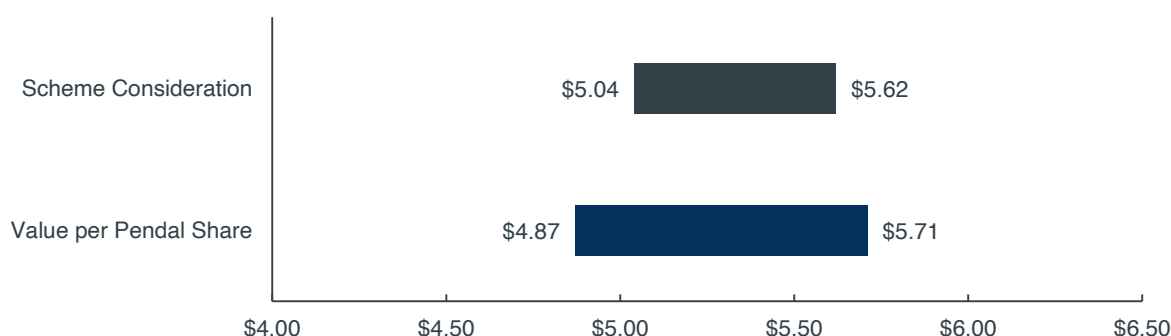
Note:

1. Deducts Permitted Dividend Amount of 3.5 cents per Pandal Share.
2. Bold indicates Kroll's selected value range for Perpetual Shares.
3. \$30.30 is based on the closing Perpetual share price on 24 August 2022, the last trading day prior to the announcement of the Scheme.

3.3.3 Assessment of fairness

A comparison of our assessed value of Pandal Shares, on a control basis, to the value of the Scheme Consideration (after deducting the Permitted Dividend Amount of 3.5 cents per Pandal Share) is illustrated in the following chart.

Fairness Assessment



Source: Kroll analysis.

As the Scheme Consideration overlaps with our assessed value range of Pandal Shares, **the Scheme is fair to Pandal Shareholders.**

However, as discussed, the value of the Scheme Consideration will vary with movements in the Perpetual share price. In the event that short term volatility in overall equity market conditions drives the implied value of the Scheme Consideration below our assessed value range per Pandal Share, we would expect the Scheme to remain fair since trading in Pandal Shares in the absence of a takeover offer would likely have been similarly affected by the changes in overall equity market conditions. Furthermore, short term volatility in trading prices would also need to be assessed against the benefits and prospects of the Combined Group, as Pandal Shareholders who receive New Perpetual Shares will be able to participate in the benefits associated with the synergies and associated earnings accretion expected from a combination of Pandal and Perpetual (as further discussed in Section 3.4 of this report). However, the timing and extent of these benefits will largely depend on the ability of the management of Perpetual to successfully integrate Pandal in a timely manner.

3.4 The Scheme is reasonable

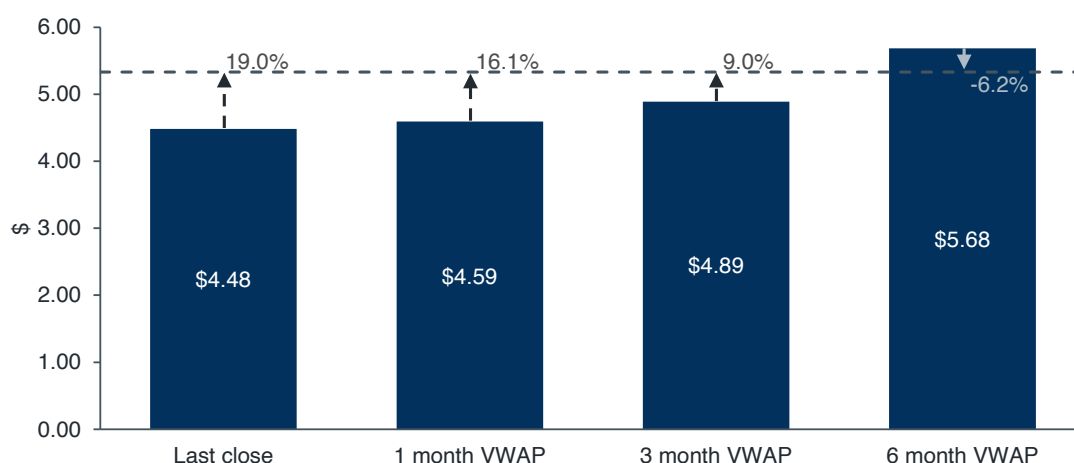
In accordance with RG 111, an offer is reasonable if it is fair. **As we have assessed the Scheme to be fair, it is also reasonable.** However, irrespective of the requirement to conclude the Scheme is reasonable, we have also considered a range of other factors that are relevant to an assessment of the reasonableness of the Scheme.

3.4.1 The Scheme Consideration represents a modest premium to the trading prices of Pendal Shares

Based on an assessed value range of \$24.00 to \$28.00 per Perpetual Share, the Scheme Consideration has been valued in the range of \$5.04 to \$5.62 per Pendal Share. Kroll has assessed the Scheme Consideration relative to trading in Pendal Shares up until 1 April 2022, the last trading day prior to the announcement of the Indicative Proposal.³⁰

The premium of the mid-point of the Scheme Consideration relative to Pendal's share trading to 1 April 2022 is illustrated as follows.

Premium of Scheme Consideration (Mid-point) over the Pendal Share Price as at 1 April 2022



Source: Kroll analysis.

Note: The premiums and discounts illustrated above have been calculated based on Pendal's closing share price and VWAP up until close on 1 April 2022, the last trading day prior to the announcement of the Indicative Proposal.

In relation to the above chart, we note:

- the higher premium over to the last closing price compared to the premium over the six-month **VWAP** reflects the negative re-rating of the funds management industry that was already occurring prior to the announcement of the Indicative Proposal on 4 April 2022;
- observations from transaction evidence indicates that control premiums are broadly in the range of 25% to 40% for completed transactions depending on the individual circumstances.³¹ The premiums implied by the Scheme Consideration of 12.5% to 25.4% (a mid-point of 19.0%) relative to Pendal's closing share price on 1 April 2022 are below the low end of this range. Kroll considers that the premiums relative to Pendal's share trading up until 1 April 2022 are understated since the funds management industry (including Perpetual) has continued to be negatively re-rated in recent months as a result of adverse cyclical and structural trends as set out in Section 7.2.2 of this report. From the announcement of the Indicative Proposal until 2 November 2022,³² the ASX 200 has declined by 7.0% and the Comparable Companies Index has declined by 30.3%. This continued negative re-rating of the sector has been reflected in Kroll's valuation of Perpetual Shares on which the value of

³⁰ We have not evaluated the premium relative to trading in Pendal Shares between 1 April 2022 and 24 August 2022 as the Pendal share price during this period likely included a control premium as well as the benefit of Perpetual's relatively stable non-market linked business (as reflected in the consideration under the Indicative Proposal). In addition, the funds management industry has continued to be negatively re-rated since 24 August 2022.

³¹ 2022 Mergerstat Review. Range represents median premium from 2012 to 2021. Premiums are calculated based on the seller's closing price five business days before the initial announcement. The calculations exclude negative premiums and premiums over 250%.

³² The last trading day before the announcement that Perpetual had received and rejected the Consortium Offer.

the Scheme Consideration is based, however, is not reflected in Pendal Share trading up until 1 April 2022. Had the Pendal share price declined by 30.3% such that the last closing price was \$3.12, the Scheme Consideration would represent a premium in the range of 61.5% to 80.1%;

- Kroll expects that the Scheme Consideration would represent a significant premium since:
 - Perpetual is a natural acquirer of Pendal. As a result of the overlapping product offering and geographical footprint, Perpetual expects to generate substantial cost synergies as well as a range of strategic benefits; and
 - the Transaction follows an extended period of negotiations, following which Perpetual initially increased the cash component of the consideration from \$1.67 to \$1.976 per Pendal Share (noting that the \$1.976 cash component of the Scheme Consideration would be reduced by the value of any final dividends declared by Pendal for FY22). Under the revised terms announced after market close on 16 November 2022, while there was a reduction in the cash component to \$1.65 per Pendal Share there was also an offsetting increase in the scrip component; and
- the premium implied by Scheme Consideration is not certain and the actual price of New Perpetual Shares when they are issued to Pendal Shareholders under the Scheme could be higher or lower than Kroll's assessed value range. As such, the actual premium received could therefore exceed, or be less than, the premium implied by our assessed value range of the Scheme Consideration.

3.4.2 The combination of Pendal and Perpetual is expected to result in substantial cost synergies and strategic benefits, however, implementation costs are substantial

Perpetual estimates net pre-tax synergies to be approximately \$60 million per annum (full run-rate). Synergies are expected to be achieved through a combination of operational and corporate efficiencies, including reduction of corporate overheads, listing, audit, Board, information technology, borrowing and insurance costs (refer to Section 10.4 of this report and Section 7.3 of the Scheme Booklet). It is expected that 50% of the synergies will be achieved within the first-year post-implementation with the remaining 50% expected to be achieved by the end of the second year. We also note that Perpetual has assumed that any savings will not impact key investment brands and teams.

In order to achieve these synergies, Perpetual expects to incur substantial one-off integration costs of \$110 million, the majority of which will be spent in the first 18 months post-implementation.

Actual synergies could be higher or lower than those assumed. They represent current expectations which are subject to assumptions as to future events which involve inherent uncertainties and contingencies. In particular, there is a risk that not all synergies will be achieved, there are delays in achieving those savings or integration or compensation and transaction costs are greater than expected.

There is also risk in relation to potential dis-synergies including:

- **retaining Pendal's existing FUM:** mitigating this risk is that it is a condition of the Scheme that at least 82.5% of clients as defined within the Implementation Deed have provided their consent before the Second Court Date. Furthermore, Pendal and Perpetual have indicated that the seeking of client consents is tracking in-line with expectations;³³ and
- **attracting and retaining talent:** loss of key personnel could adversely affect financial performance and business growth. Mitigating this risk is that as part of the Scheme process, Perpetual has had extensive interaction with key fund managers, who have so far indicated their support for the Scheme, and Perpetual has put in place incentives for various employees identified as being important to the ongoing success of the Combined Group.

3.4.3 EPS accretion

The following table illustrates the EPS accretion that Pendal Shareholders would experience per Pendal Share based on Kroll's assessed value of Perpetual Shares (as part of the Combined Group in the range of \$24.00 to \$28.00 and the pro forma financial analysis for the Combined Group contained in Section 10.7 of this report. The accretion is presented on two bases: i) assuming that no synergies are realised; and ii) assuming that 100% of synergies (tax effected³⁴) are realised on a full run-rate basis.

³³ Refer to Pendal and Perpetual announcements of 19 October 2022

³⁴ Assumes a 30% statutory tax rate.

Combined Group Accretion Analysis¹

	Pendal	Perpetual	Combined Group	Value of Scheme Consideration per Pendal Share					
				\$24.00			\$28.00		
				Pendal equivalent ²	Absolute change	% change	Pendal equivalent ²	Absolute change	% change
<u>Without synergies</u>									
FY22 EPS	36.1¢	179.6¢	194.0¢	40.8¢	4.6¢	12.8%	38.9¢	2.8¢	7.7%
FY22 underlying EPS	55.1¢	263.0¢	301.6¢	63.4¢	8.3¢	15.0%	60.5¢	5.4¢	9.8%
<u>With synergies</u>									
FY22 EPS	36.1¢	179.6¢	231.8¢	48.7¢	12.6¢	34.8%	46.5¢	10.4¢	28.7%
FY22 underlying EPS	55.1¢	263.0¢	339.4¢	71.3¢	16.2¢	29.5%	68.1¢	13.0¢	23.5%

Source: Kroll analysis.

Notes:

1. Assumes Scheme was implemented prior to 1 July 2021.
2. Pendal equivalent under the Scheme Consideration is based on Pendal Shareholders receiving between 0.201 and 0.210 New Perpetual Shares per Pendal Share, calculated as the sum of the scrip component of the Scheme Consideration of 0.143 (rounded to 3 decimal places) Perpetual Shares and the \$1.615 cash component of the Scheme Consideration (being the announced \$1.650 cash component of the Scheme Consideration less the cash value of the Permitted Dividend Amount of 3.5 cents per Pendal Share), reinvested in Perpetual Shares at a price in the range of \$24.00 to \$28.00 based on Kroll's range of values for Perpetual Shares.

Implementation of the Scheme and amortisation of synergies is expected to generate substantial accretion in pro forma EPS for Pendal Shareholders who receive New Perpetual Shares. With full amortisation of anticipated after tax synergies, EPS increases to a greater extent than underlying EPS as Perpetual has fewer significant items than Pendal.

The level of accretion ultimately realised will be impacted by:

- any further synergies which may be identified during the implementation process or the risk that the full cost savings are not realised, or substantial dis-synergies occur. However, even if no synergies are assumed, the Scheme is EPS accretive to Pendal Shareholders due to the higher financial leverage of the Combined Group (21.7% gross debt to total capital) relative to Pendal (3.8% gross debt to total capital, and a net cash position) as the cash component of the Scheme Consideration will be funded by debt; and
- movements in the Perpetual share price until New Perpetual Shares are issued.

We note that the FY22 pro forma financial information for the Combined Group is illustrative only as it assumes the Scheme is implemented prior to 1 July 2021 and does not include the benefit of any synergies or any transaction or integration costs associated with the Scheme (refer Section 7.9 of the Scheme Booklet). The Scheme is expected to be implemented on 23 January 2023. Consequently, the Combined Group's FY23 earnings will include only a partial year impact of the Scheme and EPS will include transaction and integration costs incurred during FY23.

Furthermore, when after tax synergies are included, it is assumed that all after tax synergies are realised in FY22 whereas they are expected to be generated incrementally over a two-year period from implementation. Consequently, actual EPS per share in FY23, FY24 and FY25 is not expected to reflect the full impact of the after-tax synergies, with FY26 being the first financial year in which synergies are expected to be fully reflected.

3.4.4 Strategic benefits

The combination of Pendal and Perpetual has a number of strategic benefits and will create a larger more diversified fund manager with an aggregate FUM of \$194 billion and revenue of \$1.4 billion. If the Scheme is implemented, Pendal Shareholders will own approximately 49.1% of Perpetual.

An overview of Perpetual's strategic rationale for the Scheme is set out in Section 10.5 of this report and Section 7.4 of the Scheme Booklet. Having considered the Perpetual's strategic rationale, we consider the Combined Group provides the following strategic benefits from a Pendal Shareholder's perspective:

- **enhanced product offering:** the Combined Group will have an opportunity to provide existing and new customers the benefit of the combined product offerings of Perpetual and Pendal, potentially enhancing future revenue opportunities;

- **increased economies of scale:** as a result of the larger combined scale, the Combined Group will be able to more efficiently leverage overheads and development expenditure over a larger revenue base;
- **greater capacity to make strategic investments:** the increased balance sheet capacity will enhance the ability of the Combined Group to undertake strategic investments as they arise;
- **greater depth of management talent:** the Combined Group is expected to have a greater depth of management talent by bringing together the strengths and quality of the workforce across both Pental and Perpetual; and
- **greater diversification:** relative to Pental, the Combined Group will have more diversified sources of revenue and UPBT. In particular, Pental Shareholders who receive New Perpetual Shares will have an exposure to Perpetual's relatively stable, non-market linked revenue and earnings of Perpetual Corporate Trust and Perpetual Private (approximately 25% of revenue and UPBT for the Combined Group). These businesses have experienced strong growth and are relatively scalable and capital light. Relative to Pental, the Combined Group's FUM will be more diversified by asset class and domicile. The greater diversification will also reduce exposure to any particular customer or fund manager, thereby reducing the risk to earnings.

3.4.5 Enhanced liquidity and improved access to capital markets

If the Scheme is implemented, it should have a positive impact on market trading of Perpetual Shares that will arise from:

- **increased market capitalisation:** the Combined Group will have a market capitalisation in the order of \$2.6 billion to \$3.1 billion;³⁵
- **increased index weighting:** the Combined Group will be positioned just below the S&P/ASX 100 index based on expected market capitalisation. This compares favourably to Pental's current position within the ASX where it sits at the lower end of the ASX 200;
- **improved liquidity and broadening of the share register:** the substantial Pental Shareholders will also have a greater capacity to trade securities, should they choose, post transaction due to the enhanced liquidity; and
- **growth opportunities:** the Combined Group will have an expanded capital base from which to pursue organic and acquisitive growth opportunities.

3.4.6 Change in risk profile

The risk profile for Pental Shareholders is likely to change should they become shareholders in the Combined Group. The key changes in the risk profile for Pental Shareholders include:

- **product composition:** the Combined Group will have a broader product suite relative to Pental, and Pental Shareholders will, therefore, be exposed to the future demand for Perpetual's products, including products in the Perpetual Corporate Trust (which operates in the securitisation market) and Perpetual Private segments;
- **greater diversification:** in products, investment strategies, asset classes, and distribution channels which could create a more diverse business, resulting in less flow volatility and less strategy concentration risk through greater diversification of revenue streams;
- **geographic composition:** the Combined Group will have a larger distribution footprint than Pental alone, however, shareholders will also be exposed to volatility in equity, debt, and foreign exchange markets in new geographical markets, as well as changing the relative FUM invested in existing geographical markets;
- **trends in FUM:** EPS accretion from the Transaction could be lower than expected if Perpetual's FUM attrition remains elevated. Historical mergers in the funds management sector have also resulted in a degree of FUM and revenue attrition, with risks around the Combined Group's ability to retain

³⁵ Based on Kroll's value range for the Combined Group of \$24.00 to \$28.00 per share (refer Section 12 of this report). The high end of the range is calculated using 57,346,980 Perpetual Shares plus 54,735,642 New Perpetual Shares. The low end of the range excludes 9,246,311 Pental treasury shares that Perpetual will acquire as part of the Transaction, converted to Perpetual Shares at 0.201 Perpetual Shares for each Pental Share.

offshore FUM, particularly from TSW which was acquired in 2021. Critically, Perpetual has stated that client consents for the Transaction are tracking in-line with both parties' expectations;

- **integration, migration, and synergy realisation:** there is a risk that the integration could take longer than the expected two years or cost more than anticipated. There also exists a risk of potential failure to achieve synergies and expected earnings accretion from the Transaction, as well as Perpetual's other recent transactions (e.g. Barrow Hanley and Trillium);
- **interest rate and funding risks:** arising from a higher level of gearing for the Combined Group with the utilisation of the new debt facility to finance the Cash Component of the Transaction; and
- **key personnel risk:** a key risk for the Combined Group is retaining talent, as the loss of any key investment personnel could have a material impact on retaining and winning new FUM, which would impact the Combined Group's future financial performance. Historically, large fund mergers have experienced integration risks due to changes in culture, portfolio managers leaving, changing remuneration structures, re-branding, and a focus on costs rather than revenue expansion. Perpetual has stated that the Combined Group will allow funds to operate independently and will not change remuneration structures. In addition, the greater number of portfolio managers of the Combined Group relative to Pandal reduces key personnel risk. In order to mitigate this risk, a number of Pandal employees who have been identified as being important to the ongoing success of the Combined Group are subject to various employee incentive arrangements as outlined in the Scheme Booklet Section 5.10(b).

3.4.7 Pandal's share price will likely fall in the absence of the Scheme

Following the announcement of the Indicative Proposal, the Pandal share price increased by 18.1% to close at \$5.29 on 4 April 2022. Following the announcement of the Scheme, the Pandal share price increased by 8.4% to close at \$5.29 on 25 August 2022. The Pandal share price declined by 10.7% to close at \$4.52 on the announcement of the Consortium Offer on 3 November 2022 (noting that any transaction would be conditional on the termination of the Implementation Deed with Pandal) and traded below \$4.00 on 10 November 2022 following the announcement of the Revised Consortium Offer, likely reflecting increasing uncertainty as to whether the Scheme will proceed. The Pandal Share price has subsequently increased and closed at \$4.46 on 16 November 2022. In the absence of the Scheme, a superior proposal, or speculation concerning a superior proposal, it is likely that the Pandal share price will fall.

In the absence of the Scheme, it is likely that trading in Pandal Shares will be below the trading prior to the announcement of the Indicative Proposal due to the following:

- the downturn in the broader global equity markets in 2022 reflecting concerns regarding the impact of rising interest rates on the economy, escalation of geopolitical tensions, energy supply disruptions and slowing economic growth which heightened fears of a protracted global economic recession, with the ASX 200 declining by 7.0% from the announcement of the Indicative Proposal until 2 November 2022;³⁶
- the continued negative re-rating of the funds management sector, which reflects adverse cyclical and structural trends as set out in Section 7.2.2 of this report. As noted previously, the Comparable Companies Index has declined by 30.3% from the announcement of the Indicative Proposal until 2 November 2022;
- the reduction in Pandal's FUM, which declined by 11.1% from 31 March 2022 to 30 June 2022 and by 5.9% from 30 June 2022 to 30 September 2022; and
- the heightened risk of fund outflows from client losses and loss of key employees who are in favour of the Scheme if the Scheme does not proceed.

3.4.8 The value of the scrip component of the Scheme Consideration is not certain

As stated in Section 3.3.2 of this report, the value of the scrip component of the Scheme Consideration will vary with movements in the Perpetual share price. Until New Perpetual Shares are issued under the Scheme, Pandal Shareholders are exposed to changes in overall equity market conditions, industry dynamics and company specific events that may affect the Perpetual share price. The sensitivity of the

³⁶ The last trading day before the announcement that Perpetual had received and rejected the Consortium Offer.

implied value of the Scheme Consideration to changes in the Perpetual share price was previously illustrated above in Section 3.3.2 of this report.

Accordingly, the actual value received upon issuance of the Perpetual Shares under the Scheme could therefore exceed, or be less than, our assessed value range per Pandal Share. However, in assessing the impact of any change in the Perpetual share price, consideration should also be given to the potential for market driven factors to impact our assessment of the value of Pandal Shares.

3.4.9 Likelihood of a superior proposal

Since the announcement of the Indicative Proposal on 4 April 2022, no alternative bidder has emerged. Whilst the opportunity for a superior proposal remains, at this point in time, we consider the likelihood of a superior proposal to be impacted by the following:

- Perpetual has announced that it expects to achieve net pre-tax synergies of approximately \$60 million per annum. It is unlikely that other parties could necessarily achieve such significant synergies;
- the current global geopolitical tensions arising and their potential future impact on financial markets and economic conditions;
- Pandal has not received any superior proposals from third parties since the announcement of the Indicative Proposal on 4 April 2022;
- the Scheme Consideration represents, in our view, a fair value for the business. This is likely to limit the range of potential acquirers, given the need for a competing bid to exceed this offer price; and
- it is unlikely that Pandal would be able to extract an increase in the offer price from Perpetual. The Scheme is a consequence of negotiations between the Board of Pandal and Perpetual over an extended period of time that resulted in an increase in the cash portion of the consideration from \$1.67 to \$1.976 per Pandal Share, noting that the revised terms of the Scheme announced after market close on 16 November 2022 include a reduction in the cash component offset by an increase in the scrip component of the consideration.

The following consideration is also likely to be influential for an alternative bidder:

- under the Implementation Deed, Pandal is restricted from either soliciting or entering into discussions with third parties in relation to superior proposals (other than as a result of the director fiduciary carve out). Pandal is also required to notify Perpetual should it become aware of any possible superior proposal and the Bidder has a last right to match a competing proposal. Further, in certain circumstances, Pandal is required to pay a break fee to Perpetual of \$23 million. Although the likelihood of a superior proposal is impacted by these terms, it does not preclude a superior proposal from being made. We note that the Pandal Board would be required under its fiduciary duty to consider the merits of a superior proposal should it arise.

3.4.10 Other considerations

In forming our opinion, we have also considered a number of other factors. Whilst we do not necessarily consider these factors to impact our assessment of the reasonableness of the Scheme, we have addressed them as follows.

Risk that the Scheme does not proceed

There is a risk that Perpetual refuses, or otherwise fails, to comply with its obligations under the Implementation Deed. Consequently, there is a risk that the Scheme will not be able to be implemented. Any enforcement action by Pandal would involve significant time and cost and there is no assurance that Pandal would succeed.

On 17 November 2022, Pandal and Perpetual advised that the Court declared that the payment of \$23 million, should the Perpetual Board seek to exercise its fiduciary carve out in the Implementation Deed, does not exclude Pandal's right to seek specific performance or injunctive relief. This is the case even if the Perpetual Board determines that it is in the best interests of Perpetual Shareholders to do so.

One-off transaction costs

If the Scheme is not implemented, Pandal expects that aggregate transaction costs will be approximately \$15.6 million (including GST and disbursements). These transaction costs are primarily payable to Pandal's

financial, legal and tax advisors, the independent expert, and the Pental Share Registry (refer to Section 10.10 of the Scheme Booklet).

If the Scheme is implemented, the Combined Group is expected to incur transaction costs of \$71.5 million (pre-tax) in relation to the Scheme (\$40.0 million for Perpetual and \$31.5 million for Pental) (in addition to the \$110 million (pre-tax) integration costs discussed above) (refer to Section 7.3 of the Scheme Booklet).

The dividend payout ratio may change

If the Scheme is implemented, Perpetual currently intends to maintain its existing dividend policy, which is to pay ordinary dividends within a target payout ratio in a relatively wide range of 60% to 90% of UPAT. It should be noted that the payment of future dividends to Perpetual Shareholders will be at the discretion of the Perpetual Board and will be a function of a number of factors that the Perpetual Board may consider relevant at the time.

This differs to Pental whose distribution policy is to pay distributions in the range of 80% to 95% of UPAT, noting that in recent years Pental has paid distributions at the upper end of this range.

The Combined Group will have higher gearing than Pental

The Scheme will result in the Perpetual's pro forma gearing (gross debt/total capital) as at 30 June 2022 decreasing slightly from 21.8% to 21.7% and EBIT interest cover (EBIT/interest expense) decreasing from 24.1 to 9.8 times. Pental had gearing of 3.8% as at 30 June 2022 and a net cash position and EBIT interest cover of 67.7 times and, therefore, the Combined Group will have a significantly higher gearing and lower EBIT interest cover relative to Pental.

The gearing is above the mean and median for the comparable companies (9.0% and 6.8%), and interest cover is below the interest cover for each of the comparable companies, however, gearing is reasonably consistent with three of the comparable companies (Insignia Financial Ltd (**Insignia**), 24.3%, Pinnacle Investment Management Group Limited (**Pinnacle**), 23.0% and Hamilton Lane Incorporated (**Hamilton Lane**), 20.6%).

In addition, we note that:

- the gearing remains below Perpetual's target gearing ratio of 30% gross debt to total capital;
- EBIT interest cover is below Perpetual's current target ratio of more than ten times, however, is still reasonably high; and
- Perpetual has advised that it expects to deleverage over time.

The Scheme is subject to the satisfaction of certain conditions

There are certain conditions which, if not satisfied, will result in the Scheme not being implemented. In particular, approval is required from ASIC and the ASX, Financial Conduct Authority, Central Bank of Ireland, Monetary Authority of Singapore, and other regulatory authorities as agreed by Pental and Perpetual. In addition the applicable waiting period under the Hart Scott Rodino Antitrust Improvements Act of 1976 have expired or been terminated. If any conditions precedent prevent the Scheme from being implemented, Pental Shareholders will continue to hold their existing Pental Shares.

For further details as to conditions precedent, refer to Section 5.3 of this report and Section 4.15 of the Scheme Booklet.

Ineligible Foreign Shareholders and Non-Marketable Parcels

Restrictions in certain foreign jurisdictions may make it unlawful or unduly onerous to offer or receive securities in those countries. Consequently, Pental Shareholders with an address outside Australia and its territories, unless Perpetual determines that it is lawful and not unduly onerous or impracticable to provide that Scheme Shareholder with New Perpetual Shares when the Scheme becomes Effective, have been classified as Ineligible Foreign Shareholders.³⁷

³⁷ A Scheme Shareholder will be an Ineligible Foreign Shareholder if their address, as shown in the Pental Share Register on the Scheme Record Date, is a place outside Australia and its external territories.

Whilst Ineligible Foreign Shareholders and Non-Marketable Parcel Shareholders³⁸ will not be entitled to receive New Perpetual Shares under the Scheme, it is noted that:

- they will receive cash instead of New Perpetual Shares;
- New Perpetual Shares that would otherwise have been issued to them under the Scheme will be sold on the ASX under the Sale Facility as soon as reasonably practicable on or after the Implementation Date (expected to be 23 January 2023);
- their shares will be sold for market value, and they will receive the proceeds of those sales from Pental (after deduction of any reasonable and applicable fees, brokerage, stamp duty, currency conversion costs, taxes, and charges); and
- if they wish to retain their exposure to Pental, they can acquire Perpetual Shares through the ASX.

The proceeds received by Ineligible Foreign Shareholders and Non-Marketable Parcel Shareholders will depend on the price at which the Perpetual Shares can be sold under the Sale Facility at the relevant time, applicable exchange rates (if sales are made in a currency other than Australian dollars) and the amount of any applicable taxes, duty, currency conversion or other costs and charges incurred by the Sale Agent in connection with sales under the Sale Facility.

For further details as to Ineligible Foreign Shareholders and Non-Marketable Parcels refer to Sections 4.8 and 4.9 of the Scheme Booklet.

Taxation implications for Pental Shareholders

General tax implications for Australian tax resident and non-resident Pental Shareholders who hold their shares on capital account for income tax purposes resulting from the Scheme is set out in Section 9 of the Scheme Booklet.

Section 9 of the Scheme Booklet also sets out a general description of the Australian tax consequences of holding a Perpetual Share for Australian tax residents having regard to future disposals and the treatment of dividends.

With respect to Pental Shareholders resident in Australia for tax purposes, Pental is in the process of applying for a class ruling from the Australian Taxation Office (**ATO**) to confirm certain tax matters relating to the availability of CGT roll-over relief for those Pental Shareholders accepting the Scheme Consideration. The class ruling is not expected to be issued until after the Implementation of the Scheme and will be available on the ATO website.

We note that Pental Shareholders should consider their individual taxation circumstances, review Section 9 of the Scheme Booklet for further information where it applies to their circumstances and seek the advice of their own professional advisor. Further, no advice is provided in Section 9 of the Scheme Booklet for any person who may be subject to tax in any jurisdiction outside Australia.

3.4.11 Consequences if the Scheme does not proceed

In the event that the Scheme is not approved, or any conditions precedent prevent the Scheme from being implemented, Pental will continue to operate in its current form and remain listed on the ASX. As a consequence:

- Pental will continue to pursue its strategy although given Pental's decline in FUM, recent industry dynamics and the current economic environment, Pental's strategy will potentially need re-visiting. The business will also need to manage the uncertainty that will arise as a consequence of the Scheme not proceeding. In particular, there is likely to be heightened risk of fund outflows from client losses and loss of key employees who were in favour of the Scheme;
- Pental Shareholders will continue to be exposed to the risks and benefits associated with an investment in Pental, including risks associated with the current global macroeconomic environment and structural trends in the industry. However, they will also not benefit from the expected synergies and strategic benefits associated with the Scheme;
- the Pental share price will likely fall (refer to Section 3.4.7 of this report);

³⁸ Non-Marketable Parcel Shareholders are those Scheme Shareholders who will be entitled to receive New Perpetual Shares under the Scheme, equal to a value of less than \$500 on the closing price of Perpetual Shares on the day prior to the Scheme Record Date.

- Pental may be liable for a \$23 million Reimbursement Fee (or Perpetual may be liable for a \$23 million Reverse Reimbursement Fee), depending on the reasons for the Scheme not proceeding. The Reimbursement Fee is not payable if the sole reason is that the Scheme Resolution is not approved at the Scheme Meeting; and
- Pental will incur an estimated \$15.6 million (excluding GST and disbursements) of one-off transaction costs in relation to the Scheme.

4 Other matters

Our report has also been prepared in accordance with the relevant provisions of the *Corporations Act 2001 (Cth)* (the **Corporations Act**) and other applicable Australian regulatory requirements and has been prepared solely for the purpose of assisting Pental Shareholders in considering the Scheme. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose.

This report constitutes general financial product advice and has been prepared without taking into consideration the individual circumstances of Pental Shareholders. This advice therefore does not consider the financial situation, objectives or needs of individual Pental Shareholders.

The decision of Pental Shareholders as to whether or not to approve the Scheme is a matter for individual shareholders who should, therefore, consider the appropriateness of our opinion to their specific circumstances. As an individual's decision to vote for or against the proposed resolutions in relation to the Scheme may be influenced by their particular circumstances, we recommend that individual Pental Shareholders, including residents of foreign jurisdictions, seek their own independent professional advice.

All currency amounts in this report are denominated in Australian dollars unless otherwise stated. References to a financial year have been abbreviated to FY. For Pental, this represents the 12 months to 30 September and for Perpetual, this represents the 12 months to 30 June.

Our opinion is based solely on information available as at the date of this report. This information, and our limitations and reliance on information section, are set out in Appendix 2 of this report. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

Kroll has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is included at the end of this report.

The above opinion should be considered in conjunction with, and not independently of, the information set out in the remainder of this report, including the appendices.

Yours faithfully



Ian Jedlin
Authorised Representative



Celeste Oakley
Managing Director

PENDAL

Independent Expert Report
and
Financial Services Guide

In relation to the proposed acquisition of Pendal Group Limited by
Perpetual Limited



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5 The Transaction

5.1 Overview

On 4 April 2022, Pental announced that it had received the Indicative Proposal from Perpetual to acquire 100% of the Pental Shares by way of a scheme of arrangement. The consideration under the Indicative Proposal was 1 New Perpetual Share for every 7.5 Pental Shares plus \$1.67 cash for each Pental Share. This represented an indicative value of \$6.23 per Pental Share (based on the closing price of Perpetual Shares on 1 April 2022 of \$34.23). Based on the proposed component of the scrip consideration, Pental Shareholders would own approximately 48% of the Combined Group. The Pental Board noted that the Indicative Proposal was put forward at a time when significant geopolitical instability, the economic impacts of the ongoing COVID-19 pandemic and broader market volatility had disrupted the markets in which Pental operates.

On 12 April 2022, the Pental Board announced that it had assessed the Indicative Proposal and unanimously determined that it significantly undervalued the current and future value of Pental and did not recognise the considerable long-term value of Pental's multi-year growth strategy and was, therefore, not in the best interests of Pental Shareholders. It was noted that the Indicative Proposal represented an indicative value of \$5.97 per Pental Share based on the closing price of Perpetual Shares of \$32.28 on 11 April 2022, given movements in the price of Perpetual Shares. Also on 12 April 2022, Pental announced a \$100 million on market share buy-back.

On 10 May 2022, Pental announced its interim profit for 1H22, which indicated strong earnings, distribution growth, and progress towards Pental's strategic initiatives, although a reduction in FUM (excluding the impact of the TSW acquisition³⁹) arising from net outflows and adverse movements in investment performance, market movements, distributions, and foreign exchange.

Following media speculation⁴⁰ that Pental and Perpetual had resumed discussions, Pental advised on 19 July 2022 that it was in discussions with Perpetual regarding a potential transaction.

On 25 August 2022, Perpetual announced its FY22 full year results, the proposed acquisition of Pental Group, and the payment of a fully franked final dividend.

Also on 25 August 2022, Pental announced that it had entered into an Implementation Deed with Perpetual under which Perpetual intends to acquire 100% of Pental Shares by way of the Scheme. Under the Scheme, Scheme Shareholders who hold Pental Shares on the Scheme Record Date (as defined in the Implementation Deed) will receive 1 Perpetual Share for every 7.5 Pental Shares plus \$1.976 cash per Pental Share, reduced by the Permitted Dividend Amount.

On 4 November 2022, the Pental Board announced a final FY22 dividend of 3.5 cents per Pental Share.

After market close on 16 November 2022, Pental and Perpetual announced that they had entered an amendment to the Implementation Deed (the **Implementation Deed Amendment Letter**) under which Pental and Perpetual agreed to the following changes to the Scheme Consideration mix:

- an increase to the scrip component of the Scheme Consideration to 1 Perpetual Share for every 7 Pental Shares; and
- a reduction of the cash component of the Scheme Consideration to \$1.650 per Pental Share held at the Scheme Record Date (\$1.615 excluding the Permitted Dividend Amount of 3.5 cents per Pental Share).

Pental and Perpetual also agreed, under the Implementation Amendment Letter, to remove the "mix and match" option, where Pental Shareholders would have been able to elect to receive maximum cash or maximum scrip Scheme Consideration (subject to applicable caps and a scale back process), that was originally provided for under the terms of the Implementation Deed. Pental and Perpetual determined that

³⁹ On 10 May 2021 Pental announced the \$413 million acquisition of TSW

⁴⁰ "Perpetual in talks with private equity as it eyes another tilt at Pental, plus acquisition in northern hemisphere," 18 July 2022, The Australian.

it was appropriate that this was no longer included as an option for Pental Shareholders as it will simplify the Scheme.

Ineligible Foreign Shareholders⁴¹ will not receive New Perpetual Shares. Instead, Perpetual will procure that those New Perpetual Shares to which Ineligible Foreign Shareholders may otherwise have been entitled to, are sold pursuant to a Sale Facility⁴² with the cash proceeds remitted. Non-Marketable Parcel Shareholders⁴³ will also participate in the Sale Facility.

The Scheme is subject to certain conditions as set out in Section 5.3 of this report and Section 4.15 of the Scheme Booklet.

The Pental Board unanimously recommends that Pental Shareholders vote in favour of the Scheme, in the absence of a superior proposal and subject to an independent expert concluding that the Scheme is in the best interests of Scheme Shareholders.

5.2 The Consortium Offer and Revised Consortium Offer for Perpetual

On 3 November 2022, Perpetual announced that it had received and rejected the Consortium Offer, an unsolicited, conditional, non-binding indicative proposal to acquire 100% of the Perpetual Shares at a price of \$30.00 cash per Perpetual Share, from a consortium comprising BPEA Private Equity Fund VIII and Regal Partners Limited, an ASX listed specialist alternative investment manager. Any transaction would be conditional on the termination of the Implementation Deed with Pental.

Since that time, there has been media speculation about further approaches from the Consortium and other parties seeking alternative transactions with Perpetual, and Perpetual itself has informed Pental to that effect.

On 10 November 2022, Perpetual announced that it had received and rejected the Revised Consortium Offer, a further unsolicited conditional, non-binding indicative proposal to acquire Pental at \$33.00 cash per Perpetual Share. Perpetual stated that it continues to materially undervalue the company. Perpetual's Board stated that it had considered a number of factors, including value, high conditionality, transaction and execution risks, in determining that the Consortium's Revised Indicative Proposal is not in the best interests of shareholders.

Also on 10 November 2022, Pental announced that despite requests by Perpetual for a delay, it intended to proceed with the Scheme.

5.3 Court Decision

On 17 November 2022, Pental advised to the market that the Court had declared that should Perpetual breach the Implementation Deed to pursue an alternative transaction to the Scheme or because it (for reasons pertaining to the fiduciary duties of the Perpetual Directors) no longer wishes to move forward with the Scheme, the payment of the \$23 million break fee does not exclude Pental's right to seek orders to enforce Perpetual's obligations to complete the Scheme, including by way of specific performance or injunctive relief. The award of these remedies would be subject to separate court consideration. Pental and Perpetual announced their continued commitment to the Scheme.

5.4 Conditions of the Scheme

Implementation of the Scheme is subject to certain conditions precedent for the benefit of Perpetual, including:

- Pental Shareholder approval by the requisite majorities;
- court approval;

⁴¹ Ineligible Foreign Shareholders are shareholders on the Pental Register on the Record Date whose address is outside address in Australia and its external territories.

⁴² Sale Facility as set out in Sections 5.8 and 5.9 of the Scheme Booklet.

⁴³ Non-Marketable Parcel Shareholders are those Pental Shareholders who are entitled to receive a parcel of Perpetual Shares under the Transaction with a value of less than \$500.

- regulatory consents or approvals, from ASIC and ASX, Financial Conduct Authority, Central Bank of Ireland, and the Monetary Authority of Singapore, among others;
- the applicable waiting period under the Hart Scott Rodino Antitrust Improvements Act of 1976 shall have expired or been terminated;
- Pandal client consents or deemed to consent is equal to or greater than 82.5%;
- the independent expert concluding that the Scheme is in the best interests of Pandal Shareholders;
- representations and warranties; and
- no prescribed event and no material adverse change.

Implementation of the Scheme is subject certain conditions precedent for the benefit of Pandal, including:

- representations and warranties;
- no prescribed event; and
- no material adverse change.

The Implementation Deed contains customary exclusivity provisions that apply to both Pandal and Perpetual during the Exclusivity Period,⁴⁴ including 'no shop', 'no talk' (subject to a fiduciary carve out in the case of Perpetual) and notification obligations. Perpetual has a matching right regime in respect of any superior proposal received by Pandal. Further, a reimbursement fee may be payable by Pandal to Perpetual in certain circumstances and a reverse reimbursement fee may be payable by Perpetual to Pandal in certain circumstances each in the amount of 1% of the total Scheme Consideration.

Schedule 3 of the Implementation Deed sets out the conditions precedent in more detail.

5.5 Transaction costs

If the Scheme is not implemented, Pandal expects that aggregate transaction costs will be approximately \$15.6 million (excluding GST and disbursements). These transaction costs are primarily payable to Pandal's financial, legal and tax advisors, the independent expert, and the Pandal Share Registry (refer to Section 10.10 of the Scheme Booklet).

If the Scheme is implemented, the Combined Group is expected to incur transaction costs of \$71.5 million (pre-tax) in relation to the Scheme (\$40.0 million for Perpetual and \$31.5 million for Pandal) (in addition to the \$110 million (pre-tax) integration costs discussed above) (refer to Section 7.3 of the Scheme Booklet).

6 Scope of the report

6.1 Purpose

The Transaction is to be implemented by way of a scheme of arrangement under Section 411 of the Corporations Act and requires approval of Pandal Shareholders. Section 412(1) of the Corporations Act requires that an explanatory statement issued in relation to a proposed scheme of arrangement includes information that is material to the making of a decision by a creditor or member as to whether or not to approve the scheme.

Part 3 Schedule 8 of the Corporations Regulations specifies that the information to be lodged with the ASIC must include a report prepared by an expert:

- if the other party to a reconstruction in a scheme of arrangement holds at least 30% of the company; or
- where the parties to the reconstruction have common Directors.

⁴⁴ The Exclusivity Period is the period from and including the date of the Implementation Deed until the earlier the date of termination of the Implementation Deed or the End Date as defined within the Implementation Deed.

The report prepared by the expert must state whether, in the expert's opinion, the proposed scheme of arrangement is in the best interests of the members of the body as a whole and set out the expert's reason(s) for forming that opinion.

In the case of the Transaction, a statutory requirement for an independent expert's report does not apply since:

- none of the Shareholders of Perpetual are entitled to 30% or more of the voting securities in Pental; and
- none of the directors of Perpetual are a director of Pental.

Even where an independent expert's report is not strictly required by the law, it is not uncommon for directors to commission one to ensure they are providing the information that is material to the making of a decision by a creditor or member. Although not required by law, the Pental Directors have requested Kroll prepare an independent expert's report for the Scheme.

6.2 Basis of assessment

We have referred to guidance provided by ASIC in its Regulatory Guides in particular, RG 111, which outlines the principles and matters which it expects a person preparing an independent expert's report to consider when providing an opinion on whether a scheme of arrangement is in the best interests of shareholders. RG 111 distinguishes between the analysis required for control transactions and other transactions. RG 111.18 states that where a scheme of arrangement is used as an alternative to a takeover bid, the form of analysis undertaken by the expert should be substantially the same as for a takeover bid. That form of analysis considers whether the transaction is 'fair and reasonable' and, as such, incorporates issues as to value. In relation to control transactions, RG 111.10-12 states:

- 'fair and reasonable' is not regarded as a compound phrase;
- an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities subject to the offer;
- the comparison should be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash;
- the expert should not consider the percentage holding of the 'bidder' or its associates in the target when making this comparison; and
- an offer is 'reasonable' if it is 'fair'. An offer might be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

RG 111.13 sets out the factors an expert might consider in assessing whether an offer is reasonable:

- the bidder's pre-existing voting power in securities in the target;
- other significant security holding blocks in the target;
- the liquidity of the market in the target's securities;
- taxation losses, cash flow or other benefits through achieving 100% ownership of the target;
- any special value of the target to the bidder, such as particular technology, etc;
- the likely market price if the offer is unsuccessful; and
- the value to an alternative bidder and likelihood of an alternative offer being made.

RG 111.20 states that if an expert would conclude that a proposal was 'fair and reasonable' if it was in the form of a takeover bid, it will also be able to conclude that the scheme is 'in the best interests' of members.

RG 111.21 states that if an expert would conclude that a proposal was 'not fair but reasonable' if it was in the form of a takeover bid, it is still open to the expert to also conclude that the scheme is 'in the best interests' of the members of the company.

RG 111.11 provides that an offer is fair if the value of the consideration is equal to or greater than the value of the securities subject to the offer. This comparison can be made assuming 100% ownership of the 'target'

and irrespective of whether the consideration is scrip or cash and without regard to the percentage holding of the bidder or its associates in the target entity. That is, RG 111.11 requires the value of the target to be assessed as if the bidder was acquiring 100% of the issued equity (i.e. on a controlling interest basis). In addition, any special value of the 'target' to a particular 'bidder' (e.g. synergies that are not available to other bidders) should not be taken into account under the comparison.

Accordingly, when assessing the full underlying value of Pendal, we have considered those synergies and benefits which would be available to more than one potential purchaser (or a pool of potential purchasers) of Pendal. As such, we have not included the value of special benefits that may be unique to Perpetual and any special benefits have been considered separately.

7 Industry

The funds management industry performs an important role in the financial system, bringing together investors who provide capital with those who require capital for investment. As a result, the industry creates liquidity and is key to the broader function of financial services. Capital is typically sourced from retail investors (individual investors) and wholesale investors (including high-net-worth clients, institutional investors, superannuation funds, pension funds, and sovereign wealth funds).

The global funds management industry is mature and highly competitive. In exchange for providing professional fund management services to its clients, fund managers receive fees. Fee types include management fees, administration fees, performance fees, and other fees (refer to Section 7.1.7 of this report). The industry also offers a wide range of products to cater for the myriad of investors' needs.

There are two main characteristics that distinguish managed funds⁴⁵ from other types of investment:

- **Professional investment management services** – Investors place trust in professional fund managers to manage their investment, in the belief that these managers will generate investment outperformance (i.e. alpha) over the long-term. Fund managers also monitor investments, and manage administration and paperwork on behalf of investors; and
- **Pooling of funds with other investors** – Primarily for retail investors with smaller amounts to invest, pooling of funds with other investors provides access to a wider range of asset classes, resulting in greater opportunities for investors to diversify their investment portfolio. It is also likely to provide economies of scale which reduce costs to the individual.

Pendal and Perpetual operate funds management businesses in Australia, Europe, the United Kingdom, and the United States. As such, in considering the industry we have had regard to the industry both in Australia and globally.

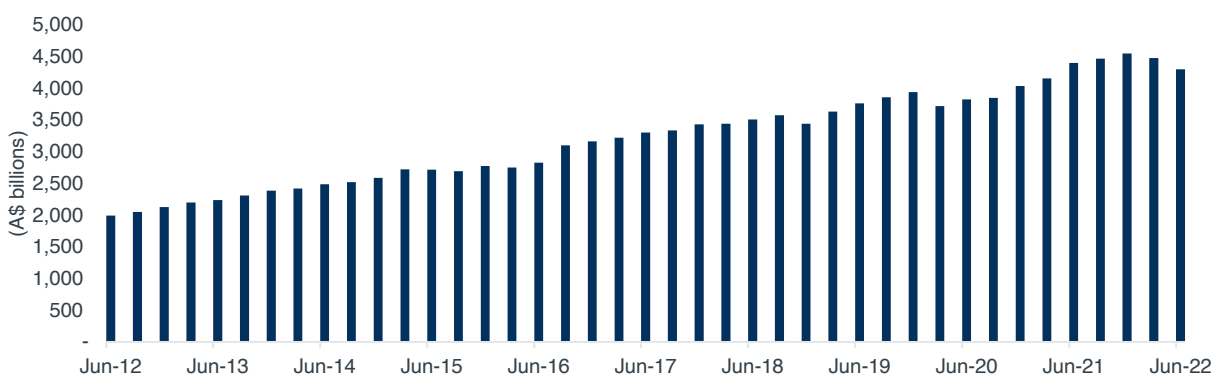
⁴⁵ Managed funds include managed funds institutions such as life insurance corporations, superannuation funds and unit trusts which buy assets on their own account and investment/fund managers which provide, on a fee for service basis, professional investment services for the managed funds institutions, as well as others with substantial funds to invest.

7.1 Understanding the global funds management industry

7.1.1 Australian industry overview

The Australian managed funds industry has estimated total FUM⁴⁶ of \$4,296 billion as at 30 June 2022, with strong and consistent growth over the last 10 years at a compound average growth rate (CAGR) of 8.0% per annum.

Australian Managed Funds – Total Funds Under Management



Source: Australian Bureau of Statistics, Kroll analysis.

Of the total FUM, approximately \$2,595 billion is placed with resident (Australian) investment managers. This includes approximately \$1,745 billion of domestic funds provided by Australian institutions and \$851 billion from individual investors in Australia and overseas. The balance of total FUM is either directly invested into markets or placed with non-resident managers (approximately \$1,701 billion). Total FUM has declined since the December 2021 quarter due to negative equity market movements and net FUM outflows.

The Australian fund management industry was the sixth largest in the world based on total net assets as at 31 March 2022, and the third largest measured relative to gross domestic product (GDP).⁴⁷ Australia acts as the second largest hub for managed funds in the Asia Pacific (APAC) region, ranking behind China but ahead of Japan and Singapore.

In Australia, compulsory superannuation contributions have been a large driver of growth, with the total unconsolidated assets of superannuation funds totalling \$3,323 billion as at 30 June 2022. Other drivers of growth for the Australian funds management industry include the high allocation to growth investments such as equities and real estate assets relative to global peers, beneficial demographic profile with the 45 to 65 age group expected to represent an increasing proportion of the population, and continued merger and acquisition activity within the Australian landscape.

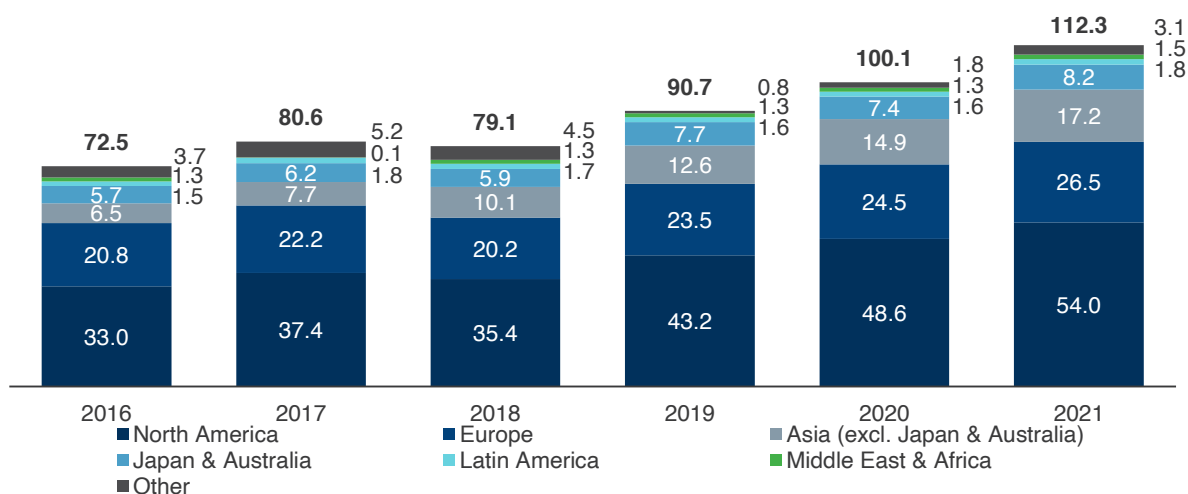
7.1.2 Global Overview

The global asset management industry is substantial in size and has demonstrated strong growth over the five years to 2021 as shown in the following chart. According to the Boston Consulting Group, global investable assets have increased to US\$112.3 trillion at the end of 2021 representing a CAGR of 9.1% from 2016 to 2021.

⁴⁶ In the context of the funds management industry, funds under management (FUM) and assets under management (AUM) are used interchangeably to refer to the same thing.

⁴⁷ Source: Investment Company Institute (ICI). "Worldwide Regulated Open-End Fund Assets and Flows, First Quarter 2022".

Global Asset Management Industry FUM (US\$ trillions)



Source: The Boston Consulting Group 'Global Asset Management 2022: From Tailwinds to Turbulence' (May 2022), 'Global Asset Management 2021: The \$100 Trillion Machine' (July 2021), 'Global Asset Management 2020: Protect, Adapt, and Innovate' (May 2020), 'Global Asset Management 2019: Will These '20s Roar?' (July 2019), 'Global Asset Management 2018: The Digital Metamorphosis' (July 2018).

This growth has been primarily driven by ongoing increasing asset values across asset classes, steady inflows from the continued accumulation of personal wealth, particularly in developing countries, and the growth of individual retirement and pension funds as governments encourage increased defined contribution retirement saving systems. For further information on other structural drivers of growth in the global funds management industry, see Section 7.2.1 of this report.

In recent years the industry has also seen the rise of ESG investing, with money held in ESG-focused mutual funds and exchange-traded funds (ETFs) rising globally by 53% in 2021 to \$2.7 trillion; 81% were in European based funds and 13% in US based funds.⁴⁸ Globally, the funds management industry earned \$1.8 billion in fees from sustainable funds in 2021, up from almost \$1.1 billion in 2020. A consequence of this is that major fund managers may incorporate ESG offerings as part of their product offerings.

7.1.3 Investors in managed funds

Funds management clients can broadly be defined as follows:

- **Institutional clients** are investors with large pools of assets, and usually include insurance funds, pension funds, superannuation funds, sovereign wealth funds and ultra-high net worth investors;
- **Wholesale clients** are usually financial intermediaries, including financial advisors, wealth management administration platforms, banks or other wealth managers that usually have access to a wide range of investment strategies from asset managers;
- **Sub-advisory clients** are investment funds that are formed and managed by a third-party firm that hires independent sub-investment managers to manage all or part of the fund; and
- **Retail investors** – are household and individual investors that typically invest directly in the fund or invest through a financial intermediary such as a financial adviser or wealth management administration platform.

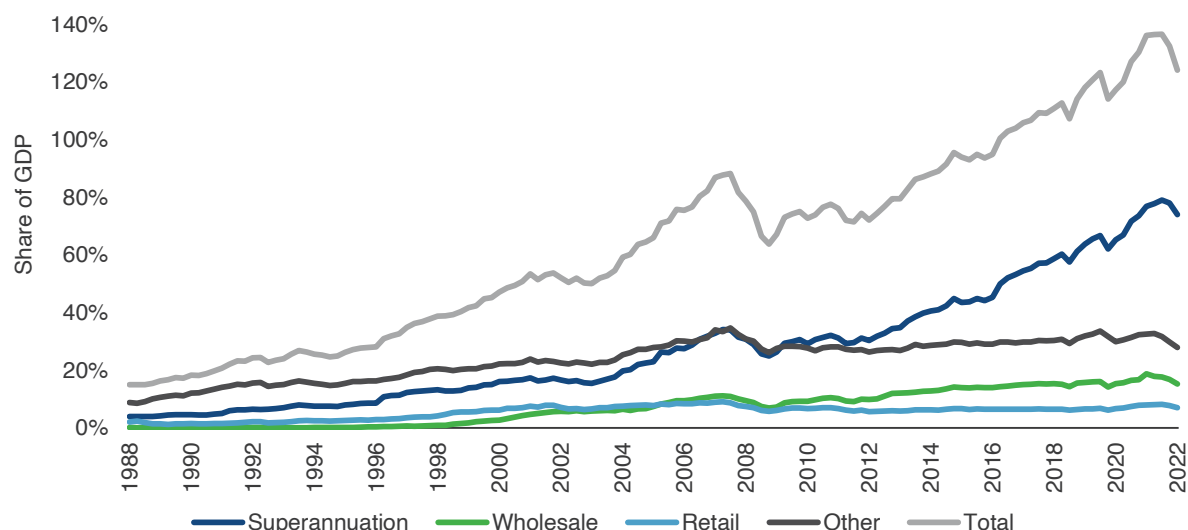
Asset managers may choose to focus on one or more of these investor types depending on their different preferences. However, each investor type has different barriers to entry, growth drivers, and competitive dynamics.

In Australia, institutional superannuation investors (i.e. not including self-managed super funds (SMSFs)) account for the largest share of FUM, equivalent to 74.1% of Australia's GDP as at 30 June 2022. Since the introduction of compulsory superannuation in 1992, superannuation's share of total FUM has grown

⁴⁸ Source: Morningstar. "Morningstar Global Sustainable Fund Flows: Q4 2021 in review".

strongly, more than doubling from 27.0% to 59.7%. This strong growth is expected to continue, with the Association of Superannuation Funds of Australia (**ASFA**) projecting total superannuation assets to reach 170% of GDP by 2030. Other wholesale investors accounted for FUM equivalent to 15.2% of GDP, whereas investments by retail accounted for only 7.0% of GDP. Other investors, including life and general insurers, governments, and charities, accounted for FUM equivalent to 27.9% GDP.

Australian FUM as a Share of Australian GDP



Source: Australian Bureau of Statistics, Kroll analysis.

7.1.4 Investment products

Investment products which fund managers use to bundle and deliver their investment strategies can take many forms and cater to a wide range of investors with different investment needs. Managed funds will typically fall into categories based on:

- **whether the funds are pooled or segregated** – a managed fund typically comprises a pooling of assets from multiple investors with common investment objectives (in Australia, ‘pooled investments’ are known as managed investment schemes). Pooled funds can be set up as a trust or a company, with the unit trust being the most common structure in Australia, where investors own units in the pool. However, larger institutional investors may elect to operate a segregated mandate whereby the investments are managed separately from other investors; and
- **how the product is structured** – managed funds are also classified according to whether they are listed or unlisted. Unlisted managed funds cannot be purchased on a market exchange, but are typically acquired through financial advisers, fund managers, or other platforms, and are priced according to the net asset value (**NAV**) of the underlying investments. Listed managed funds are available on market exchanges and can therefore be acquired through a broker or trading platform. Similar to other listed equities, the price for units can be a function of the supply and demand in the market, and therefore can be higher or lower than the underlying NAV of the units.

Within these products sit different investable asset classes as described in the following section.

7.1.5 Asset classes

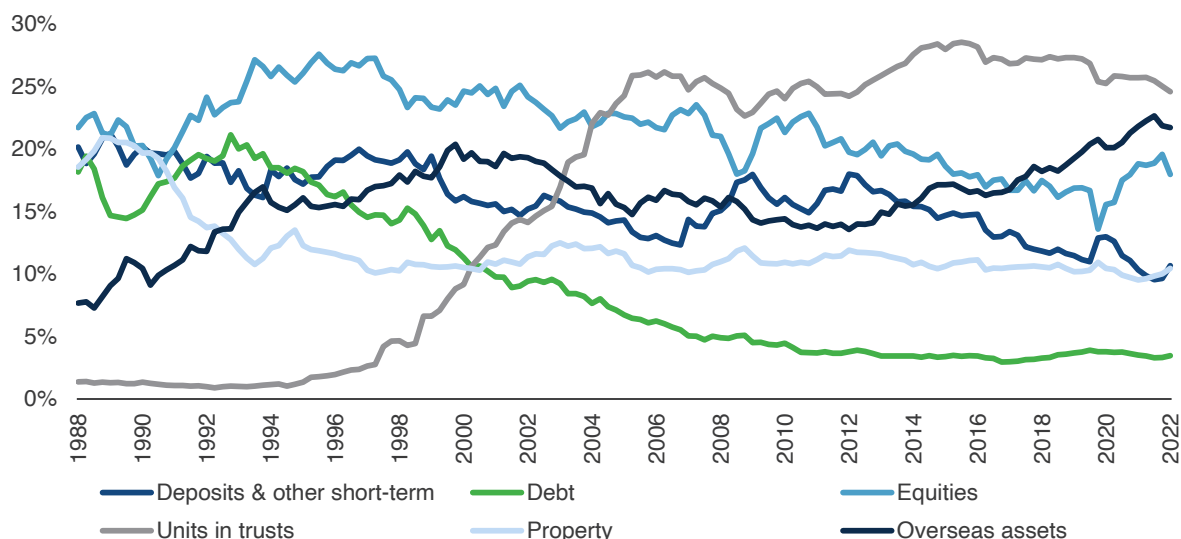
Managed funds provide access to the following asset classes, among others:

- **Equities** – investments in stock or other equity securities of publicly listed companies. This asset class can be further subdivided into large, mid, and small-capitalisation companies. Strategies can target companies located globally or in particular regions, emerging markets or developed markets, and can target a combination of long and short investment opportunities;
- **Fixed income** – investments in debt securities, which can be further subdivided into corporate, government, global, emerging markets, investment-grade, high-yield, convertible, mortgage-backed and other asset-backed debt, among other types; and

- **Real assets** – including infrastructure, real estate, commodities, energy related investments.

Within asset classes there are also sub-classes. Most noticeable in this respect is ESG and sustainable investing.

Australian FUM Asset Allocation



Source: Australian Bureau of Statistics, Kroll analysis.

7.1.6 Investment strategies

Asset managers provide a diverse range of investment strategies that can be broadly categorised into active, passive, alternative and multi-asset:

- **Active strategies** are strategies where a fund manager actively buys and sells assets that may differ from (or differ in proportion from) those of the performance benchmark selected, with the aim of providing investment returns after fees in excess of those of the performance benchmark;
- **Passive strategies** are strategies which seek to track a benchmark or index, usually by replicating the construct of the benchmark or index. Funds adopting these strategies have lower operating costs in the form of fewer investment analysts and managers, and are able to pass these on to investors in the form of lower fees;
- **Alternative strategies** comprise a wide variety of active, non-traditional investment strategies and often seek to provide higher absolute or relative returns with lower correlation to overall markets than core strategies; and
- **Multi-asset strategies** involve investing in various asset classes, offering investors a more broadly diversified portfolio.

7.1.7 Fees

Fund management fee structures vary widely based on the fund type and the fund's individual agreements with investors but are typically charged either as a percentage of the FUM or based on investment performance. In general, the more actively managed a fund is, the higher the management fees that are charged. Types of fees typical to fund managers include:

- **Management fees**, which are ongoing fees for compensating asset managers for selecting and managing securities for a portfolio, typically calculated as a percentage of FUM;
- **Administration fees**, which are additional ongoing fees for fund administration services that some asset managers may charge separately from their management fee;
- **Performance fees**, which are additional fees which may be charged based on a fund or account's performance over a specific pre-defined period, typically compared to the relevant index benchmark; and

- **Other fees**, which are one-off fees some asset managers may charge associated with the opening or termination of an account, transaction fees, and other administrative fees.

The impact of fees is evidenced by individual fund manager financial performance. In this respect, movements in average margins usually result from changes in the mix of FUM between lower-margin institutional and higher-margin retail investors, as well as changes in the mix of asset classes such as cash and fixed income (generally lower margin) and equities (generally higher margin) and the contribution of performance fees earned.

7.2 Industry growth drivers, trends, and risks

7.2.1 Industry growth drivers

The global fund management industry benefits from several structural growth drivers, including:

- **Growth of retirement, superannuation and pension funds** – globally these assets have grown to over US\$52.5 trillion by the end of 2020.⁴⁹ PwC forecasts strong growth to continue to approximately US\$62.5 trillion by 2025.⁵⁰ Retirement assets are a critical component of growth in global funds under management;
- **Increasing asset values** – certain asset classes, particularly equities and real estate, have risen sharply in recent years following accommodative monetary policies by central banks globally, which has seen record low interest rates up until March 2022. However, these asset classes have had negative returns post the US Federal Reserve raising rates by 25 basis points in March 2022, with the federal funds rate increasing by 3.0% between March and September 2022;
- **Inflows from increasing personal wealth** – as the growing global middle class accumulates wealth whereby, consistent with government policies including compulsory superannuation and pension schemes, a substantial portion of these savings will be invested in products that are managed by fund managers; and
- **Economic growth of developing countries** – the rise of affluent clients in emerging economies create significant pools of funds that are managed by the industry.

7.2.2 Adverse industry trends

Although the structural growth drivers of the industry create an overall favourable industry dynamic that is conducive to net inflows for funds, the industry is also facing several potentially adverse structural trends, including:

- continued increase in market share for funds with passive management strategies and algorithm driven investment strategies. In the US, passively managed index funds overtook actively managed funds' ownership of the US stock market for the first time in 2022, with a cumulative net flow of more than US\$2 trillion from actively managed domestic equity funds to passive funds, particularly passive ETFs;⁵¹
- active management fund underperformance relative to passive funds. Standard & Poor's (S&P) have found that 79% of active US fund managers underperformed the benchmark index in 2021, while 86% of fund managers have lagged the benchmark index over the past 10 years;⁵²
- rising superannuation or pension drawdowns in aging countries;
- internalisation of investment management by superannuation and pension funds;
- sustainability and scale requirements. Due to cost reduction initiatives and attempts at innovation not being able to fully address margin compression, many funds have pursued inorganic growth to achieve scale and protect further margin degradation; and

⁴⁹ Willis Towers Watson. "Thinking Ahead Institute: Global Pension Assets Study 2021" (February 2021).

⁵⁰ PwC "AWM: Asset and wealth management revolution: the power to shape the future" (December 2020).

⁵¹ Source: Investment Company Institute (ICI). "2022 Investment Company Fact Book".

⁵² Source: S&P. "S&P Indices versus Active" (SPIVA) 2001 Scorecards

- fee compression, with asset-weighted fund fees falling to 0.40% in 2021, which is less than half of what investors paid in fund fees, on average, in 2001. However, these savings have disproportionately accrued to investors in passive funds, with the asset-weighted fund fee across all passive funds declining 66% since 1990 to be 0.12% in 2021, while the asset-weighted fee paid by investors in active funds stood at 0.60% in 2021, a 34% decline over the same period.

During 2022, the industry has been impacted by adverse cyclical trends, including increasing economic and geopolitical uncertainties as a consequence of rising interest rates in the global economy, energy supply disruptions, slowing economic growth and heightened fears of a protracted global economic recession. The impact of some of these trends has been evidenced through lower asset values and an increase in fund redemptions.

7.2.3 Industry risks

There are several risks to the active fund management's business model:

- **Fund performance and net flows** – demonstrating consistent outperformance and an ongoing capability to achieve performance criteria is crucial in a fund's ability to attract and retain investors who are paying higher active management fees compared to passive fund management fees. The recent loss of FUM by industry participants, and the resultant share price falls of listed fund managers highlights this risk;
- **Key people risks** – losing key investment personnel may result in the loss of investment mandates;
- **Market risk** – management fees are often based upon market values of the assets under management. Any significant movements in asset prices can have a material impact on revenue and earnings. At present, the possibility of recession looms in the US and in Europe, while growth in China is at its weakest in decades (barring 2020);
- **Geopolitical risks** – in the midst of a pandemic and a climate transition still in its infancy, the nexus between geopolitics, economics and business appears to have tightened. Geopolitical risks, including a wider open conflict in Europe and soaring energy costs in Europe and the US;
- **Currency risk** – fund managers can operate in multiple currencies outside Australia. Any major currency movements can significantly impact FUM, revenue and earnings;
- **Regulatory risk** – the funds management industry is regulated by multiple agencies in different jurisdictions and changes in the regulatory regimes under which it operates may increase compliance costs and/or increase the capital requirements of industry participants over time; and
- **Data, information technology and outsourcing** – fund managers rely on a wide range of data sources and technology in the management of their funds. Provision of such, and other functions (such as fund accounting and custody) may be outsourced to third parties. Automation will also be critical for the sector, with funds needing to automate many systems to lower costs and be able to compete in an environment where fees are continually compressed.

7.3 Regulatory environment

Financial services industries, including the funds management industry, are subject to extensive regulation and face increased scrutiny from regulators around the world.

Agencies that regulate investment advisers, investment funds and other entities have broad administrative powers, including the power to limit, restrict or prohibit the regulated entity from conducting business in the event that it fails to comply with laws and regulations and licensing requirements. These laws and regulations can be complex and in many jurisdictions they have been subject to frequent revision. As a result, regulatory compliance is an important area of focus for fund managers and failure to comply with laws and regulations represents a risk to most fund management businesses.

7.3.1 Australia

The regulatory environment in the Australian financial services industry is rigorous. Each entity operating in the financial services industry is required to have an Australian Financial Services Licence (**AFSL**) and is regulated by ASIC. In addition, regulated superannuation funds and insurance providers are also regulated by the Australian Prudential Regulation Authority (**APRA**).

8 Profile of Pental

8.1 Background

Pental's heritage dates back to 1903 when Bankers Trust Company (**BT**) was formed in New York. In 1966, BT entered the wholesale funds management industry and established representative offices in Australia.

Following its entry into the Australian retail funds management industry in 1984, BT operated as BT Australia Limited. In 1998 it was acquired by Deutsche Bank AG (**Deutsche Bank**) and operated as a subsidiary of Deutsche Bank until it was acquired in August 1999 by US-based Principal Financial Group, Inc. (**Principal**).

In 2002, BT Australia Limited was acquired by Westpac Banking Corporation (**Westpac**), and it was subsequently merged with Rothschild Australia Asset Management (which was acquired earlier in 2002 by Westpac) and the Westpac Investment Management business to create BT Financial Group. On 10 December 2007, the investment management business of BT Financial Group was listed on the ASX as BT Investment Management (**BTIM**), with Westpac retaining a 60% stake.

In 2011, BTIM expanded offshore through the acquisition of JOHCM, a UK based active equity investment manager boutique for a purchase price of \$314 million. Following the transaction, BTIM's total FUM increased by 31.2% to \$42.9 billion, with the wholesale channel accounting for 22% of FUM post-transaction compared to 11% pre-transaction.

In 2015, Westpac reduced its holding in BTIM to 31% and in 2017 it reduced it further to 10%. In 2020, Westpac completed the sell down of its remaining stake.

In 2018, BTIM shareholders approved a company name change to Pental Group Limited.

On 7 February 2019, Pental announced it would acquire the remaining 50% stake in Regnan, a company specialising in multi-asset ESG research, engagement, and advisory services. In 2020, Pental expanded its investment capabilities into impact and sustainable investment with the appointment of a four-person Regnan Global Equity Impact Solutions team based in the UK.

On 10 May 2021, Pental announced that it had entered into an agreement to acquire 100% of TSW, a US based investment management business for \$413 million, which represented a multiple of 7.6 times historical EBITDA.⁵³ The acquisition doubled Pental's exposure to the US market expanding distribution and further diversifying Pental's investment capabilities in the region.

8.2 Overview

Pental is one of Australia's largest and most enduring pure play investment managers. The company operates as a multi-boutique style business without a 'house view' on how funds should be managed. Pental offers individual and institutional clients a broad range of investment strategies across many asset classes, using different investment approaches.

Pental operates in eight countries, across 14 offices with 93 investment and 44 distribution personnel. It reports through the following business segments (together the **Segments**):

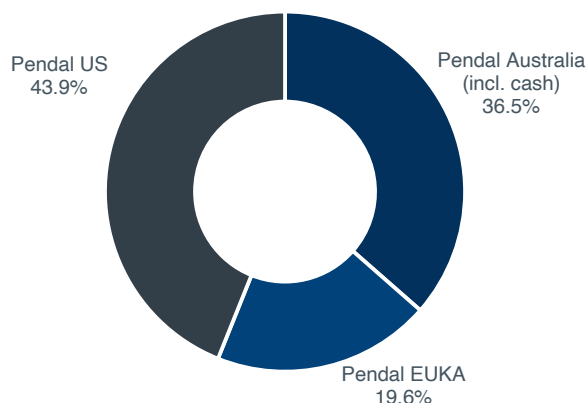
- the investment management business operating in Australia (**Pental Australia**);
- the investment management business operating in Europe, the UK and Asia (**Pental EUKA**); and
- the investment management business operating in the United States (**Pental US**).

The current business segmentation is the result of Pental splitting the historically reported Pental International segment between Europe, the United Kingdom, Asia (**EUKA**) and the United States in 2020. The Pental International segment was established subsequent to the acquisition of JOHCM in 2011 and included all of the investment management business outside of Australia.

⁵³ Implied EBITDA multiple based on TSW's six month to March 2021 operating profit of US\$20.8 million.

Pendal's FUM as at 30 September 2022 was \$104.5 billion, with the FUM breakdown between segments presented in the following figure.

Pendal FUM by Segment as at 30 September 2022



Source: Pendal, Kroll analysis.

Pendal's allocation by segment illustrates its geographical diversification and is a result of its acquisition history, with a high exposure to the United States market after the acquisition of TSW and exposure in the UK and Europe as a result of acquiring JOHCM.

As at 1 April 2022, the last trading day prior to the announcement of the Indicative Proposal, Pendal had a market capitalisation of \$1.7 billion.⁵⁴

8.2.1 Strategy

Pendal seeks to deliver investment excellence to clients by being the best home for talent in the industry.

Pendal's strategy aims to deliver on this by offering investment talent strength in global distribution, an investment-led corporate culture, equitable reward for contribution, and an efficient and robust operating platform.

Pendal's strategic investment program consists of a targeted set of initiatives that Pendal believes represent the areas of Pendal's business that will best enhance the ability to drive sustained organic growth, support an environment in which Pendal's talent can flourish and ensure that investment excellence is delivered to clients while continuing to strive to maximise shareholder value.

Pendal's long-term strategy is to grow through diversification in order to manage market cycles, deliver a broad range of strategies to its clients and achieve less volatile returns for its shareholders.

The key strategic priorities aimed at delivering sustainable growth across a diverse book of business are:

- **Global distribution:** Pendal's global distribution footprint enables it to deliver products to clients in each region;
- **Investment capabilities:** Pendal has a diversified set of investment capabilities and continues to expand and grow its product suite to meet the changing expectations of its clients;
- **Global infrastructure:** Pendal's global operating platform provides support across risk and compliance, sales, marketing and operations; and
- **Talent:** Pendal focuses on developing an investment-led culture and on attracting the best talent in the industry. In 2022 Pendal appointed a Global Human Resources Leader who advanced initiatives in diversity, equity and inclusion and in succession planning and enhancing global mobility.

⁵⁴ Calculated as closing price on 1 April 2022 of \$4.48 multiplied by 383,149,490 shares.

8.2.2 Board of Directors and Executive team

Perpetual's current Board of Directors and Executive team are set out in the following table.

Pendal's Directors and Executive Team

Board of Directors	Executive Team
Ms Deborah Page AM (Independent Non-executive Chairman)	Mr Nick Good (Group Chief Executive Officer and Managing Director)
Ms Sally Collier (Independent Non-executive Director)	Ms Alexandra Altinger (CEO, JOHCM UK, Europe & Asia)
Mr Nick Good (Group Chief Executive Officer and Managing Director)	Mr Richard Brandweiner (CEO, Pendal Australia)
Mr Ben Heap (Independent Non-executive Director)	Ms Claudia Henderson (Group Human Resources Officer)
Mr Christopher Jones (Independent Non-executive Director)	Mr Justin Howell (Group Chief Operations Officer)
Ms Kathryn Matthews (Independent Non-executive Director)	Mr John Reifsnider (CEO, Pendal USA)
	Mr Bindesh Savjani (Group Chief Risk Officer)
	Mr Cameron Williamson (Group Chief Financial Officer)

Source: Pendal.

Nick Good was appointed Group Chief Executive Officer in March 2021, replacing Emilio Gonzalez who was in the role for 11 years. Nick Good was previously the Chief Executive Officer of JOHCM US.

8.3 Operations

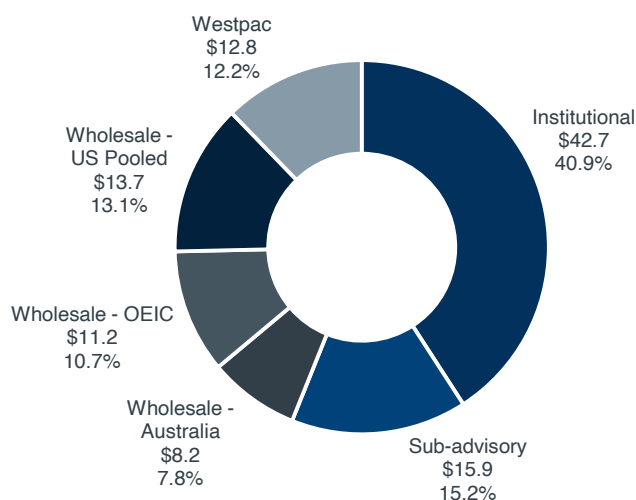
As noted previously, Pendal's services are provided across three business segments: Pendal Australia, Pendal EUKA, and Pendal US. Pendal earns revenues from fees charged on assets under management, with these fees influenced by underlying asset values, margins on assets, and investment performance.

An overview of the operations and performance for each of the segments is provided in the following sections.

8.3.1 Distribution channels

Pendal distributes products through institutional, sub-advisory and wholesale channels, as well as the Legacy Westpac funds. The following figure sets out Pendal's FUM by distribution channel as at 30 September 2022.

FUM by Channel as at 30 September 2022 (in \$ billions and percentage)



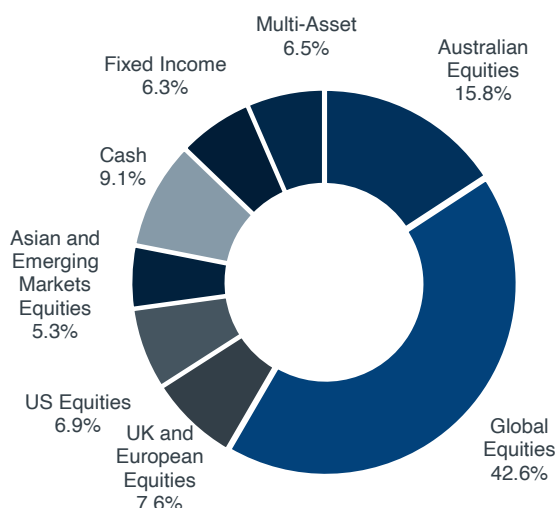
Source: Pendal 30 September 2022 FUM ASX announcement for the quarter ended 30 September 2022, Kroll analysis.

The Institutional channel includes funds managed in Australia, EUKA and the United States (\$13.1 billion managed by JOHCM and \$12.6 billion managed by TSW). The Sub-advisory channel is primarily comprised of funds managed by TSW.

8.3.2 FUM by asset class

Pendal's FUM by asset class as at 30 September 2022 is presented in the following figure.

FUM by asset Class as at 30 September 2022



Source: Pendal.

Note: Multi-Asset includes Property and Other.

Pendal's allocation by asset class is reflected in its product diversification, with the largest proportion of the FUM corresponding to Global Equities (42.6% of FUM). Pendal's product diversification in the United States was improved by the acquisition of TSW. As evidenced by the list of investment strategies set out in the following table, the products offered by JOHCM and TSW in the United States are largely complementary.

Pendal United States Product Strategy

Investment Strategy	JOHCM US	TSW
International Growth	✓	✗
Emerging markets	✓	✗
Global	✓	✗
Multi-Asset Income	✓	✓
International Small Cap	✓	✓
Core Fixed Income	✗	✓
US Equity	✗	✓
International Value	✗	✓

Source: Pendal.

8.3.3 Seed investments

The products offered by Pendal are generally developed through seed investments. Seed investments are made into new and existing fund vehicles in order to establish an investment performance record and develop scale in order to become marketable to clients. As at 30 September 2022 the seed portfolio had a book value of \$199.1 million.

Seed investments are funded from cash flows from ongoing operations. The seed portfolio is monitored regularly against performance and scale targets. Funds may be redeemed when fund size and maturity are

achieved, or an investment strategy is closed. Proceeds from redemptions can be redeployed to support a number of new fund vehicles. In FY21, redemptions supported four fund vehicles for the Regan Global Equity Impact Solutions strategy launched in the United Kingdom, European, Australian and United States markets. Additionally, the Regnan Sustainable Water and Waste Fund was seeded for the United Kingdom market.

8.4 Movements in FUM

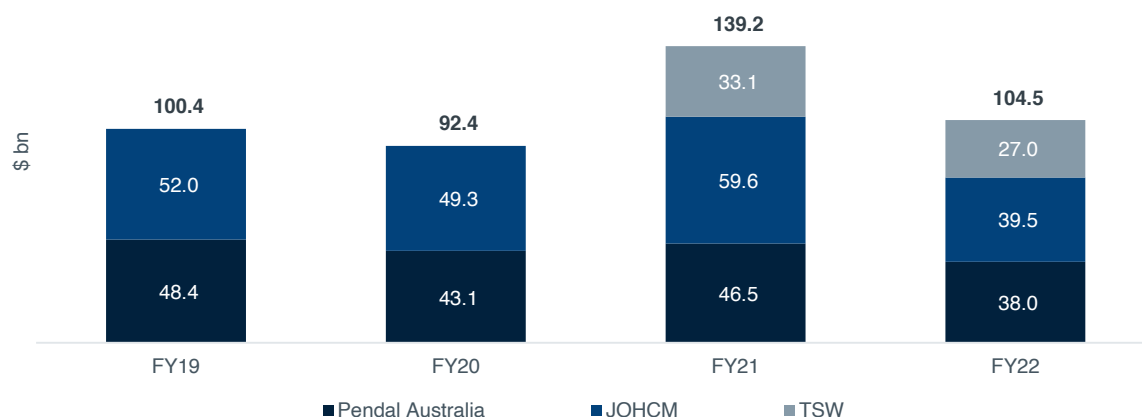
8.4.1 Overview

Movements in FUM are a function of:

- net flows resulting from new mandates and redemptions;
- other factors including market movements, investment performance and distributions; and
- foreign exchange movements.

Pendal's total FUM by segment from 30 September 2019 to 30 September 2022 is set out in the following figure.

Total FUM at Year End, 30 September 2019 to 30 September 2022



Source: Pendal, Kroll analysis.

Note: FUM information is presented to show the additional FUM contributed by the acquisition of TSW.

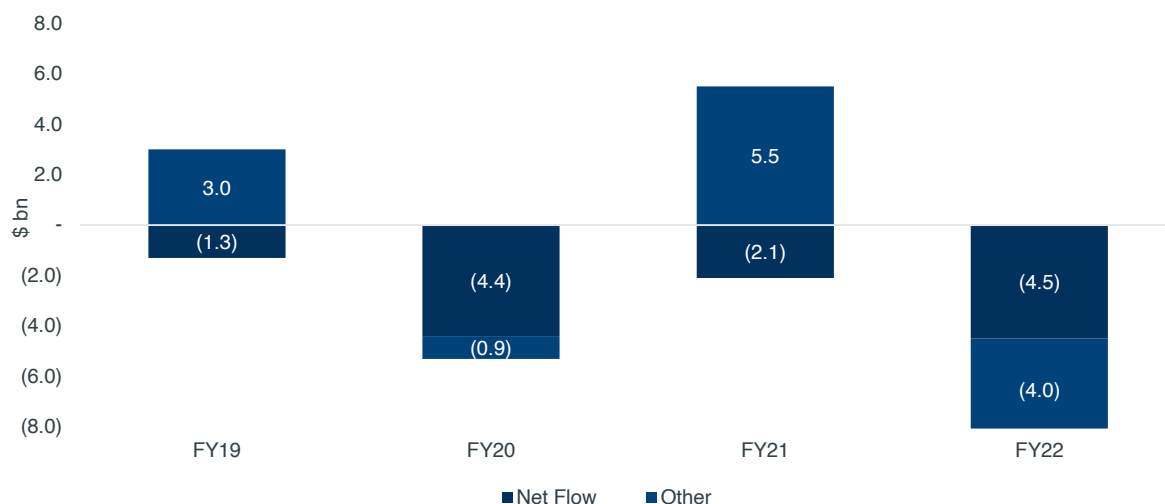
Pendal's FUM was relatively stable at around \$100 billion throughout FY19, however, declined in FY20 primarily as a result of the impact of the COVID-19 pandemic on financial markets. FUM gradually increased through FY21 due to a combination of strong markets and investment performance, while the TSW acquisition added \$33.1 billion in FUM as at 30 September 2021. In FY22, global market volatility increased significantly due to geopolitical tensions and concerns regarding a possible recession resulting from central banks' monetary tightening measures, resulting in a reduction in FUM due to the combination of equity market declines and fund redemptions.

In the following sections we present the movements in FUM by segment.

8.4.2 Pandal Australia

The following chart presents the movements in FUM for Pandal Australia for FY19 to FY22.

Pandal Australia FUM movements, FY19 to FY22



Source: Pandal, Kroll analysis.
Note: Includes cash movement

From FY18 to FY22, Pandal Australia experienced net outflows of \$12.3 billion. A combination of market movements, investment performance and distributions, accounted for a net increase in FUM of \$3.6 billion.

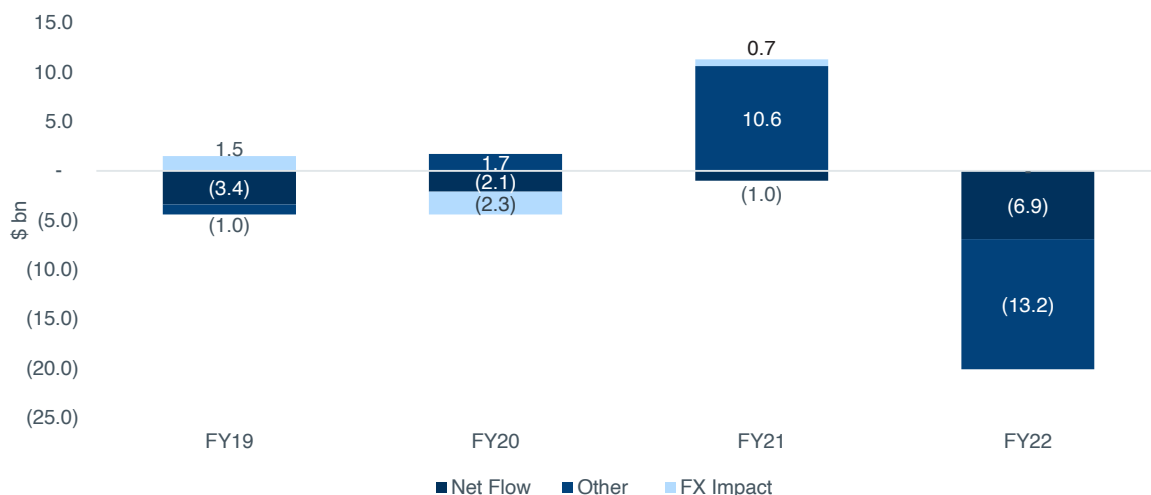
Net flows in FY19 and FY20 were impacted by outflows of \$3.3 billion and \$2.6 billion respectively from the Westpac channel⁵⁵ and withdrawals reflecting ongoing consolidation of Westpac's corporate superannuation portfolios. In FY20, FUM was impacted by the significant market decline of March 2020 caused by the COVID-19 pandemic. In FY21, Pandal Australia's FUM saw outflows in the institutional channel, offset by a net inflow of \$0.8 billion in the wholesale channel. In FY22, global equity market volatility increased substantially due to rising geopolitical and inflation concerns, resulting in reductions in global equity markets. Positive inflows into the wholesale channel were offset by outflows in the low margin institutional channel. Pandal Australia saw net outflows of \$1.1 billion impacted by the sale of Westpac's life insurance business and positive inflows in the wholesale asset channel.

⁵⁵ The Westpac channel includes retail and corporate superannuation, managed accounts and legacy retail for Westpac clients.

8.4.3 Pandal EUKA and US (previously Pandal International)

The following chart presents the annual movements in FUM for Pandal EUKA and Pandal US for FY19 to FY22. FUM movements (excluding TSW) are as follows.

Pandal International (excluding TSW) FUM movements, FY19 to FY22



Source: Pandal, Kroll analysis. Excludes TSW, Pandal Australia and cash movements.

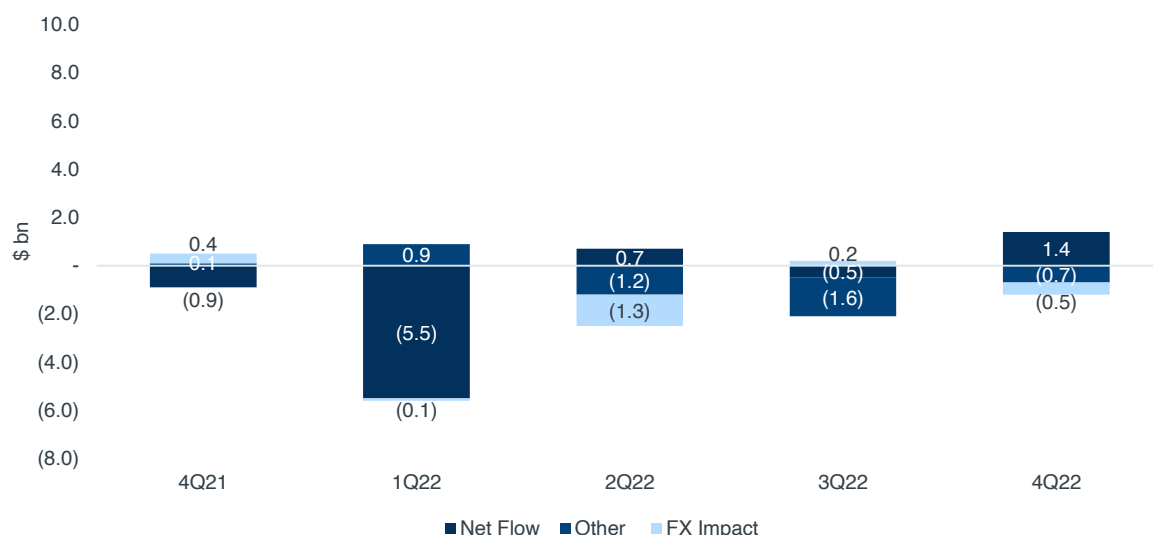
From FY18 to FY22, Pandal International experienced net outflows of \$13.4 billion, other movements accounted for a net decrease of \$1.9 billion and the net foreign exchange impact accounted for a decline of \$0.1 billion.

In FY19, JOHCM FUM was adversely impacted by outflows in open-ended investment companies (**OEIC**), driven by uncertainty around Brexit, negative investor sentiment towards European equities and weakness in investment performance. In FY20, the strong market performance offset the adverse impact of market movements caused in the prior year by the COVID-19 pandemic, however outflows continued in European strategies. In FY21, net inflows into the wholesale channel in the United States were offset by outflows in lower-margin institutional channels and in Europe. In FY22 flow trends improved in the EUKA region, and outflows in the United States Pooled funds increased during the year as clients reduced their exposure to international equities in response to ongoing geopolitical tensions.

8.4.4 Pental EUKA

The following chart presents the quarterly movements in FUM for Pental EUKA from 30 September 2021 to 30 September 2022.

Pental EUKA Quarterly FUM movements, 30 September 2021 – 30 September 2022



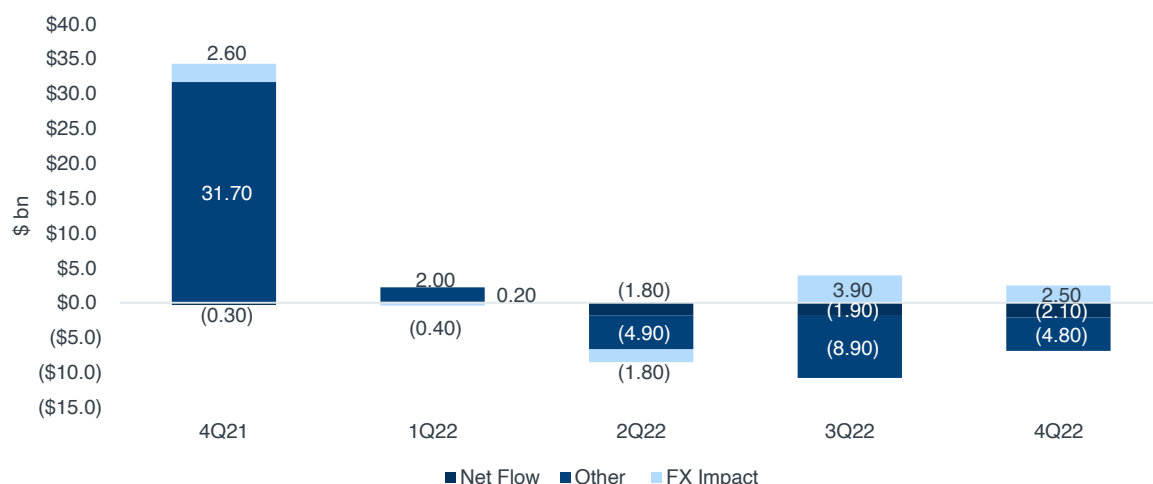
Source: Pental, Kroll analysis.

In the 12 months ended 30 September 2022, Pental EUKA experienced net outflows of \$4.8 billion, driven mainly by two significant redemptions by UK institutional clients and net inflows of \$1.4 billion in 4Q22 following an investment from a UK institutional client. In the last quarter inflows into impact and sustainable strategies were offset by outflows in European and UK strategies.

8.4.5 Pental US including TSW

The following chart presents the quarterly movements in FUM for Pental US, including TSW from 30 September 2021 to 30 September 2022.

Pental US FUM movements, 30 September 2021 – 30 September 2022



Source: Pental, Kroll analysis.

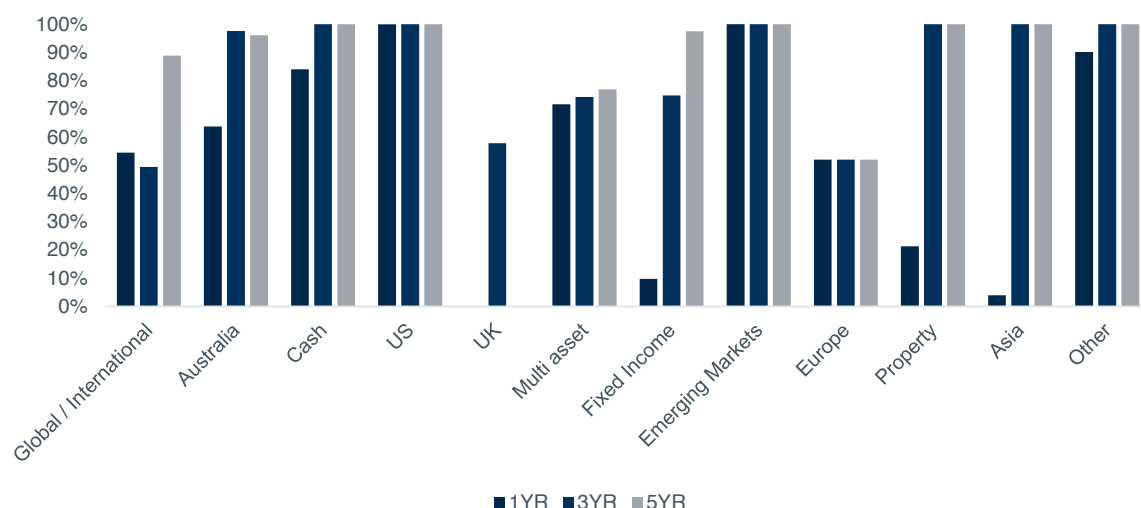
In the quarter ended 30 September 2021, the TSW acquisition resulted in additional FUM of \$33.1 billion. In the following 12 months until 30 September 2022 the most notable changes to FUM were caused by

outflows in international equities as a result of investor caution driven by ongoing geopolitical tensions and performance weakness. However, there were offsetting positive flows into US Equities and multi-asset strategies

8.5 Investment performance

The percentage of FUM outperforming the benchmark as at 30 September 2022 for 1 year, 3 year and 5 year periods for each of the asset classes comprising Pendal's FUM is as follows.

Pendal Funds Investment Performance as at 30 September 2022



Source: Perpetual Acquisition of Pendal Group Presentation
Note: Other includes Alternatives and Structured Investment Vehicles

Returns in the last year have been impacted by recent global equities volatility, especially for Property and for Asia equities. The three and five year returns were impacted by the COVID-19 pandemic and strong markets following the post COVID-19 pandemic recovery.

8.6 Fee structure

Pendal's revenue is largely determined by base management fees and performance fees.

Base management fees are charged on a percentage of FUM, with the percentage fee charged depending on the particular investment product or service.

In addition to base management fees, for specific products Pendal can earn performance fees if the performance of an investment strategy exceeds a pre-determined performance hurdle over a measurement period. The performance period is usually the 12 months ending 30 June for Pendal Australia and the 12 months ending 31 December for JOHCM. The performance fee is paid by the client or from the relevant fund and is then shared between the fund management team and Pendal.

8.7 ESG capability

8.7.1 Pendal

Pendal offers a range of responsible investment solutions and has a team dedicated to the implementation of responsible investment practices across the business. ESG factors are systematically considered in the investment process, which includes research and due diligence on issues such as climate change, human capital and ethical conduct. Pendal also practices active ownership, undertaking regular engagement with investee companies. This includes:

- meeting regularly with senior management of the investee company to understand the strategic priorities and any areas of concern;

- monitoring the company's financial and ESG performance, and the risks that could impact these in the long term;
- ensuring management of the company adheres to corporate governance best practice; and
- exercising voting rights.

The suite of ESG related funds offered by Pental Australia invest in companies focused on the transition to a more sustainable economy, while excluding industries such as fossil fuels, alcohol, gaming, tobacco, weapons, deforestation, and predatory lending.

In recent years, Pental has increased its investment in ESG data analytics and ESG scoring methods with the view to developing products that can be distributed across geographies, including Europe and the United States.

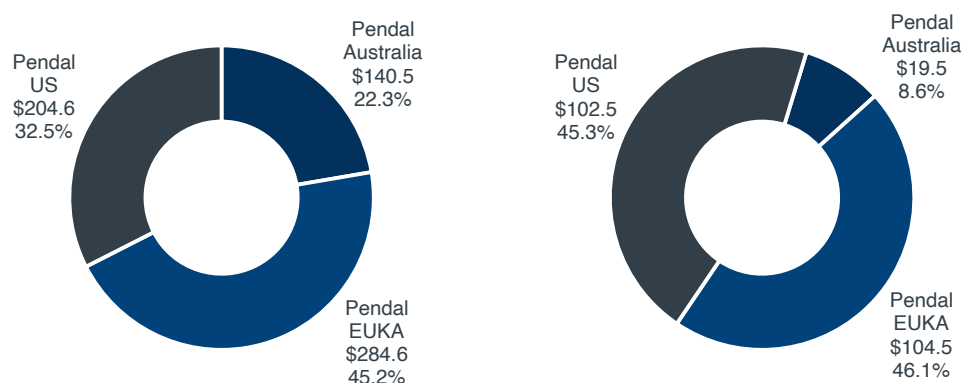
8.7.2 Regnan

Regnan's global team provides ESG research, engagement and advisory and responsible investment management services. In 2020, Regnan expanded its services into global responsible investment through the launching of the Regnan Credit Impact Trust and the Regnan Global Equity Impact Solutions Fund (RGEIS). As at 30 September 2022 RGEIS had a FUM of \$447 million. In 2021, Regnan launched the Regnan Sustainable Water and Waste Fund, which is now available to clients in the UK and Europe.

8.8 Composition of revenue and operating profit before tax

The share of revenue and operating profit before tax (OPBT) by segment in FY22 is shown in following charts.

FY22 Operating Revenue by Segment (\$ millions) FY22 Operating Profit Before Tax by Segment (\$ millions)



Source: Pental, Kroll analysis.

Note: Revenue excludes inter-segment revenue. OPBT excludes group support services

In relation to the composition of Pental's segment revenue and OPBT for FY22 we note:

- 45.2% of Pental's operating revenue is generated by Pental EUKA, which generates 46.1% of OPBT. Pental EUKA holds 19.7% of total FUM at 30 September 2022; and
- Pental US is responsible for 32.5% of operating revenue and 45.3% of OPBT. Pental Australia generated 22.3% of operating revenue and 8.6% of OPBT.

8.9 Financial performance

8.9.1 Consolidated Financial Performance

The consolidated financial performance for Pental from FY19 to FY22 is summarised in the following table.

Pental Consolidated Financial Performance (\$ millions)

	FY19	FY20	FY21	FY22
Base management fees	482.6	458.1	522.8	577.0
Performance fees	5.9	13.4	57.5	51.9
Other fee revenue	2.7	3.3	1.6	0.8
Total operating revenue	491.2	474.8	581.9	629.7
Operating expenses	(304.9)	(306.9)	(377.8)	(403.2)
EBITDA¹	188.8	177.9	214.0	237.9
Operating profit before income tax²	186.3	167.9	204.1	226.5
Non-operating items	7.2	3.9	3.2	17.4
Underlying profit before tax (UPBT)	193.5	171.9	207.3	243.9
Income tax expense	(45.0)	(39.3)	(41.9)	(49.7)
Underlying profit after tax (UPAT)³	148.5	132.6	165.3	194.2
Amortisation and impairment of intangibles	(6.8)	(6.1)	(12.1)	(45.2)
Net gains/(losses) on financial assets FVLTP	15.4	(14.3)	38.7	(37.3)
Transaction and integration costs	0.0	0.0	(16.0)	(12.4)
Adjust for tax effect	(2.7)	4.2	(11.2)	13.5
Net profit after tax (NPAT)	154.4	116.4	164.7	112.8
Operating				
Average FUM (\$ billion)	98.8	94.8	107.9	124.3
Base fee margin	0.49%	0.48%	0.48%	0.46%
Compensation ratio ⁴	44.4%	45.1%	47.3%	46.8%
Growth				
Operating revenue growth	(12.1%)	(3.3%)	22.6%	8.2%
EBITDA growth	(22.8%)	(5.8%)	20.3%	11.2%
Operating profit growth	(23.2%)	(9.9%)	21.5%	11.0%
UPBT growth	(24.6%)	(11.2%)	20.6%	17.7%
UPAT growth	(24.9%)	(10.7%)	24.7%	17.5%
Margin				
EBITDA margin	38.4%	37.5%	36.8%	37.8%
Operating profit margin	37.9%	35.4%	35.1%	36.0%
UPBT margin	39.4%	36.2%	35.6%	38.7%
UPAT margin	30.2%	27.9%	28.4%	30.8%

Source: Pental Annual Reports and Results Presentations, Kroll analysis.

Notes:

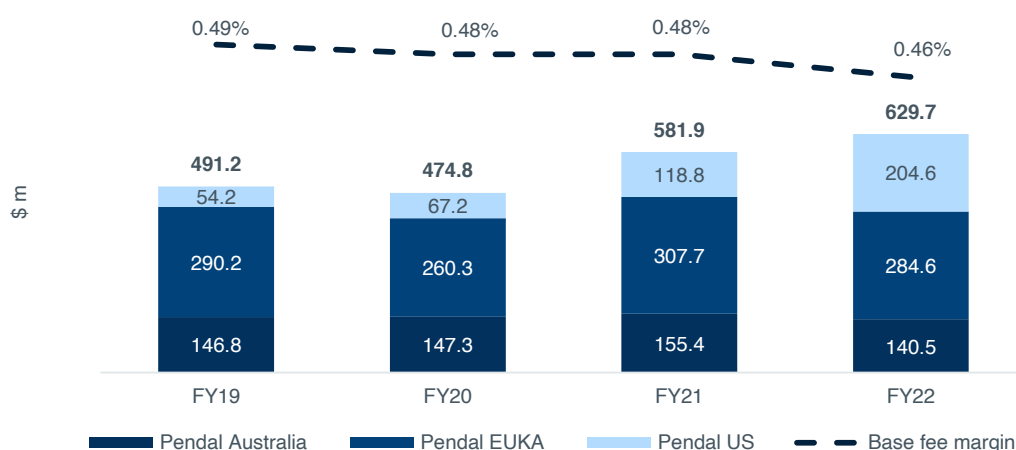
1. EBITDA is operating profit before depreciation and amortisation.
2. Operating profit before income tax excludes the amortisation and impairment of intangible assets, transaction and integration costs associated with mergers and acquisitions and non-operating items such as gains and losses on seed investments.
3. UPAT is Pental's OPBT adjusted to include interest income and expense, foreign exchange gains and losses and tax. UPAT therefore excludes amortisation and impairment of intangible assets and gains and losses from financial assets, including Pental's seed portfolio as they are not considered to be part of the underlying earnings of the business. UPAT also includes the amortisation of employee equity grants and deferred compensation. Share-based payments are provided to employees via employee shares, performance share rights and option schemes. The fair value of share-based payments granted to employees for no consideration is recognised as an expense over the vesting period, with a corresponding increase in shareholders' equity.
4. Compensation ratio is total employee expenses divided by operating revenue.

In relation to Pental's consolidated financial performance summarised above, we note:

- revenue is sensitive to a number of factors including the performance of FUM, exposure to currency volatility, the impact and timing of inflows, outflows and distributions on FUM, and changes in pricing policy, channel and product mix;

- revenue declined by 3.3% in FY20, reflecting lower average FUM as a result of the impact of the COVID-19 pandemic on financial markets and a slight decline in base fee margin, partially offset by slightly higher performance fees (\$13.4 million compared to \$5.9 million in FY19). In FY21, revenue increased by 22.6%, reflecting higher average FUM due to a combination of strong markets as well as the TSW acquisition, a flat base fee margin and an increase in performance fees to \$57.5 million. In FY22, revenue increased by 8.2% as global market volatility increased significantly resulting in a reduction in FUM due to the combination of equity market declines and fund redemptions;
- Pendal's revenue by segment and base fee margin are illustrated as follows.

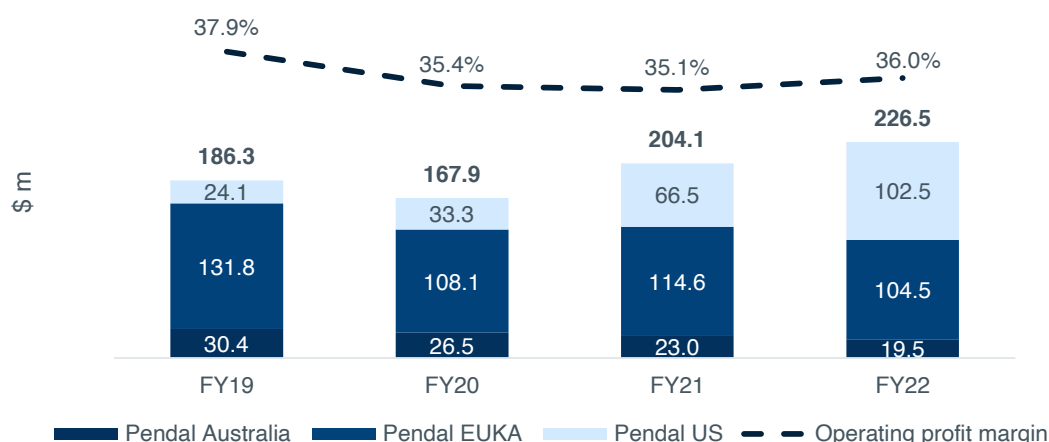
Pendal Revenue by Segment (\$ millions) and Base Fee Margin (%)



Source: Pendal Annual Reports and Results Presentations, Kroll analysis.

- operating expenses are divided into employee and non-employee expenses. Employee expenses include performance incentives and therefore vary with operating revenue and FUM. Employee expenses accounted for between 69.8% and 73.0% of total operating expenses from FY19 to FY22. Employee expenses increased by 44.9% from FY19 to FY22, resulting in an increase in the compensation ratio from 44.4% in FY19 to 47.3% in FY22, driven by performance incentives. Total non-employee expenses increased by 25.1% from FY19 to FY22, as a result of Pendal's strategic investments in its distribution network, digital marketing and data analytics and the development of ESG products; and
- Pendal's operating profit by segment and operating profit margin are illustrated as follows.

Pendal Operating Profit by Segment (\$ millions) and Operating Profit Margin (%)



Source: Pendal Annual Reports and Results Presentations, Kroll analysis.

- operating profit declined by 9.9% in FY20 mainly due the impact of the COVID-19 pandemic. In FY21, operating profit experienced a significant increase of 21.5% due to the strong recovery of financial

markets and the TSW acquisition, while operating profit margin remained flat as a result of increased employee and non-employee expenses. In FY22, operating profit increased 11.0% as a result of an increase in operating revenue of 8.2% relative to FY21 combined with an increase in operating expenses of only 6.7% relative to FY21.

Further detail in relation to the financial performance of each of Perpetual's operating segments is provided in the Section 8.12 of this report.

8.9.2 Shareholder returns

Pendal's earnings per share (**EPS**) and dividends paid from FY19 to FY22 are as follows:

EPS and Dividends (cents)

	FY19	FY20	FY21	FY22
Weighted average number of ordinary shares (millions)	284.0	292.7	317.0	354.9
Weighted average number of ordinary shares (diluted, millions) ¹	301.5	301.3	325.3	363.7
Diluted EPS on NPAT ²	51.2¢	38.6¢	50.6¢	31.0¢
Underlying EPS ³	46.6¢	41.1¢	48.2¢	50.7¢
Dividends per share	45.0¢	37.0¢	41.0¢	24.5¢
Franking rate ⁴	10.0%	10.0%	10.0%	10.0%
Dividend payout ratio	97.0%	90.0%	89.0%	48.0%

Source: Pendal Annual Reports and Results Presentations, Kroll analysis.

Notes:

1. Weighted average number of ordinary shares is the weighted average number of ordinary shares on issue less the weighted average number of treasury shares.
2. Diluted earnings EPS is calculated including the weighted average number of any potential ordinary shares outstanding during the financial year (including deferred shares, options and rights) divided by net profit after tax (NPAT).
3. Underlying EPS is calculated on the basis of UPAT.
4. The franking rate was 10% each year from FY19 to FY21. In FY22 the interim dividend of 21.0 cents per share was franked to 10% and the final dividend of 3.5 cents per share is 100% franked.

In relation to the dividends paid by Pendal we note the following:

- cash profits from offshore business units, other than working capital and regulatory requirements are repatriated back to Pendal through inter-company dividends. Foreign exchange risk in this regard is mitigated through hedging;
- Pendal's policy is to pay distributions in the range of 80% to 95% of UPAT. From FY19 to FY21, Pendal paid dividends towards the upper end of this range (an average of 92%);
- in FY22 Pendal paid an interim dividend of 21.0 cents per share and declared a final dividend of \$12.9 million, or 3.5 cents per share (fully franked) to be paid on 15 December 2022. In arriving at the amount of the final dividend the Board of Pendal considered that the cash component of the Scheme Consideration would be reduced by the amount of the final dividend; and
- with the exception of the FY22 final dividend, distributions are franked to 10%, given a significant proportion of the profit is earned offshore. Pendal's policy is to minimise the retention of franking credits, to the extent possible.

8.9.3 Outlook

Pendal has not released earnings guidance for FY23 or beyond. As far as Kroll is aware, Pendal is followed by 13 brokers, of which 10 (excluding advisers) have published reports following the release of Pendal's FY22 Profit Announcement on 4 November 2022. Kroll has considered the broker forecasts in order to provide an indication of the future financial performance of Pendal on a standalone basis. Further detail is provided in Appendix 3.

Pendal Broker Consensus (\$ millions)

	Actual FY22	Broker consensus		
		FY23	FY24	FY25 ¹
Operating revenue²	629.7	500.6	526.0	575.9
Operating expenses ³	(403.2)	(362.0)	(384.7)	(412.6)
Operating profit	226.5	138.6	141.3	163.3
Non-operating items and income taxes ³	(32.3)	(27.4)	(26.5)	(33.9)
Underlying profit after tax (UPAT)	194.2	111.2	114.9	129.4
Growth				
Revenue growth	8.2%	(20.5%)	5.1%	9.5%
Operating profit growth	11.0%	(38.8%)	2.0%	15.6%
UPAT growth	17.4%	(42.8%)	3.3%	12.7%
Profitability				
Operating profit margin	36.0%	27.7%	26.9%	28.4%
UPAT margin	30.8%	22.2%	21.8%	22.5%
Shareholder returns				
Diluted EPS (cents per share) ⁴	50.7¢	29.0¢	29.9¢	33.9¢
Operational				
Average FUM (\$ billions)	124.3	106.4	111.4	117.6

Source: Pendal broker reports.

na = not available

Notes:

1. Nine brokers have provided forecasts beyond FY24.
2. Operating revenue excludes other income.
3. Operating expenses and non-operating items and income taxes, and other expenses are estimated as the difference between median brokers forecasts for Operating profit and revenue, UPAT and Operating profit, and NPAT and UPAT.
4. The median of broker estimates.

Whilst brokers noted that the FY22 result was broadly in line with expectations, the majority downgraded revenue and earnings forecasts following the release of the FY22 result. Key drivers of earnings revisions included expectations of continued FUM pressure, lower fee margins and performance fees and fixed cost growth.

Near term flows are likely to remain weak given challenging trading conditions of volatile equity markets and industry-wide pressures. Brokers have increased outflow assumptions or delayed the forecast return to inflows towards the end of FY24 or later.

Expected management fee margins have been impacted by the change in FUM mix through FY22. Brokers note the greater market movement in higher margin equities. The outlook for performance fees continues to be conservative with recovery in performance fees protracted.

Brokers have noted that Pendal's cost to income levels are broadly above peers and that costs are expected to remain elevated, driven by offshore growth and investment programs, and the integration of TSW. Key person risk was noted as a concern across the various funds in JO Hambro, Pendal and TSW, as well as client concentration risk in TSW. Four brokers have forecast an increase in cost relative to income in FY23, reducing in FY24 but not to FY22 levels. One broker has forecast a continued increase in cost to income to FY24.

Brokers note that the near-term share price outlook hinges upon the completion of the Transaction. Following the Consortium Offer, brokers are now considering potential scenarios for Pendal, with potential upside if the Transaction closes and potential downside if it does not proceed. The majority of brokers however assume that the Transaction will proceed as planned.

8.10 Financial position

The financial position for Pendal as at 30 September 2019, 2020, 2021 and 2022 is summarised in the following table.

Pendal Financial Position (\$ millions)

	As at 30 September			
	2019	2020	2021	2022
Receivables and other current assets	75.5	81.1	113.8	96.9
Payables, current provisions and other liabilities	(152.1)	(157.9)	(225.5)	(180.7)
Net working capital	(76.5)	(76.8)	(111.8)	(83.9)
Property, plant and equipment	9.1	8.7	10.6	8.6
Right-of-use assets	0.0	36.9	39.9	33.7
Financial assets held at fair value through profit or loss (FVTPL)	278.1	211.2	287.2	201.5
Deferred tax assets	43.5	28.9	42.1	42.6
Intangible assets	540.3	532.1	930.2	901.8
Employee benefits	(6.7)	(2.0)	(8.0)	(1.4)
Deferred tax liabilities	(23.4)	(10.1)	(11.3)	(8.6)
Total funds employed	764.3	728.8	1,179.1	1,094.4
Cash and cash equivalents	150.1	207.5	297.7	316.4
Borrowings	0.0	0.0	(48.6)	(53.8)
Net debt (excluding lease liabilities)	150.1	207.5	249.2	262.5
Lease liability	(3.7)	(40.6)	(44.0)	(36.7)
Net debt (including lease liabilities)	146.4	166.9	205.2	225.9
Net assets	910.7	895.8	1,384.2	1,320.2
Contributed equity	419.4	471.2	876.3	867.6
Reserves	258.3	205.3	245.7	243.7
Retained earnings	233.0	219.2	262.2	208.9
Equity attributable to Perpetual Shareholders	910.7	895.8	1,384.2	1,320.2
Non-controlling interest in controlled entities	0.0	0.0	0.0	0.0
Total equity	910.7	895.8	1,384.2	1,320.2
Statistics				
<i>Current ratio¹</i>	<i>1.5</i>	<i>1.7</i>	<i>1.8</i>	<i>2.2</i>
<i>Number of shares at period end (million)</i>	<i>322.8</i>	<i>322.8</i>	<i>382.7</i>	<i>383.1</i>
<i>Number of shares at period end, net of treasury shares (million)²</i>	<i>284.8</i>	<i>296.0</i>	<i>358.3</i>	<i>358.4</i>
<i>Net assets per ordinary share³</i>	<i>\$3.2</i>	<i>\$3.0</i>	<i>\$3.9</i>	<i>\$3.7</i>
<i>Net tangible assets per ordinary share⁴</i>	<i>\$1.3</i>	<i>\$1.2</i>	<i>\$1.3</i>	<i>\$1.2</i>

Source: Pendal Annual Reports and Results Presentations, Kroll analysis.

Notes:

1. Current ratio is current assets divided by current liabilities
2. At the date of this report there are 383,149,490 fully paid ordinary shares on issue and 24,760,197 treasury shares
3. Net assets per share is calculated as (Net assets/ Number of shares at period end)
4. Net tangible assets per share is calculated as ((Net assets-Intangibles)/ Number of shares at period end).

In relation to the financial position of Pendal as at 30 September 2022 we note:

- Pendal's working capital is negative as it mainly comprises liabilities related employee benefits. Negative working capital has grown given employee benefits are driven by provisions for incentives, which increase with profits;
- right-of-use assets and the corresponding lease liability relate to the rental of office space;
- financial assets held at fair value through profit or loss (**FVTPL**) of \$201.5 million are equity instruments where their fair value gains and losses are not recognised through other comprehensive income and include \$199.1 million of seed investments held in pooled funds and managed by Pendal;
- intangible assets book value is \$901.8 million at 30 September 2022 as a result of the recognition of goodwill, investment management contracts and trademarks, pursuant to the acquisitions of BITM (2007), JOHCM (2011) and TSW (2021);

- cash and cash equivalents include cash on hand and deposits held at call with financial institutions. Deposits at call are invested in cash management trusts managed by Pental; and
- equity increased to \$867.6 million at 30 September 2022 as a result of the acquisition of TSW, which was partly funded through the issue of Pental shares to new and existing shareholders, and partly by debt. The shares were issued under an institutional placement and a retail share purchase plan.

8.10.1 Tax

Pental operates and earns profits in different jurisdictions and their corresponding corporate tax rates. As a result, Pental's effective tax rate is lower than the Australian income tax rate of 30%. The main corporate tax rates applied for FY22 taxable income were 30% for Australia, 19% for the UK, 21% for the United States and 17% for Singapore. Pental's reported effective tax rate for FY22 was 24.3%, measured as income tax expense divided by net profit before tax. Pental does not have any carried forward tax losses.

8.10.2 Debt

Borrowings of \$53.8 million correspond to a US\$35 million, three-year syndicated debt facility that Pental entered into with HSBC Bank Australia Limited, The Northern Trust Company and Westpac. The facility was fully drawn in FY21 and was used to partially fund the acquisition of TSW. The covenants of the facility include EBITDA to net interest ratio being no less than three times and total debt to EBITDA being no greater than three times. The facility remains fully drawn and Pental is in compliance with the covenants.

8.10.3 Hedging

A hedging program using foreign currency forward contracts is in place to hedge a portion of Pental's investment in its offshore operations. Foreign exchange risk is also hedged in respect of certain foreign currency payments, including US dollar payments made during the year to complete the acquisition of TSW. Gains or losses accumulated in equity are reclassified to Statement of Comprehensive Income when the foreign operation is partially disposed of or sold.

8.11 Cash flow

Pendal's statement of cash flows for FY19 to FY22 is summarised as follows.

Pendal Cash Flows (\$ millions)

	FY19	FY20	FY21	FY22
EBITDA¹	188.8	177.9	214.0	237.9
Distributions from unit trusts	1.4	0.9	0.4	11.9
Interest received	0.5	0.2	0.0	0.2
Fund application settlement amounts paid	(1.0)	(0.4)	(1.5)	1.3
Income tax paid	(50.0)	(35.1)	(46.8)	(49.7)
Working capital and other adjustments ²	32.6	33.7	62.6	(1.6)
Net cash flows from operating activities	172.2	177.1	228.8	200.0
Capital expenditure - property, plant and equipment	(5.5)	(1.9)	(1.9)	(0.6)
(Payments)/proceeds for financial assets held at FVTPL	3.2	60.4	(27.2)	45.1
IT development	(1.6)	(1.0)	(0.4)	(2.0)
Proceeds / (Payments) derivative hedging instruments	(0.9)	1.8	(3.4)	8.1
Free cash flow	167.4	236.4	195.9	250.6
Proceeds from share issue (net of costs)	-	-	375.3	-
Proceeds from borrowings	-	-	48.0	-
Acquisition of subsidiary, net of cash acquired	-	-	(379.0)	-
Payments for purchase of treasury shares	(34.8)	(37.5)	(29.5)	(58.6)
Interest and other financing costs	(0.1)	(0.1)	(0.4)	(1.3)
Payments for leases and related finance costs	-	(9.8)	(8.8)	(9.3)
Fund application settlement amounts received	1.0	0.4	1.5	(1.3)
Dividends paid	(150.6)	(129.4)	(116.3)	(166.1)
Net increase/(decrease) in cash	(17.1)	60.1	86.5	14.0
Opening cash and cash equivalents	168.1	150.1	207.5	297.7
Effects of exchange rate changes on cash	(1.0)	(2.7)	3.7	4.6
Closing cash and cash equivalents	150.1	207.5	297.7	316.4
Statistics				
<i>Cash conversion ratio³</i>	<i>1.1</i>	<i>1.3</i>	<i>1.2</i>	<i>1.2</i>

Source: Pendal Annual Reports and Results Presentations, Kroll analysis.

Notes:

1. EBITDA is operating profit before depreciation and amortisation.
2. Adjustments to reconcile EBITDA with net cash receipts from operating activities.
3. The cash conversion ratio has been calculated as (Net cash flow from operating activities/ (NPAT-Depreciation)).

In relation to the cash flows of Pendal, we note:

- Pendal has generated positive cash flows from operating activities for the last three years and in particular in FY21 due to the significant improvement in financial markets during the period after the COVID-19 pandemic;
- cash flows from 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. The seed investments portfolio, which represents most of the financial assets held at FVTPL, is assessed frequently against scale and performance benchmarks;
- surplus cash above these requirements is paid to shareholders as dividends; and
- the acquisition of TSW in FY21 was partly funded by proceeds from the share issue, and debt.

8.12 Segment Financial Performance

8.12.1 Pental Australia

The financial performance for Pental Australia for FY19 to FY22 is summarised in the following table.

Pental Australia Financial Performance (\$ millions)

	FY19	FY20	FY21	FY22
Total segment revenue	146.8	147.3	155.4	140.5
Total segment expenses	(116.4)	(120.8)	(132.4)	(121.0)
Operating profit	30.4	26.5	23.0	19.5
Operating				
Average FUM (\$ billion)	47.2	45.1	46.4	43.8
Base margin FUM	0.32%	0.30%	0.31%	0.31%
Operating margin	20.7%	18.0%	14.8%	13.9%
Growth				
Revenue growth	(5.1%)	0.4%	5.5%	(9.6%)
Operating profit growth	1.0%	(12.6%)	(13.3%)	(15.2%)

Source: Pental Annual Reports and Results Presentations, Kroll analysis.

In relation to the financial performance of Pental Australia, we note:

- while average FUM decreased by 4.4% in FY20 due to the impact of the COVID-19 pandemic, operating revenue remained relatively stable due to a decline in management fees for FY20 offset by an increase in performance fees due to the outperformance of the Pental MicroCap Opportunities Fund. Operating expenses increased from FY19 to FY20 as a result of lower variable expenses, but higher performance fee incentives. Base margin FUM decreased from 0.32% to 0.30% and operating profit decreased by 12.6%;
- in FY21, average FUM increased from \$45.1 billion to \$46.4 billion, with base margin FUM increasing to 0.31%. This resulted in a 5.5% increase in operating revenue to \$155.4 million including performance fees related to the performance of the Pental Microcap and Focus Australian equity strategies. Total operating expenses increased to \$132.4 million, mostly due to an increase in employee expenses driven by variable employee expenses and performance fee incentives. As a result, operating profit decreased 13.3% to \$23.0 million; and
- in FY22, average FUM decreased due to net outflows of \$1.1 billion. As a result, revenue and operating profit decreased 9.6% and 15.2%, respectively

8.12.2 Pental EUKA

The financial performance for Pental EUKA for FY19 to FY22 is summarised in the following table.

Pental EUKA Financial Performance (\$ millions)

	FY19	FY20	FY21	FY22
Total segment revenue	290.2	260.3	307.7	284.6
Total segment expenses	(158.4)	(152.1)	(193.1)	(180.1)
Operating profit	131.8	108.1	114.6	104.5
Operating				
Average FUM (\$ billion)	30.5	26.1	26.7	23.1
Base margin FUM	0.59%	0.58%	0.55%	0.55%
Operating margin	45.4%	41.5%	37.3%	36.7%
Growth				
Revenue growth	(18.0%)	(10.3%)	18.2%	(7.5%)
Operating profit growth	(29.0%)	(18.0%)	6.0%	(8.8%)

Source: Pental Annual Reports and Results Presentations, Kroll analysis.

In relation to the financial performance of Pendal EUKA, we note:

- in FY19 Pendal only operated under two reporting segments, Pendal Australia and Pendal International. The table above presents only the Europe, UK and Asia proportion of Pendal International for FY19;
- in FY20 average FUM was impacted by the COVID-19 pandemic and also by redemptions from investors continuing to reduce their exposure to Europe due to ongoing Brexit uncertainty as well as investment underperformance. Operating revenue in EUKA decreased 10.3% and operating expenses decreased by 3.9% to \$152.1 million. As a result, operating profit decreased by 18.0%;
- in FY21, average FUM increased marginally from \$26.1 billion to \$26.7 billion as European equities still experienced unfavourable investor sentiment, reflected by significant redemptions (\$1.6 billion) in the OEIC channel. Total operating revenue however increased by 18.2% mainly driven by performance fees. Total operating expenses increased 26.9%. Despite this increase, mainly driven by employee expenses increases, operating profit grew 6.0% to \$114.6 million; and
- in FY22 Pendal EUKA's average FUM decreased by 13.5% relative to FY21 as a result of significant net FUM outflows. This caused a decline in revenue of 7.5%, which along with a reduction in expenses of 6.7% resulted operating profit declining by 8.8%.

8.12.3 Pendal US

The financial performance for Pendal US for FY19 to FY22 is summarised in the following table.

Pendal US Financial Performance (\$ millions)

	FY19	FY20	FY21	FY22
Total segment revenue	54.2	67.2	118.8	204.6
Total segment expenses	(30.1)	(33.9)	(52.3)	(102.1)
Operating profit	24.1	33.3	66.5	102.5
Operating				
Average FUM (\$ billion)	21.1	23.6	34.8	57.4
Base margin FUM	0.72%	0.71%	0.66%	0.53%
Operating margin	44.4%	49.5%	56.0%	50.1%
Growth				
Revenue growth	11.0%	24.0%	76.8%	72.3%
Operating profit growth	(10.0%)	38.2%	99.7%	54.2%

Source: Pendal Annual Reports and Results Presentations, Kroll analysis.

In relation to the financial performance of Pendal US, we note:

- as mentioned in relation to the Pendal EUKA, in 2019 Pendal only operated under two reporting segments, Pendal Australia and Pendal International. The table above presents only the US proportion of Pendal International for FY19;
- from FY19 to FY20 Pendal US' FUM experienced strong investment performance. Operating revenue increased by 24.0%, with operating expenses increasing by 12.6%. As a result, operating profit increased by 38.2%;
- in FY21, average FUM increased from \$23.6 billion to \$34.8 billion, mainly as a result of the acquisition of TSW, but also due to strong investment performance in United States pooled funds. Total operating revenue increased by 76.8% including performance fees due to the success of the JOHCM International Select and Global strategies. Total operating expenses increased by 54.4%. Operating profit increased by 99.7% to \$66.5 million; and
- FY22 includes the first full year of integrated operations of TSW. Average FUM increased to \$57.4 billion and revenue increased by 72.3%. Expenses increased by 95.2%, resulting in an overall increase in operating profit of 54.2%.

8.13 Capital structure and ownership

As at 16 November 2022 Pendal had the following securities on issue:

- 383,149,490 fully paid ordinary shares (including 24,760,197 treasury shares); and
- 12,772,013 aggregate employee rights.

8.13.1 Ordinary shareholders

As at 30 September 2022, Pendal had 28,468 registered shareholders. The top 20 registered shareholders accounted for 63.3% of shares on issue and mainly included institutional nominees. Retail investors (investors holding less than 10,000 shares) accounted for 91.1% of shareholders and 18.2% of shares on issue.

As at 16 November 2022 the substantial shareholders that have provided notifications of their holdings are:

Substantial shareholder	Date of notice	Number of shares	Percentage
Pendal Group Limited (held by its Employee Benefit Trust)	14 October 2022	24,760,197	6.50%
State Street Corporation	2 November 2022	23,948,167	6.25%
BlackRock, Inc.	21 March 2022	23,678,403	6.17%
Mitsubishi UFJ Financial Group Inc.	8 November 2022	23,608,533	6.16%
First Sentier Investors Holdings	7 November 2022	23,608,533	6.12%
Vanguard Group Holdings	14 August 2022	19,191,240	5.01%

Source: Pendal supplied.

8.13.2 Pendal Employee Rights

Below we present the number of Pendal Employee Rights, in the form of Options, Performance Rights and Restricted Shares, which are currently outstanding.

- Options: 2,641,340
- Performance Share Rights: 2,226,081; and
- Restricted Shares 7,904,592.

8.13.3 Treatment of Pendal's equity incentives in relation to the Scheme

Pendal must, as a condition precedent to the Scheme becoming effective, cause all Pendal Employee Rights to either vest and be released from restrictions or lapse or be cancelled. As part of this process, certain employees will receive cash and/or Perpetual equity incentives. The arrangements by which Pendal intends to give effect to the condition precedent are set out in detail in Section 5.10 (b) of the Scheme Booklet.

Incentive Rollover Arrangements

A number of Pendal employees that have been identified or may after the date of the Scheme Booklet be identified by Perpetual as being important to the ongoing success of the Combined Group's business post-implementation will have their Pendal Employee Rights subject to rollover arrangements (**Incentive Rollover Arrangements**):

The Incentive Rollover Arrangements will effectively result in either a portion of the current Pendal Employee Rights of Key Employees either vesting, lapsing or being cancelled. Those vesting will be entitled to participate in the Scheme and receive the Scheme Consideration. Where the relevant plans lapse or are cancelled then equity-based incentives will be provided by Perpetual of equivalent value which will be subject to time-based vesting consistent with the existing Pendal Employee Rights:

A number of Key Employees will also on implementation of the Scheme be granted additional Perpetual equity incentives or rights to deferred cash payments. These additional incentives are in the nature of employment benefits and will be subject to time-based vesting requirements.

The Incentive Rollover Arrangements are conditional on the Scheme becoming Effective and the receipt of the ASX waiver referred to in section 10.7(b) of the Scheme Booklet.

No Directors are subject to the Incentive Rollover Arrangements.

Other vesting and cancellation

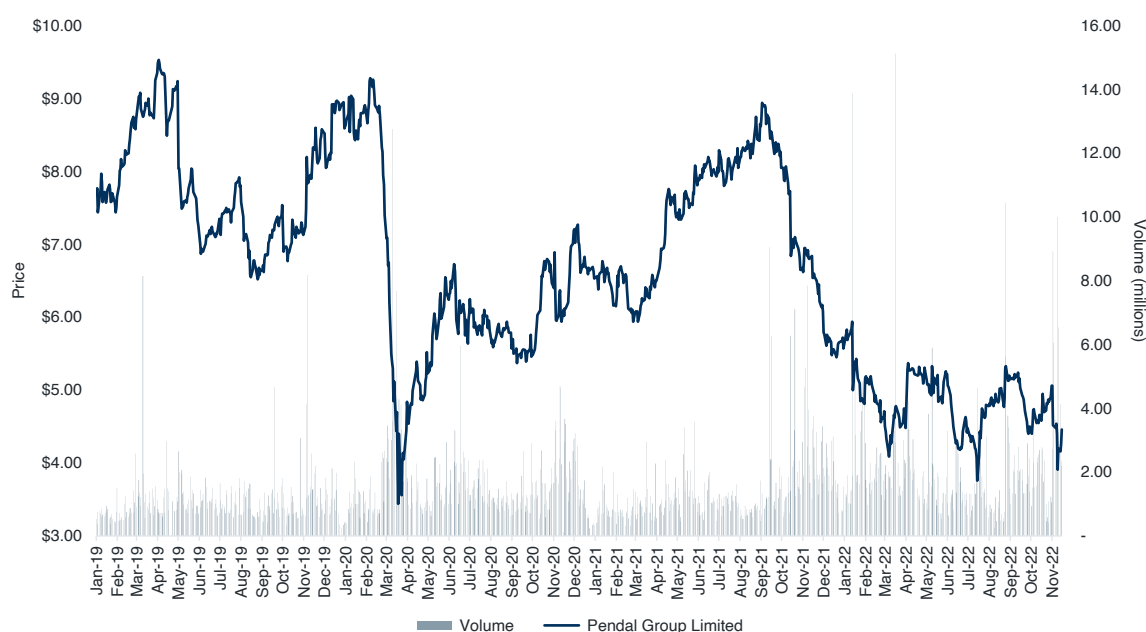
Those Pandal Employee Rights which are not subject to the Incentive Rollover Arrangements will either vest or lapse or be cancelled in accordance with their terms of issue and, if the terms of issue provide, the discretion of the Pandal Board so that no Pandal Employee Rights remain on issue as at the Effective Date

8.14 Share price performance

8.14.1 Recent share market trading

The trading price and volume of Pandal shares from 2 January 2019 to 16 November 2022 is set out as follows.

Pandal Trading Price and Volume from 2 January 2019 to 16 November 2022



Source: S&P Capital IQ, Kroll analysis.

The Pandal share price rose in early 2019 until April, before declining to close at a low of \$6.52 on 26 August 2019. It was negatively impacted by the FUM announcement for the quarter ended 31 March 2019, which showed net outflows from Pandal's European and global funds, and the release of Pandal's financial results for the half year ended 31 March 2019, which showed significantly lower performance fees and Cash NPAT compared to the prior corresponding period.

The Pandal share price subsequently recovered until the start of 2020 and closed at a high of \$9.28 on 7 February 2020. The market-wide sell-off in response to the COVID-19 pandemic commenced shortly after, resulting in the Pandal share price declining to close at a low of \$3.56 on 24 March 2020.

The Pandal share price recovered between late March 2020 until around September 2021 and closed at a high of \$8.94 on 3 September 2021. Key events during the period include:

- Pandal's FY2020 profit announcement on 4 November 2020, which showed an improvement in investment performance and an increase in performance fees from \$5.9 million to \$13.4 million;
- the acquisition of TSW announced on 7 May 2021; and
- a positive FUM announcement for the quarter ended 31 March 2021 which resulted in the share price increasing by 6.4% the following day.

This period of share price recovery also coincided with a recovery in the broader share market.

From the closing high of \$8.94 on 3 September 2021, the Pandal share price declined by 49.9% and closed at a low of \$4.48 on 1 April 2022, the last trading day before Pandal announced the receipt of the Indicative Proposal. The decline over this period reflects:

- reductions in FUM resulting from:
 - net outflows of \$2.3 billion during the quarter ended 30 September 2021 and \$6.8 billion during the quarter ended 31 December 2021. Outflows were primarily from institutional investors and included two significant redemptions by UK institutional clients which gave rise to outflows of \$5.1 billion during the quarter ended 31 December 2021;
 - continuous redemptions in Pandal Australia funds from the Westpac legacy portfolio; and
 - negative equity market movements from 2022 onwards, particularly in international equity markets. Global equity markets have been negatively impacted by geopolitical tensions, rising inflation, and concerns regarding possible recessions resulting from central banks' monetary tightening measures; and
- the negative re-rating of fund management companies in Australia due to a challenging environment and outlook both in Australia and internationally characterised by including an increase in market share for passive management strategies, rising drawdowns in aging countries, increasing internalisation of investment management activities by superannuation and pension funds, a need for greater investment in data analytics and technology to enhance customer service and support fund managers, increased regulatory oversight and fee compression (refer to Section 7.2.2 of this report).

In the month prior to the announcement of the Indicative Proposal on 4 April 2022, the Pandal share price traded in the range of \$4.04 to \$4.94, at a VWAP of \$4.59. On the announcement of the Indicative Proposal, the Pandal share price increased by 18.1% to close at \$5.29 on 4 April 2022. On the announcement of the Scheme, the Pandal share price increased by 8.4% to close at \$5.29 on 25 August 2022. On the announcement of the Consortium Offer on 3 November 2022 (noting that any transaction would be conditional on the termination of the Implementation Deed with Pandal), the Pandal share price declined by 10.7% to close at \$4.52 likely reflecting uncertainty as to whether the Scheme would proceed. The Pandal share price declined further, trading below \$4.00 on 10 November 2022 following the announcement that Perpetual had received and rejected the Revised Consortium Offer, reflecting increasing uncertainty as to whether the Scheme would proceed. The Pandal Share price has subsequently increased and closed at \$4.46 on 16 November 2022.

8.14.2 Relative share price performance

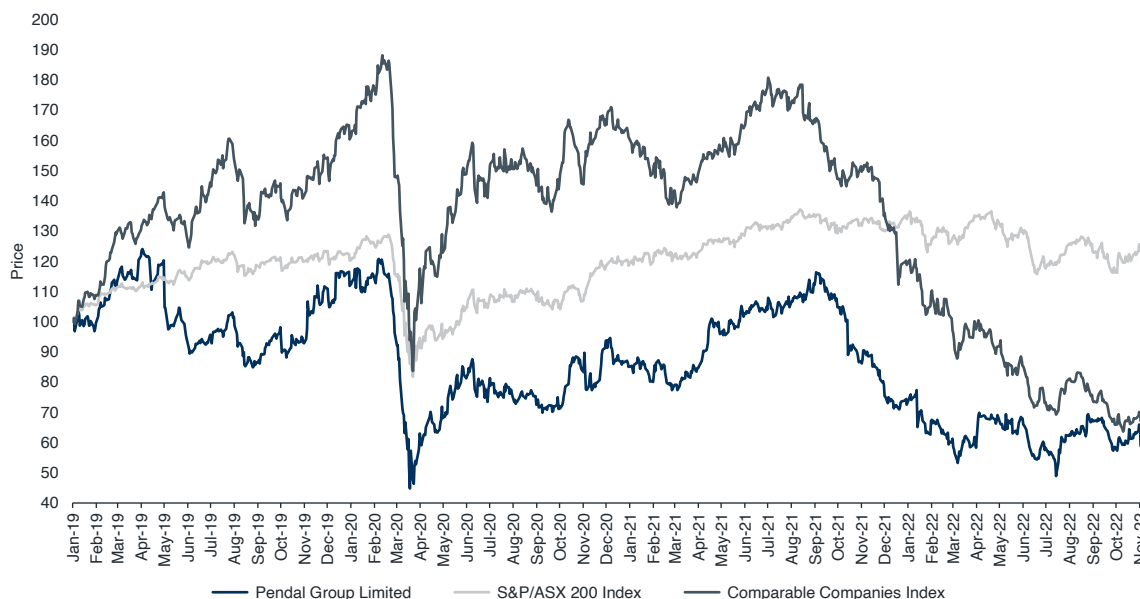
Pandal is a member of several indices including the S&P/ASX All Ordinaries Index (0.06% weighting), S&P/ASX 200 Index (**ASX 200 Index**) (0.06%) and the ASX 200 Financials Sector Index (0.26%).⁵⁶ The ASX 200 Financial Sector Index is weighted heavily towards the Big 4 banks (Commonwealth Bank, Australia & New Zealand Banking Group, National Australia Bank and Westpac) which represent approximately 70.3% of the index by market capitalisation,⁵⁷ making it a less relevant benchmark from which to evaluate the share price performance of Pandal. As a result, the relevant indices chosen for comparative purposes are the ASX 200 Index and the Comparable Companies Index.⁵⁸ The performance of Pandal shares relative to the ASX 200 Index and the Comparable Companies Index since 2 January 2019 is illustrated in the following chart.

⁵⁶ Source: S&P Capital IQ. As at 16 November 2022.

⁵⁷ Source: S&P Capital IQ. As at 16 November 2022.

⁵⁸ Includes Pandal, Perpetual, Magellan, Platinum, Insignia and Janus Henderson. Excludes GQG, which was listed on 26 October 2022 and Pinnacle, which has a different business model.

Pendal Share Price Performance Relative to Indices



Source: S&P Capital IQ, Kroll analysis.

The Pendal share price underperformed the indices from January 2019 to July 2019, reflecting announcements regarding net outflows and declines in financial performance during the half year ended 31 March 2019. From August 2019 until February 2020, the Pendal share price broadly tracked the Comparable Companies Index and outperformed the ASX 200 Index, supported by a positive share price reaction following the release of Pendal's 2019 Profit Announcement on 6 November 2019.

The Pendal share price and the Comparable Companies Index declined by more than the market in response to the COVID-19 pandemic-related sell-off, reflecting the tendency of fund managers to be levered to movements in equity markets and investor beliefs that the market sell-off would reduce FUM and/or lead to fund outflows, then outperformed until May 2020.

From June 2020 until September 2020, the Pendal share price slightly underperformed the Companies Index, then broadly tracked the Comparable Companies until March 2021 when it began to outperform.

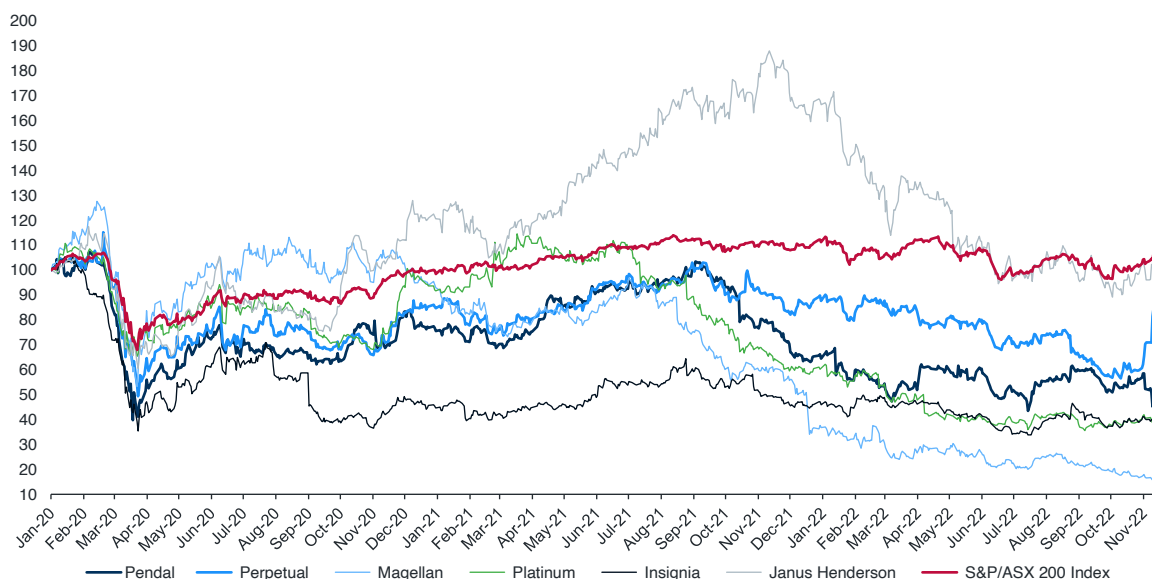
From July 2021, the Comparable Companies Index began to significantly underperform the ASX 200 Index, reflecting significant underperformance of constituents Magellan and Platinum Investment Management Ltd (**Platinum**) which reported net flows during the previous month. The Pendal share price did not decline significantly until September 2021, following which both the Pendal share price and the Fund Managers Index have underperformed the ASX 200 Index. This potentially reflects:

- the negative re-rating of fund management companies due to challenging industry conditions as described in Section 7.2.2 of this report;
- the impact of negative events surrounding Australian fund manager Magellan beginning from October 2021 (when Magellan announced net outflows of \$1.5 billion during the September quarter 2021), including the withdrawal of a \$23 billion institutional mandate and the resignation of co-founder Hamish Douglass as Chief Investment Officer. These events led to significant declines in Magellan's share price and may have contributed to a negative re-rating of fund management companies as they highlighted vulnerabilities of fund managers to institutional client redemptions and loss of key personnel; and
- net outflows during the period as described in Section 8.14.1 of this report.

From the time of the announcement of the Indicative Proposal on 4 April 2022, the Pendal share price has outperformed the Comparable Companies Index.

The following chart sets out the relative performance of Pendal shares to selected fund management companies over the period from 2 January 2020 to 16 November 2022.

Pendal Share Price Performance Relative to Peers from 2 January 2020



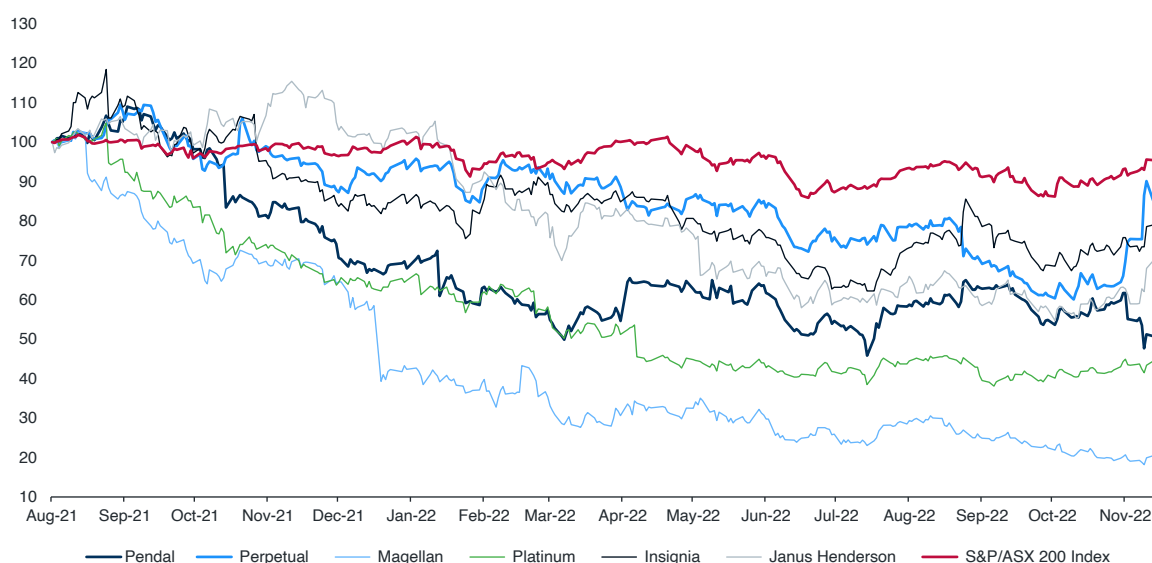
Source: S&P Capital IQ, Kroll analysis.

Over the period from 2 January 2020 to 30 July 2021, Pendal has outperformed Insignia but has underperformed Janus Henderson. Over the period to 30 July 2021, Pendal performed similarly to Perpetual, Magellan and Platinum. This may reflect:

- Insignia (then IOOF Holdings) experiencing net outflows in FY21 and margin contractions in FY20 and FY21;
- Insignia having undergone a \$1.04 billion equity raising at a 24.4% discount to its last close price in August and September 2020;
- Janus Henderson's ability to stem net outflows, which fell from US\$8.2 billion in the second quarter of 2020 to \$2.9 billion in the third quarter and \$1.1 billion in the fourth quarter.

The following chart sets out the relative performance of Pendal shares to selected fund management companies over the period from 2 August 2021 to 16 November 2022.

Pendal Share Price Performance Relative to Peers from 2 August 2021



Source: S&P Capital IQ, Kroll analysis.

From 2 August 2021 until 2 November 2022,⁵⁹ Pental has outperformed Platinum and Magellan, underperformed Insignia and performed similarly to Janus Henderson. This may reflect:

- the terms of the Transaction;
- broadly lower fee levels in comparison to Platinum and Magellan which has helped reduce downward fee pressure;
- aforementioned negative events involving Magellan (refer to Section 8.14.2 of this report). Pental's more diversified multi-boutique structure results in it having lower key personnel risk in comparison to Magellan; and
- lower levels of diversification in comparison to Perpetual.

8.14.3 Liquidity

An analysis of the volume of trading in Pental shares, including the VWAP for various periods up to 1 April 2022, the last trading day before the announcement of the Indicative Proposal, is set out as follows.

Pental Liquidity up to 1 April 2022

Period	Low	Price (\$) High	VWAP	Cumulative value (\$ million)	Cumulative volume (\$ million)	Percentage of issued capital
1 day	4.48	4.63	4.51	10.3	2.3	0.6%
1 week	4.48	4.77	4.61	50.3	10.9	3.1%
1 month	4.04	4.94	4.59	282.7	61.6	17.3%
3 months	4.04	6.02	4.89	772.2	157.9	44.3%
6 months	4.04	8.19	5.68	1,714.1	301.6	84.7%
12 months	4.04	8.96	6.49	3,010.1	464.1	132.6%

Source: S&P Capital IQ, Kroll analysis.

An analysis of the volume of trading in Pental shares, including the VWAP for various periods up to 24 August 2022, the last trading day before the announcement of the Scheme, is set out as follows.

Pental Liquidity up to 24 August 2022

Period	Low	Price (\$) High	VWAP	Cumulative value (\$ million)	Cumulative volume (\$ million)	Percentage of issued capital
1 day	4.75	4.93	4.87	3.7	0.8	0.2%
1 week	4.72	5.05	4.92	14.4	2.9	0.8%
1 month	4.50	5.08	4.82	104.7	21.7	6.1%
3 months	3.69	5.30	4.54	401.0	88.3	24.9%
6 months	3.69	5.56	4.76	1,056.1	221.9	62.5%
12 months	3.69	8.96	5.67	2,871.2	506.2	142.1%

Source: S&P Capital IQ, Kroll analysis.

In the 12 months to 1 April 2022, 132.6% of Pental shares were traded, including Pental's 26,768,910 shares (held for Employee Equity Plans) and in the 12 months to 24 August 2022, 142.1% of Pental shares were traded. This level of trading indicates that Pental shares are liquid.

⁵⁹ The last trading day before the announcement that Perpetual had received and rejected the Consortium Offer.

9 Profile of Perpetual

9.1 Background

Perpetual originated as a trustee company formed in Sydney in 1886 and listed on the ASX in 1964 (ASX:PPT). By the 1990's, Perpetual had restructured from state-based organisations operating in New South Wales, Victoria, Queensland, South Australia and Western Australia, to a national company with three distinct business areas: funds management; personal trusts; and corporate services.

The company was renamed Perpetual Limited⁶⁰ in 2000 and has since continued to grow organically and through transaction activity. Key acquisitions in recent years are summarised in the following table.

Perpetual's Recent Acquisitions

Acquisition date	Target	Description	Consideration (\$ millions)	Interest acquired
Jun 2020	Trillium Asset Management, LLC (Trillium)	US based (Boston) specialist ESG investment firm.	75.0	100.0%
Nov 2020	Barrow, Hanley, Mewhinney & Strauss, LLC (Barrow Hanley)	US based (Dallas) global investment management business with FUM predominantly held in the United States, global and emerging markets equities and fixed income strategies.	421.3	75.0%
Aug 2021	Jacaranda Financial Planning Pty Ltd (Jacaranda)	A Sydney and Melbourne based boutique wealth advisory firm focused on the high net worth market segment.	n/a ¹	100.0%
Oct 2021	Laminar Capital Pty Ltd (Laminar Capital)	A specialist debt markets and advisory business and a specialist fixed income digital platform focussed on providing innovative digital, treasury, debt markets and advisory solutions to clients.	n/a ¹	100.0%

Source: Perpetual Annual and Half Year financial reports FY14 to FY22.

Note:

1. The purchase consideration for the Jacaranda and Laminar Capital acquisitions have not been separately disclosed. The FY22 Annual Report notes that the purchase consideration (at present value) for the two acquisitions totalled approximately \$52 million.

With the acquisition of Trillium and Barrow Hanley in 2020, Perpetual grew from a largely Australian focused business with \$28.4 billion in FUM to a global business managing \$89.8 billion in FUM as at 30 September 2022.

9.2 Overview

Perpetual is one of Australia's largest wealth managers, an advisor to high-net-worth individuals, families and businesses, and a provider of corporate trustee services. Perpetual's clients include Australian and international institutions, not-for-profit organisations, small businesses, financial advisers, individuals and families.

Services are provided across four operating segments:

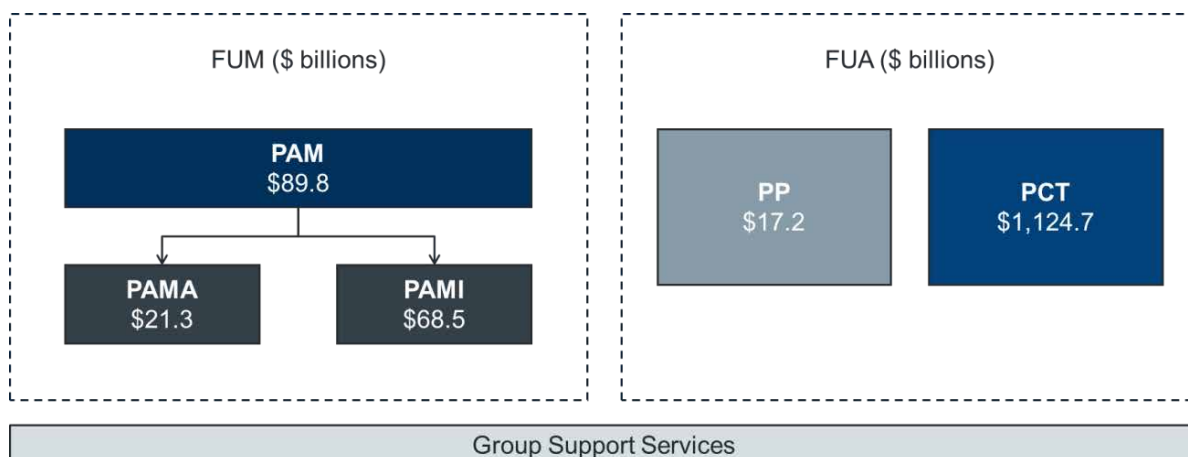
- Perpetual Asset Management Australia (**PAMA**);
- Perpetual Asset Management International (**PAMI**); (PAMA and PAMI together abbreviated as **PAM**);
- Perpetual Private; and
- Perpetual Corporate Trust.

⁶⁰ Perpetual was formed under the name Perpetual Trustee Company Limited in 1886 and listed as Perpetual Trustees Australia Limited in 1964 prior to changing to Perpetual Limited in 2000.

The operating segments are supported by Group Support Services comprising Group Investments, CEO office, Finance, Corporate Affairs, Marketing, Legal, Audit, Risk, Compliance, Company Secretary, Technology, Project & Change Management, Operations, Product and People & Culture Teams.

An overview of Perpetual's FUM and FUA (being Funds Under Advice for Perpetual Private and Funds Under Administration for Perpetual Corporate Trust) by segment as at 30 September 2022 is provided in the following diagram.

Perpetual FUM and FUA as at 30 September 2022



Source: Perpetual First Quarter Business Update, 19 October 2022.

Note: PP is Perpetual Private, PCT is Perpetual Corporate Trust.

Perpetual operates in six countries, across 16 offices with over 1,300 employees worldwide. The head office is located in Sydney, and other office locations include Canberra, Melbourne, Brisbane, Adelaide and Perth. Perpetual's international offices are located in Boston, San Francisco, London and Edinburgh (Trillium), and Dallas and Hong Kong (Barrow Hanley), Singapore, Chicago and Amsterdam.

As at 1 April 2022, the last trading day prior to the announcement of the Indicative Proposal, Perpetual had a market capitalisation of \$1.9 billion.⁶¹

9.2.1 Strategy

Perpetual's strategy is focused on delivering sustained growth and seeks to build on the foundation of the three core businesses, forming a scalable business model supported by shared central services and a strong brand. The company vision is to be the 'most trusted in financial services'.⁶²

In pursuing its strategy for growth and 'Enduring Prosperity' for the company's key stakeholders, Perpetual has defined the following strategic imperatives:

- **Client first:** delivering exceptional products and outstanding service;
- **Future fit:** a scalable business platform that empowers staff to deliver high performance; and
- **New horizons:** add new capabilities and build a global footprint.

The distinct strategies for each of the three business areas as summarised in the Perpetual FY22 Annual report are as follows:

- PAM's vision is to create a market leading global business of high-quality asset management capabilities delivered by PAMI and PAMA. PAM provides a foundation for sustained quality growth by offering world-class investment capabilities, expanding its global distribution footprint and investment in a contemporary and scalable global business;

⁶¹ Calculated as closing price on 1 April 2022 of \$34.23 multiplied by 56,079,060 shares.

⁶² Measured as part of an annual brand strengths survey with the Perpetual Private and Perpetual Asset Management Australia target markets. Perpetual strategy sourced from the Annual Reports and Operating and Financial Reviews.

- Perpetual Private's vision is to empower families, businesses and communities to achieve their aspirations by delivering advisory service excellence. With a client centred fiduciary heritage, Perpetual Private reaches into segments where client goals are aligned to a 'protect first' and then 'grow' investment philosophy; and
- Perpetual Corporate Trust's vision is to be the most trusted fiduciary and the leading digital solutions provider to the banking and financial services industry, with a mission to support the delivery of its client's strategy through the provision of service excellence and digital solutions. Perpetual Corporate Trust builds on its strategy of enabling client success and focuses on leveraging its long-standing relationships and enable its clients with innovative and automated digital solutions to help them meet business challenges today and into the future.

As at 30 June 2022, Perpetual remains focused on its strategy to deliver disciplined growth with a larger balance sheet and proven track record of acquiring and integrating complementary capabilities that, together, deliver greater shareholder returns.⁶³

9.2.2 Board of Directors and management

Perpetual's current Board of Directors and Executive team are set out in the following table.

Perpetual's Directors and Executive Team

Board of Directors	Executive team
Mr Tony D'Aloisio AM (Chairman and Independent Director)	Mr Rob Adams (Chief Executive Officer)
Ms Nancy Fox AM (Independent Director)	Mr Chris Green (Chief Financial Officer)
Mr Ian Hammond (Independent Director)	Ms Sam Mosse (Chief Risk Officer)
Mr P Craig Ueland (Independent Director)	Ms Amanda Gazal (Chief Operating Officer)
Mr Greg Cooper (Independent Director)	Mr David Lane (Group Executive, PAMI)
Ms Fiona Trafford-Walker (Independent Director)	Ms Amanda Gillespie (Group Executive, PAMA)
Ms Mona Aboelnaga Kanaan (Independent Director)	Mr Mark Smith (Group Executive, PP)
Mr Rob Adams (Managing Director)	Mr Richard McCarthy (Group Executive, PCT)

Source: Perpetual website.

9.3 Operations

As noted above, Perpetual's services are provided across four operating segments: PAMI, PAMA, Perpetual Private and Perpetual Corporate Trust, supported by Group Support Services.

Perpetual earns the majority of its revenue from fees charged on assets under either management, advice or administration. Revenue is influenced by movement in the underlying asset values, margin on assets and net client fund flows.

A brief overview of key statistics and recent performance for each of the four operating segments is provided in the following sections.

9.3.1 Perpetual Asset Management

As at 30 September 2022, Perpetual managed a total of \$89.8 billion in FUM, 23.7% in PAMA and 76.3% in PAMI. PAMI has become an increasingly significant contributor to Perpetual's FUM and revenue since the acquisition of Trillium in June 2020, and Barrow Hanley in November 2020. PAMA's FUM and revenue has declined in recent years, with 7.4% average annual revenue decline between FY19 and FY22.

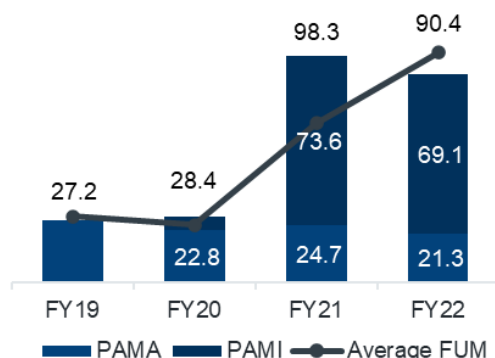
As at October 2022, Perpetual had 218 funds investing across a variety of asset classes.⁶⁴

⁶³ Perpetual FY22 Operating and Financial Review p.18.

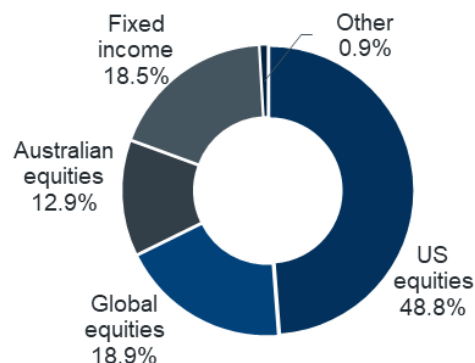
⁶⁴ Perpetual Investment Data as at 12 October 2022 sourced from Perpetual Website: <https://www.perpetual.com.au/investments/pricing-and-performance>

An overview of Perpetual's global FUM by asset management division, asset class, distribution channel and client domicile at Perpetual's most recent financial year end, 30 June 2022, are shown in the following charts.⁶⁵

Closing FUM by Asset Management Division (\$ billions)

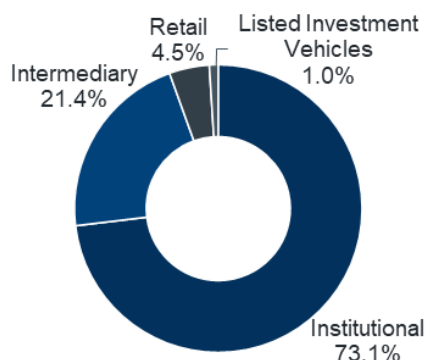


30 June 2022 Global FUM by Asset Class

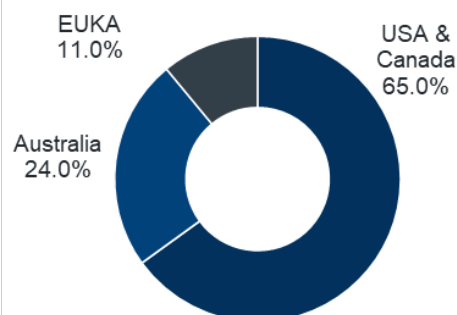


Source: Perpetual FY22 Results Presentation, FY22 Operating and Financial Review.

30 June 2022 Global FUM by Distribution Channel



30 June 2022 Global FUM by Client Domicile⁶⁶



Source: FY22 Operating and Financial Review, Perpetual Acquisition of Pandal Group Presentation.

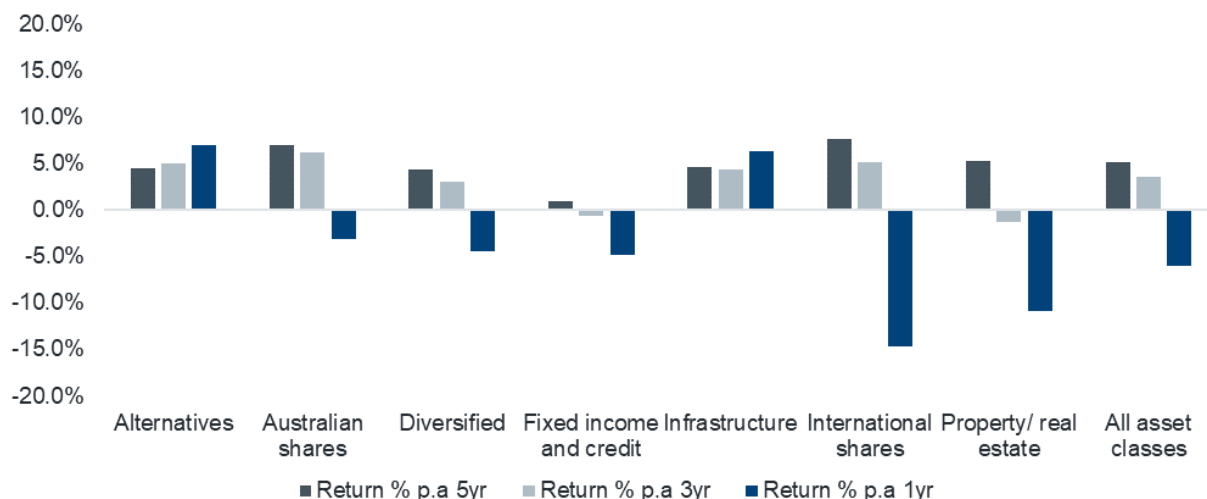
As at 30 September 2022, Perpetual's global FUM was 1% lower than as at 30 June 2022, driven by negative equity market impacts and fund outflows, offset by positive currency movements. On a global basis, US equities remain the predominant asset class at 48.4% of FUM, and institutional the predominant distribution channel at 72.6% of FUM.

⁶⁵ Pie chart data has been rounded to total 100.0%.

⁶⁶ Labelling has been updated from Australia & New Zealand to Australia; USA to USA & Canada; and Europe, UK and Asia to EUKA.

The average 1-year, 3-year and 5-year annual returns across Perpetual's 218 funds based on data up to 12 October 2022 are summarised in the following chart.

Perpetual Average Fund Returns up to 30 September 2022 by Asset Class



Source: Perpetual website.

As shown in the chart above, alternative and infrastructure asset classes have shown strong returns over the last five years with the developing ESG megatrend and strength in property markets. The 1-year return for international equities, in particular, have been adversely impacted by recent market volatility due to rising geopolitical and inflationary concerns.

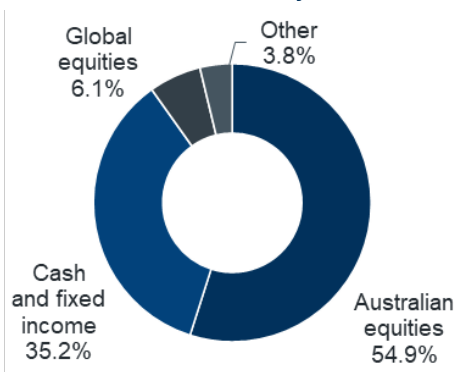
9.3.2 Perpetual Asset Management Australia

PAMA is an active asset manager that provides investment products and services to Australian and New Zealand retail, corporate, superannuation and institutional investors. Its investment capabilities span Australian and global equities, credit and fixed income, multi-asset as well as ESG focused products.

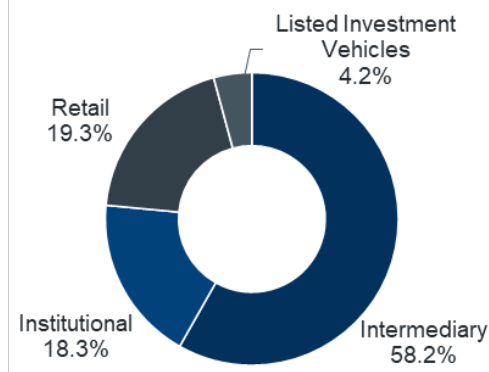
Perpetual continues to update product offerings and in FY22 launched three active ETFs including the Perpetual ESG Australian Share Fund (ASX:GIVE), Perpetual Global Innovation Share Fund (ASX:IDEA) and the Barrow Hanley Global Share Fund (ASX:GLOB). PAMA was the recipient of the "Fund Manager of the Year" award from Zenith Investment Partners on 14 October 2022 for the second year in a row.

The intermediary channel is PAMA's primary distribution channel, and FY22 was the best year for PAMA's intermediary flows in the last seven years. PAMA's allocation of FY22 FUM by asset class and distribution channel, and historic FUM movement are illustrated in the following charts.⁶⁷

30 June 2022 PAMA FUM by Asset Class

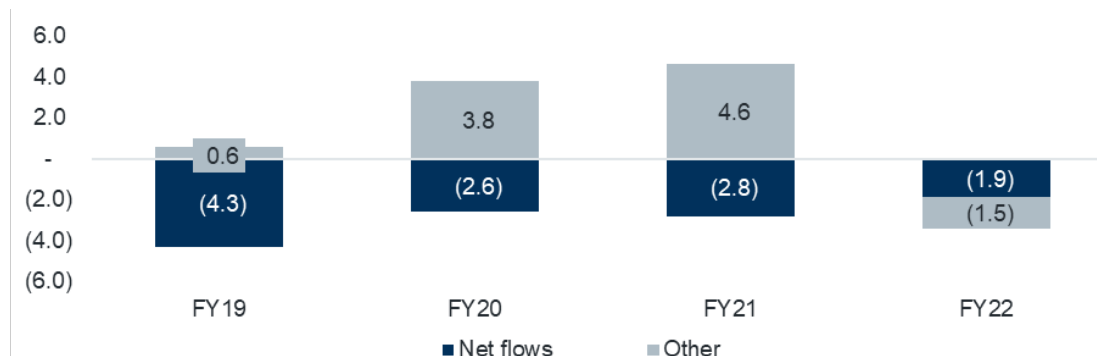


30 June 2022 PAMA FUM by Distribution Channel



⁶⁷ Pie chart data has been rounded to total 100.0%.

PAMA FUM Movement (\$ billions)¹



Source: Perpetual FY22, FY21 and FY20 Operating and Financial Reviews.

Note:

1. Other flows include changes in market value of assets, income, reinvestments, distributions and asset class rebalancing within the Group's diversified funds.

As at 30 June 2022, closing PAMA FUM was \$3.4 billion lower than as at 30 June 2021, driven by net outflows of \$1.9 billion, distributions and lower equity markets, particularly towards the end of the year. Due to the timing of the net outflows and equity market movements, average FUM increased in FY22 and revenue increased by 2.0%.

Prior year average FUM between FY20 and FY21 fell due to net institutional outflows, though the closing balance rose with inflows into the newly launched ESG Real Return fund in the final quarter of FY21. Revenue in FY20 and FY21 were both lower than prior financial years primarily driven by lower average FUM due to the impact of net outflows and prior period distributions.

PAMA's closing FUM as at 30 September 2022 remained at approximately \$21.3 billion in line with 30 June 2022. Average FUM however decreased by \$2.6 billion, or 10.6%, impacted by net outflows for the quarter of \$0.3 billion, primarily due to the loss of a \$0.4 billion intermediary mandate. 92% of Australian equities strategies have outperformed their benchmark over the three years to 30 September 2022.⁶⁸

9.3.3 Perpetual Asset Management International

PAMI is a multi-boutique asset manager with offices in the United States, the United Kingdom, Europe and Asia, operating to meet the needs of the institutional and retail marketplace outside of Australia. This segment is managed by the Barrow Hanley and Trillium subsidiaries, firms that focus on global value investing, ESG investing and shareholder advocacy. Trillium was one of the early signatories of the Net Zero Asset Managers Initiative, pledging in April 2021 to align its portfolios with the goal of net zero greenhouse gas emission by 2050 or sooner.

Perpetual's international asset management operations have a strong presence in the United States, with a growing presence in the United Kingdom, Europe and Asia. PAMI launched seven US mutual funds and multiple UCITS⁶⁹ sub-funds in FY22, and a further two during the first quarter of FY23.

The institutional channel is PAMI's primary distribution channel. Net outflows in the institutional channel since PAMI commenced have been predominantly driven by US equities and low margin fixed income mandates by Barrow Hanley, partially offset by net inflows in global equities and strong performance in Trillium.

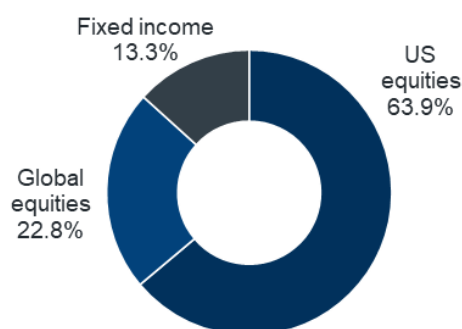
The allocation of PAMI FUM by asset class and distribution channel, and historical FUM movement up to 30 June 2022 are illustrated in the following charts.⁷⁰

⁶⁸ Perpetual First Quarter Business Update, 19 October 2022

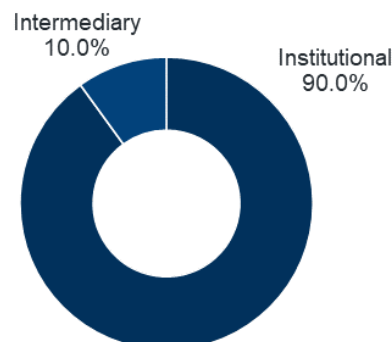
⁶⁹ UCITS stands for Undertakings for the Collective Investment in Transferable Securities.

⁷⁰ Pie chart data has been rounded to total 100.0%.

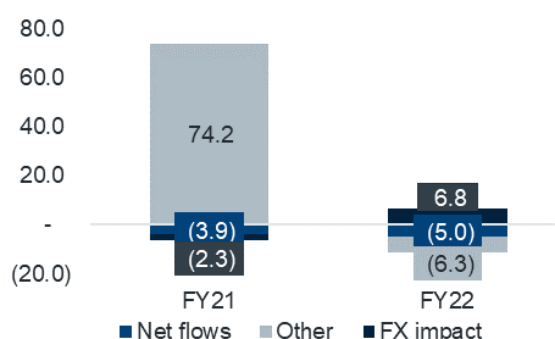
30 June 2022 PAMI FUM by Asset Class



30 June 2022 PAMI FUM by Distribution Channel



PAMI FUM Movement (\$ billions)¹



Source: Perpetual FY22 and FY21 Operating and Financial Reviews.

Note:

- The PAMI segment commenced in FY21. Other flows include changes in market value of assets, income, reinvestments, distributions and asset class rebalancing within the Group's diversified funds, and in FY21 Barrow Hanley FUM of \$61.9 billion (US\$ 45.0 billion) converted at A\$:US\$ 0.73 at the date of acquisition.

PAMI's FUM as at 30 September 2022 was \$68.5 billion, a 1% decrease from 30 June 2022. The reduction in FUM was largely driven by negative market movements of approximately \$4.3 billion and total net outflows of \$1.4 billion, partially offset by favourable foreign exchange movements over the quarter period. Barrow Hanley's investment performance remains strong with 93% of equities strategies and 89% of all strategies outperforming their benchmarks over the three years to 30 September 2022.⁷¹

9.3.4 Perpetual Private

Perpetual Private is an advisory services business focused on providing tailored, holistic financial advice and solutions for individuals, families and community-based organisations. Support for clients is spread across financial advice, portfolio management, risk, estate administration, trustee services and tax and accounting. Perpetual Private utilises a targeted client segment approach, offering advice and wealth management services to established wealthy, business owners, medical practitioners and other professionals, not-for-profit organisations and native title trusts.

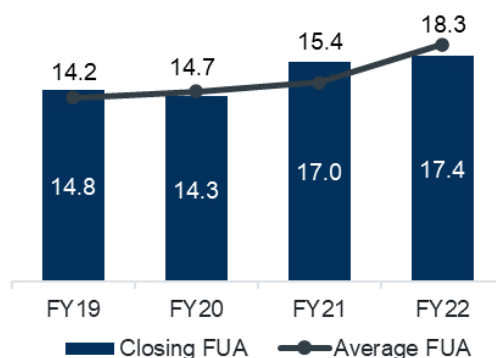
Fordham Business Advisors Pty Ltd (**Fordham**), acquired in January 2010 and now part of Perpetual Private, acts exclusively for private business owners and their families providing accounting, business advisory and financial advice services. Advisors provide strategic advice on superannuation and retirement planning, general investment, asset protection, insurance, tax management, estate planning, aged care, social security, succession planning and philanthropy. Perpetual Private is one of Australia's largest managers of philanthropic funds, managing approximately 1,000 charitable trusts and endowment funds, which support medical, social, environmental, religious, cultural and educational causes.

⁷¹ Perpetual First Quarter Business Update, 19 October 2022

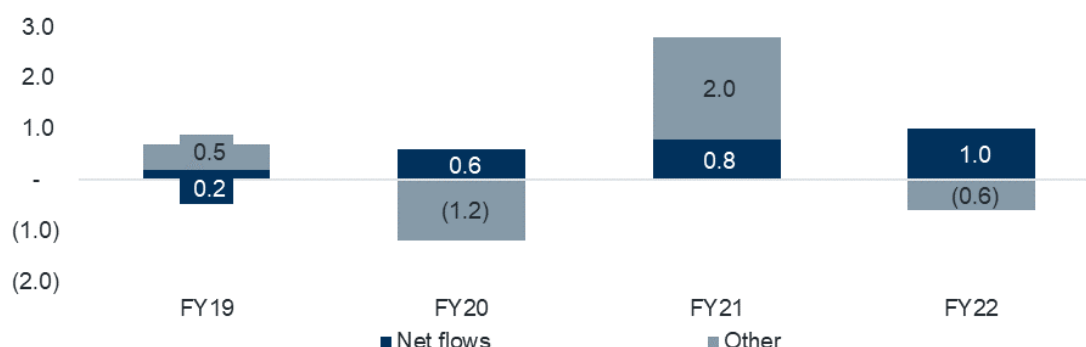
Closing FUA⁷² at 30 June 2022 were \$17.4 billion (\$17.0 billion at 30 June 2021), with growth in FY22 supported by the acquisition of Jacaranda. In FY22, Perpetual Private recorded its ninth consecutive year of positive net flows. Perpetual Private is one of Australia's largest managers of philanthropic funds. FUA for charitable trusts and endowments funds was \$3.5 billion at the end of FY22.

The closing and average FUA, and annual FUA movements between FY19 and FY22 are illustrated in the following charts.

FUA (\$ billions)



Perpetual Private FUA Movement (\$ billions)¹



Source: Perpetual FY22, FY21 and FY20 Operating and Financial Reviews.

Closing FUA grew 21.7% between 30 June 2020 and 30 June 2022, primarily due to positive net flows supported by the Advisory Growth Strategy in FY21 which boosted new client growth within the high-net-worth segment, and the acquisition of Jacaranda Financial Planning in FY22. Perpetual Private FUA fell 1% to \$17.2 billion in the quarter to 30 September 2022, driven by negative market movements, partially offset by positive net inflows of \$0.1 billion.

9.3.5 Perpetual Corporate Trust

Perpetual Corporate Trust provides corporate trustee services to the funds management sector and debt capital markets in Australia. Debt capital market clients include banks, large financial institutions, non-bank lenders and loan originators. Perpetual Corporate Trust data services provide a link between issuers, the Reserve Bank of Australia (RBA) and the investment community, and the ABS Perpetual Business Intelligence platform provides insights from 15 years of data of mortgage data to underpin the risk, finance and strategy decisions of Australia's financial institutions.

Following the acquisition of The Trust Company in 2013, Perpetual Corporate Trust is a leading provider of fiduciary solutions to the funds management sector, servicing a broad range of clients across multiple asset classes including property, infrastructure, equity, fixed income and alternatives. The Perpetual website notes that the company is now the only trustee with licences to provide corporate trustee services in Australia and Singapore.

⁷² In the context of Perpetual Private, FUA refers to Funds Under Advice.

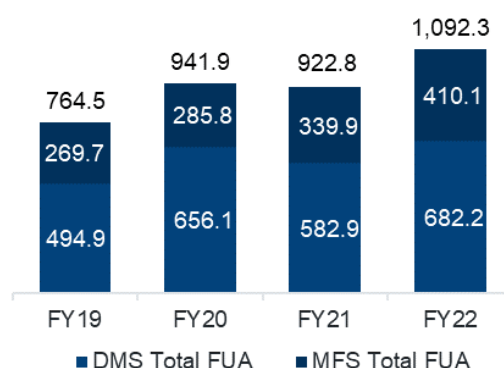
There are three subsegments within Perpetual Corporate Trust:

- Debt Market Services (**DMS**) includes trustee, document custodian, agency, trust management, accounting, standby servicing and reporting solutions. DMS includes the digital innovation arm, Data & Analytics Solutions, which provides data services, industry roundtables and Perpetual's intelligence platform-as-a-service products supporting the banking and financial services industry. The DMS portfolio includes bank, non-bank and repos residential mortgage-backed securities (**RMBS**), asset-backed securities (**ABS**) and commercial mortgage-backed securities (**CMBS**), covered bonds, and warehouse and liquidity finance facilities;
- Managed Funds Services (**MFS**) comprise of wholesale trustee, custody and responsible entity services, plus product extensions Investment Management, Accounting and Fordham Accounting. Operations in Singapore provide trustee, agency and escrow services and predominantly service the real estate investment trusts market. The MFS portfolio includes commercial property and managed investment fund segments; and
- Perpetual Digital, a newly created division of Perpetual Corporate Trust following the acquisition of Laminar Capital in October 2021, provides digital solutions in securitisation, credit, risk and funds management.

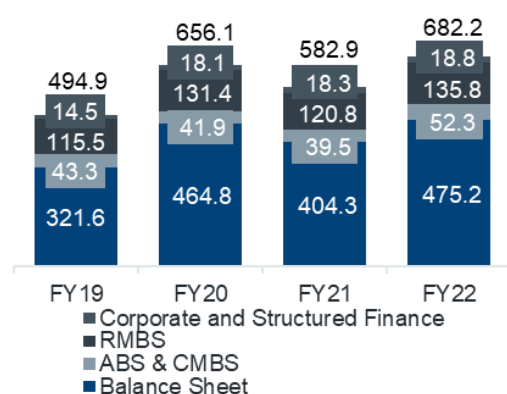
As at 30 June 2022, Perpetual Corporate Trust reached the milestone of administering more than \$1 trillion for the first time. FUA⁷³ was \$1,092.3 billion (\$922.8 billion at 30 June 2021), with \$682.2 billion closing FUA for DMS and \$410.1 billion for MFS.

The allocation of FUA between FY19 and FY22 is illustrated in the following charts.⁷⁴

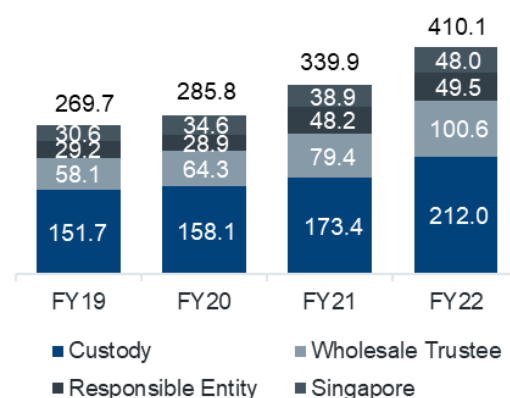
FUA (\$ billions)



FUA – DMS (\$ billions)



FUA – MFS (\$ billions)



Source: Perpetual FY22, FY21 and FY20 Operating and Financial Reviews.

⁷³ In the context of Perpetual Corporate Trust, FUA refers to Funds Under Administration.

⁷⁴ Totals may not add due to figures being rounded to the nearest tenth of a billion dollars.

Of total Perpetual Corporate Trust FUA in FY22, 62.5% related to DMS. DMS FUA decreased in FY21 due to a decrease in lower margin RMBS – repos (bank internal securitisation trusts), lower issuances across RMBS – bank (ADI), and higher runoff rates in RMBS (bank and non-bank) in FY21 driven by increased re-financing activity in the Australian mortgage market. In FY22, securitisation FUA in DMS increased, driven by higher issuances in lower margin RMBS – repos, and continued growth in the RMBS – non-bank and ABS.

37.5% of FY22 FUA related to MFS services. Growth in MFS FUA since FY20 has been driven by growth in all MFS segments (Custody, Wholesale Trustee, Responsible Entity and Singapore).

Perpetual Corporate Trust's FUA increased by 3% in the quarter period to 30 September 2022 to \$1.12 trillion, supported by an 8% increase in MFS FUA and a 0.2% increase in DMS FUA during the quarter period.

9.4 Fee structure

Perpetual earns revenue from the provision of financial products and services including investment management and administration, financial advisory and trustee services (including responsible entity, superannuation, philanthropic and estate administration). Perpetual's asset management fees vary between the different plans, asset classes and investment strategies. Fees may be charged on a fixed fee, fee for service ('time and costs') basis or as a percentage of the assets under administration/ funds invested in accordance with the investment mandates or the respective product disclosure statements. Some investment products and mandates include performance fees.

9.5 ESG capability

Perpetual is actively committed to ESG investing, integrating ESG factors into investment processes and adding products and capabilities. The first of Perpetual's Ethical SRI funds was established in 2002.

Recent corporate sustainability activities include:

- launching Perpetual's Prosperity Plan in FY22, setting out a clear vision and set of commitments;
- achieving a new record Net Promotor Score (**NPS**) of +49 for Perpetual in FY22;
- Trillium winning three global ESG awards. Trillium was named among the 2022 'Best for the World' Certified B Corps, a recognition achieved every year since 2013 and won the 'Best ESG Fund Methodology – Global Research' and 'Best ESG Fund Performance Global Reach' awards bestowed by WealthBriefing;
- announcing five new employee benefits, including a new gender-neutral 20 weeks paid parental leave policy;
- progressing on a Stretch Reconciliation Action Plan for 2021 to 2023, launched in FY21, which includes 84 deliverables to build positive outcomes with Aboriginal and Torres Strait Islander clients, communities, staff and through good governance; and
- receiving a CDP climate submission score of C in FY21 (B- in FY20).

As at 30 June 2022, approximately 16.9% of total FUM across PAMI and PAMA reflected dedicated ESG mandates with a specialised ESG purpose/ approach as well as mandates that had ethical screens applied. 82.1% of total FUM considered integrated ESG analytics, and 1% reflected FUM where ESG factors cannot be applied, such as derivatives. In FY22, ESG funds attracted approximately \$1 billion in net inflows.⁷⁵

New ESG funds launched in FY22 include:

- the Perpetual ESG Australian Share Fund Exchange Traded Managed Fund (ETMF) (ASX:GIVE) that invests in Australian ethically and socially responsible companies and excludes companies or issuers based on certain ethical screens, including those that derive five per cent or more of their total revenue from fossil fuel exploration and production; and

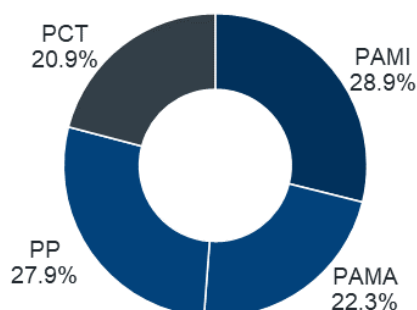
⁷⁵ Source: Perpetual FY22 Results Presentation, slide 6.

- three new global ESG funds in Europe (Trillium ESG Global Conviction Fund, Barrow Hanley Global ESG Value Equity Fund and Barrow Hanley Concentrated Emerging Markets ESG Fund), and authorising Trillium ESG Global Equity Fund.
- Two new UCITS sub-funds, the Trillium ESG Global Equity Fund and the Barrow Hanley US ESG Value Opportunities Fund, were launched in the first quarter of FY23.
- Perpetual was awarded the 'Alternative Investment Manager of the Year Award' at the Hedge Fund Rocks + Australian Alternative Investment Awards announced on 29 September 2022, which covers both PAMA and Perpetual Private businesses.

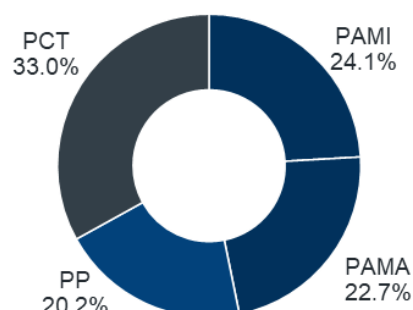
9.6 Composition of revenue and underlying profit before tax

The share of operating revenue and underlying profit before tax (UPBT) by segment in FY22 (excluding Group Support Services) is shown in the following charts.

FY22 Operating Revenue by Segment



FY22 UPBT by Segment



Source: Perpetual FY22 Operating and Financial Review.

Note: PP is Perpetual Private, PCT is Perpetual Corporate Trust.

In FY22, PAMI represented Perpetual's largest business by revenue (28.9%). Perpetual Corporate Trust has higher margins and represented only 20.9% of revenue but 33.0% of UPBT. Perpetual Private is relatively low margin and represented 27.9% of revenue but only 20.2% of UPBT.

9.7 Financial performance

9.7.1 Consolidated financial performance

The consolidated financial performance for Perpetual from FY19 to FY22 is summarised in the following table.

Perpetual Consolidated Financial Performance (\$ millions)

	FY19	FY20	FY21 ¹	FY22
Revenue excluding performance fees	510.6	487.1	619.9	750.3
Performance fees (PAMA, PAMI and PP) ²	3.5	3.4	20.7	17.4
Operating revenue	514.1	490.5	640.6	767.7
Operating expenses	(318.1)	(308.6)	(426.6)	(519.2)
EBITDA³	196.0	181.9	214.0	248.5
Depreciation & amortisation	(20.0)	(26.3)	(27.7)	(27.2)
Equity remuneration	(11.0)	(12.0)	(11.4)	(11.0)
Interest expense	(2.8)	(4.0)	(5.5)	(9.0)
Underlying profit before tax (UPBT)⁴	162.2	139.6	169.3	201.2
Tax expense	(46.2)	(41.0)	(46.6)	(53.0)
Underlying profit after tax (UPAT)⁴	115.9	98.6	122.8	148.2
Significant items (post tax) ⁵	-	(16.6)	(49.9)	(47.0)
Net profit after tax (NPAT)	115.9	82.0	72.9	101.2
Operating				
Average FUM (\$billion)	28.8	31.6	75.8	107.2
Average FUA (\$billion)	14.2	14.7	15.4	18.3
Closing Debt Market Services FUA (\$billion)	494.9	656.1	582.9	682.2
Closing Managed Funds Services FUA (\$billion)	269.7	285.8	339.9	410.1
Cost to income ratio ⁶	68.5%	71.5%	73.6%	73.8%
Growth				
Operating revenue growth	(3.7%)	(4.6%)	30.6%	19.8%
EBITDA growth	(13.7%)	(7.2%)	17.7%	16.1%
UPBT growth	(17.4%)	(13.9%)	21.3%	18.8%
UPAT growth	(16.6%)	(14.9%)	24.5%	20.7%
Profitability				
EBITDA margin on operating revenue	38.1%	37.1%	33.4%	32.4%
UPBT margin on operating revenue	31.6%	28.5%	26.4%	26.2%
UPAT margin on operating revenue	22.5%	20.1%	19.2%	19.3%

Source: Perpetual Annual Reports and Results Presentations (comparative period data if restated), Kroll analysis.

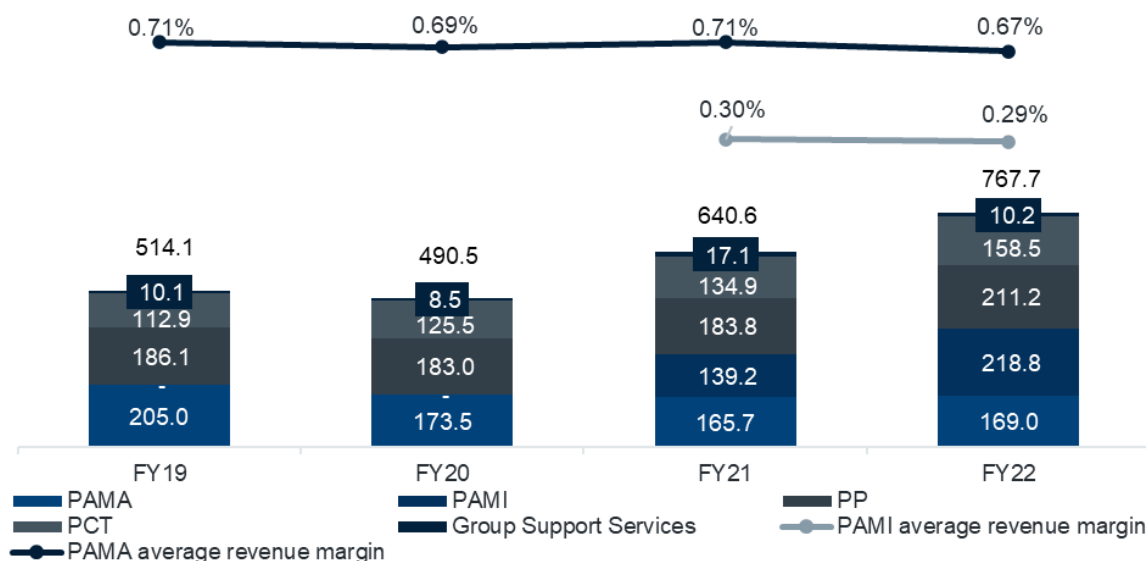
Notes:

1. FY21 results were restated following the change in accounting policy relating to Software-as-a-Service (Saas) costs.
2. Total performance fees were sourced from the commentary in the Perpetual Annual Reports (2022 page 73, 2021 page 73 and 2019 page 6). FY20 performance fees were restated in the FY21 Annual Report.
3. EBITDA is Earnings, Before, Interest, Tax, Depreciation and Amortisation of intangible assets, equity remuneration expenses, and significant items. Perpetual present EBITDA data by segment.
4. UPBT and UPAT represent Perpetual's measure of the results of the ongoing business of Perpetual as determined by the Board and management. They exclude certain items that are either significant by virtue of their size and impact on NPAT or are determined by the Board and management to be outside normal operating activities. Perpetual's financial reports note that UPAT has been calculated and presented in accordance with ASIC Regulatory Guide 230 – Disclosing non-IFRS financial information. The FY20 UPAT presented above is based upon the definition of UPAT as revised in FY21.
5. Further detail regarding the components of significant items is provided in the following commentary.
6. Perpetual have calculated the cost to income ratio as total expenses (operating expenses, depreciation and amortisation, equity remuneration and interest expense)/ operating revenue.

In relation to the consolidated financial performance for Perpetual from FY19 to FY22, we note:

- revenue is sensitive to a number of factors including the performance of FUM (in the case of PAMA and PAMI) and FUA (for Perpetual Private and Perpetual Corporate Trust); exposure to currency volatility; the impact and timing of inflows, outflows and distributions on FUM and FUA; and changes in pricing policy, channel and product mix;
- the allocation of operating revenue by segment and average revenue margins for PAMA and PAMI are shown in the following chart:

Operating Revenue by Segment, and PAMA and PAMI Average Revenue Margins



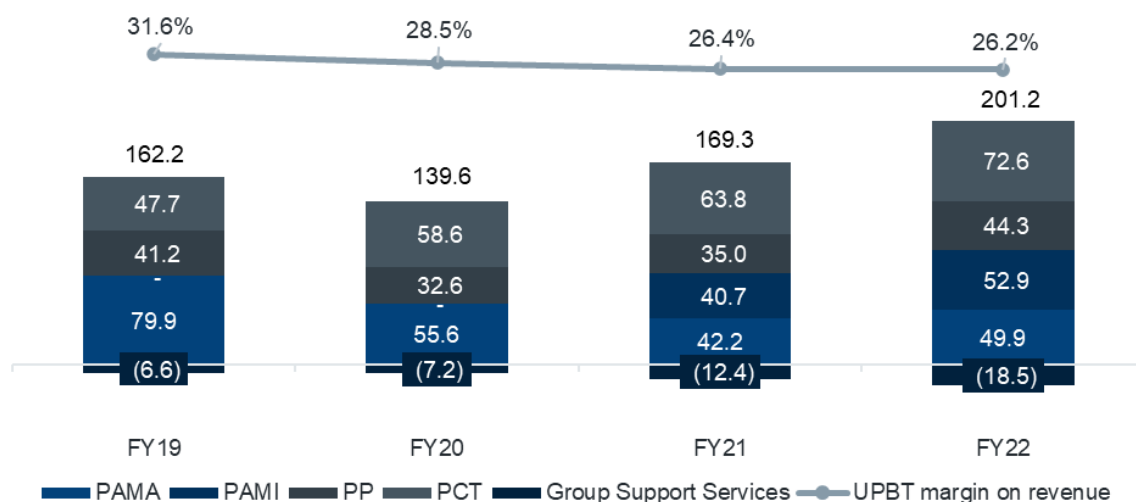
Source: Perpetual Annual Reports and Results Presentations.

Note: PP is Perpetual Private, PCT is Perpetual Corporate Trust.

- in FY20, Perpetual generated \$490.5 million in total operating revenue, which was 4.6% lower than FY19. Revenue was negatively impacted in that year by lower levels of FUM, driven by net outflows and prior period distributions within PAM, lower market related revenues due to the impact of the COVID-19 pandemic on global markets and slow-down in economic activity in the second half of FY20, and the impact of the low interest rate environment on Perpetual Private. The decrease in revenue was partially offset by growth within Perpetual Corporate Trust across DMS and MFS, and continued positive flows within Perpetual Private;
- Perpetual's operating revenue has increased significantly since FY20, growing by 30.6% in FY21 and 19.8% in FY22. Revenue growth was driven by the acquisitions of Barrow Hanley and Trillium, as well as higher average FUM due to higher equity markets and investment performance in FY21 and F22. Perpetual Private and Perpetual Corporate Trust have continued to grow revenue organically and through the acquisitions of Jacaranda and Laminar Capital. The increase in revenue was partially offset by the impact of net outflows in PAM, particularly within PAMA. As at 30 June 2022, PAMI was the largest segment of Perpetual by FUM and revenue;
- performance fees represent a relatively minor portion of total revenue. In FY22, Perpetual earned \$17.4 million in performance fees across PAMI, PAMA and Perpetual Private, primarily generated from Australian equities. FY20 and earlier disclosures of performance fees included PAMA only;
- total expenses and the cost to income ratio have increased due to the additional operating expenses of Barrow Hanley, Jacaranda and Laminar Capital, higher variable remuneration and continued investment in technology and headcount to support business growth. A review of Perpetual's operating model in FY20 led to some cost benefits;

- the allocation of UPBT by segment and UPBT margin are shown in the following chart:

Perpetual UPBT by Segment (\$ millions) and UPBT margin (%)



- Source: Perpetual Annual Reports and Results Presentations.
Note: PP is Perpetual Private, PCT is Perpetual Corporate Trust.
- whilst consolidated EBITDA and UPBT have grown since FY20, EBITDA and UPBT margins have compressed from 38.1% to 32.4% and 31.6% to 26.2% respectively from FY19 to FY22, reflecting the increased contribution of the asset management division, including in lower margin institutional mandates relative to the higher margin Perpetual Corporate Trust division.

Perpetual's significant items on a post-tax basis for FY19 to FY22 are set out as follows.

Perpetual Significant Items (Post-tax) (\$ millions)

	FY19	FY20	FY21 ¹	FY22
Transaction and integration costs²				
Trillium	-	(1.9)	(2.9)	(3.0)
Barrow Hanley	-	-	(28.8)	(16.8)
Other	-	-	(1.1)	(2.4)
Total transaction and integration costs	-	(1.9)	(32.8)	(22.2)
Other significant items				
Non-cash amortisation of acquired intangibles ³	-	(4.1)	(13.6)	(18.6)
Unrealised gains/ losses on financial assets ⁴	-	(1.0)	6.7	(10.9)
Accrued incentive compensation liability ⁵	-	-	(10.2)	4.7
Operating model review costs ⁶	-	(9.6)	-	-
Total other significant items	-	(14.7)	(17.1)	(24.8)
Total significant items (post tax)	-	(16.6)	(49.9)	(47.0)

Source: Perpetual Annual Reports and Results Presentations.

Notes:

- FY21 results were restated following the change in accounting policy relating to Software-as-a-Service costs.
- Transaction and integration costs relate to costs associated with the acquisition and establishment of Barrow Hanley, Trillium and other entities. Costs included professional fees, administrative and general expenses and staff costs related to specific retention and performance grants.
- Non-cash amortisation of acquired intangibles relates to the amortisation expense on intangible assets acquired through business combinations.
- Relates to unrealised mark to market gains and losses on Perpetual's Exact Market Cash Fund (**EMCF**), seed fund investments and financial assets held for regulatory purposes. The EMCF was established with the purpose of providing an exact return to investors. The National Australia Bank has provided the EMCF product with a guarantee to the value of \$3 million to be called upon in the event that Perpetual is unable to meet its obligations.
- The accrued incentive compensation liability reflects the value of employee-owned units in Barrow Hanley.

(notes continued)

6. In FY20, Perpetual undertook an operating model review and implementation across the organisation. The FY20 Annual report noted that the review led to cost savings of up to \$23 million on an annualised basis as at 30 June 2020 and created a nimbler and more efficient workforce.

Further detail in relation to the financial performance of each of Perpetual's operating segments is provided in the Section 9.10 of this report.

9.7.2 Shareholder returns

The consolidated shareholder returns for Perpetual from FY19 to FY22 is summarised as follows.

Perpetual Shareholder Returns

	FY19	FY20	FY21 ¹	FY22
Weighted average number of shares (millions)	46.2	46.9	55.5	56.4
Weighted average number of shares (diluted, millions)	47.1	47.8	56.2	57.3
Diluted EPS on UPAT (cents per share) ²	246.3¢	207.7¢	218.4¢	258.4¢
Diluted EPS on NPAT (cents per share) ²	246.3¢	172.8¢	129.6¢	176.5¢
Dividends (cents per share)	250.0¢	155.0¢	180.0¢	209.0¢
Franking rate (%)	100.0%	100.0%	100.0%	100.0%
Dividend payout ratio ³	100.4%	74.5%	83.0%	80.0%
Return on equity on UPAT ⁴	17.5%	15.0%	15.7%	16.2%
Return on equity on NPAT ⁴	17.5%	12.5%	9.3%	11.0%

Source: Perpetual Annual Reports and Results Presentations.

Notes:

1. FY21 results were restated following the change in accounting policy relating to SaaS costs.
2. Diluted EPS as per Perpetual's most recent Operating Financial Reviews and restated prior period comparatives, calculated using the weighted average number of ordinary shares and potential ordinary shares on issue. The weighted average number of ordinary shares used in FY21 and FY20 were adjusted retrospectively in accordance with AASB 133 Earnings per Share following the issues of new shares at a discount to market value during FY21.
3. Perpetual's dividend payout ratio has been calculated based upon dividends paid as a proportion of UPAT on ordinary fully paid shares at the end of each reporting period.
4. Perpetual's return on equity (ROE) has been calculated as an annualised rate of return based on actual results for each period, using the UPAT or NPAT attributable to equity holders of Perpetual for the period, divided by average equity attributable to equity holders, multiplied by the number of such calendar year periods to arrive at an annualised ROE.

Perpetual has an extensive dividend history with a dividend payout target ratio range of between 60% and 90% of UPAT on an annualised basis. Aggregate FY22 dividends of \$2.09 were fully franked, and represented a 16.1% increase on the prior year, reflecting strong growth in UPAT. In FY21 and FY22, the distribution payout ratio was at the upper end of the target range.

Perpetual offers ordinary shareholders in Australia and New Zealand the opportunity to acquire fully paid ordinary shares, without transaction costs as part of the company's Dividend Reinvestment Plan (DRP).

9.8 Financial position

Perpetual's financial position as at 30 June 2019, 2020, 2021 and 2022 are summarised in the following table.

Perpetual Financial Position (\$ millions)

	As at 30 June			
	2019	2020	2021 ¹	2022
Net structured products - EMCF ²	0.4	0.2	0.6	(1.4)
Receivables and other current assets	116.2	105.2	146.4	136.7
Payables, current provisions and other liabilities	(97.9)	(140.9)	(184.8)	(165.1)
Net working capital	18.6	(35.5)	(37.8)	(29.8)
Property, plant and equipment	26.6	89.5	91.1	77.8
Intangible assets	345.8	444.5	862.9	951.7
Other financial assets	69.7	80.7	150.4	152.0
Deferred tax assets	31.5	40.0	47.2	53.6
Accrued incentive compensation	-	-	(48.0)	(48.6)
Non-current employee benefits	(15.4)	(13.2)	(26.4)	(29.3)
Other assets and liabilities	(10.8)	(15.7)	(14.6)	(31.4)
Deferred tax liabilities	(16.2)	(17.4)	(15.6)	(14.9)
Total funds employed	449.7	572.9	1,009.2	1,081.1
Cash and cash equivalents	299.6	164.1	147.1	175.4
Interest bearing liabilities	(87.0)	-	(166.0)	(258.4)
Net debt (excluding lease liabilities)	212.6	164.1	(18.9)	(83.0)
Lease liability	-	(82.7)	(83.2)	(72.3)
Net debt (including lease liabilities)	212.6	81.5	(102.1)	(155.3)
Net assets	662.2	654.3	907.1	925.8
Equity attributable to Perpetual Shareholders	662.2	654.3	907.1	925.8
Statistics				
Current ratio	1.9	1.3	1.3	1.3
Number of shares at period end (million) ³	46.2	46.7	56.0	56.1
Net assets per share ⁴	\$14.33	\$14.01	\$16.20	\$16.50

Source: Perpetual Annual Reports and Results Presentations, Kroll analysis.

Notes:

1. FY21 results were restated following the change in accounting policy relating to SaaS arrangements.
2. EMCF assets totalled \$186.3 million and EMCF liabilities totalled \$187.7 million in FY22.
3. Net of treasury shares (651,437 in FY22, 615,080 in FY21, 673,858 in FY20).
4. Net assets per share is calculated as Net assets divided by the Number of shares at period end.

In relation to the financial position of Perpetual as at 30 June 2022, we note:

- the EMCF was established with the purpose of providing an exact return to investors utilising the Bloomberg AusBond Bank Bill Index (the benchmark index). Movement in the balances of EMCF assets and liabilities are due to the net movements in units on issue;
- Perpetual has had a negative net working capital balance of approximately \$34 million per annum over the last three years. Whilst current assets have exceeded current liabilities with an average current ratio of between 1.3 and 1.9 times between FY19 and FY22, additional funding has been required to cover current employee benefit liabilities, in particular short-term incentives (STI) and deferred STI (\$70.6 million in FY22, \$75.0 million in FY21, and \$38.5 million in FY20);
- property, plant and equipment are primarily comprised of ROU assets representing leased office premises with a net book value of \$58.6 million as at 30 June 2022 and leasehold improvements with a net book value of \$17.6 million. The remaining balance is comprised of plant and equipment and project work in progress. ROU assets and plant and equipment were impacted by foreign currency movements;

- the intangibles balance as at 30 June 2022 is primarily comprised of goodwill of \$616.7 million relating to Perpetual's acquisitions within each of the reporting segments. The remaining intangible asset balance includes \$241.8 million in customer contracts, \$25.4 million in project work in progress, \$21.3 million in capitalised software and \$46.5 million in other intangibles. The increase in the intangibles balance at 30 June 2022 was primarily due to the acquisition of Laminar Capital and Jacaranda Financial Planning during the year and foreign currency movements;
- other financial assets as at 30 June 2022 include \$89.8 million in unlisted unit trusts, \$50.2 million in listed equity securities, \$8.6 million in unlisted investment funds and \$3.4 million in debt securities. The \$8.6 million in unlisted investment funds represents an equity interest in an unlisted investment fund established to invest in assets primarily in the economic equity interest of multiple Collateralised Loan Obligation (CLO) transactions and connected warehouse facilities;
- accrued incentive compensation liability reflects the value of employee owned units in Barrow Hanley;
- non-current employee benefits are primarily comprised of provisions for long-term incentive plans and STI;
- lease liabilities of \$72.3 million are based upon fixed interest rates with 89.0% of the balance payable within the next five years; and
- in FY21 Perpetual issued 7,425,743 shares under an institutional share placement and a further 1,652,315 under a Share Purchase Plan (SPP) in order to fund the Barrow Hanley acquisition. Other movements in the number of Perpetual Shares on issue between FY19 and FY22 were for movements in treasury shares and to satisfy DRP requirements. Net Assets per share have increased as a result of retained earnings and accretive acquisitions.

9.8.1 Tax

As at 30 June 2022, Perpetual had a net deferred tax asset balance of \$38.7 million.

Deferred tax assets primarily relate to employee benefits and provisions and accruals, whilst deferred tax liabilities primarily relate to liabilities acquired in business combinations. The total tax benefits of realised capital losses as at 30 June 2022 were \$21.3 million, comprising \$3.0 million recognised in deferred tax assets and \$18.3 million not recognised in deferred tax assets.

These are net of realised tax capital gains and losses incurred in the current and/or prior year and are available to be utilised by the Australian income tax consolidated group in future years.

Perpetual's effective tax rate for FY22 was 26.3% (29.8% in FY21). The decrease relative to the legislated 30% is mainly due to the availability of carry-forward capital losses. It is also impacted by lower tax rates applicable to non-Australian jurisdictions.

9.8.2 Debt

Perpetual maintains a conservative balance sheet with low gearing levels. Current financing arrangements consist of a syndicated facility comprised of four facilities as summarised in the following table.

Perpetual's Financing Facilities as at 30 June 2022 (\$ millions)

Type	Issue Currency	Facility Limit	Interest rate	Undrawn (A\$)	Carrying Amount (A\$)	Maturity
Facility A1 (Multi-currency term loan)	US\$	117.0	LIBOR + margin			November 2023
Facility A2 (Multi-currency revolving loan facility)	US\$	78.0	LIBOR + margin			November 2023
Facility B (Multi-currency revolving loan facility)	A\$	100.0	BBSY + margin			November 2023
Facility C (Bank guarantee facility)	A\$	135.0	Flat rate			November 2023
Total				122.3	258.4	

Source: Perpetual Annual Reports and Results Presentations, Kroll analysis.

Facility A1 and A2 were utilised to fund the purchase of Barrow Hanley in FY21 and Facility B was drawn on during FY22 to fund the acquisitions of Jacaranda Financial Planning and Laminar Capital.

Perpetual relies on bank guarantees issued under Facility C to meet its regulatory capital requirements. \$132.4 million of bank guarantees have been issued under the syndicated facilities. The bank guarantees are not shown on the balance sheet.

All the facilities have a term of three years, expiring in November 2023. The syndicated facility is unsecured and had a weighted average floating interest rate of 2.05% as at 30 June 2022, including of the undrawn line fee (1.22% as at 30 June 2021). An additional \$122.3 million of debt facilities remain undrawn as at 30 June 2022.

The facility is subject to Perpetual meeting certain debt covenants including shareholder funds as a percentage of total assets, a maximum ratio of gross debt to EBITDA and a minimum interest cover. The consolidated entity complied with all the relevant covenants throughout FY22.

The current gearing policy aims to target an investment grade credit rating by maintaining a corporate debt to capital ratio (corporate debt/ (corporate debt + equity)) of 30% or less and EBIT interest cover (EBIT/interest expense) of more than ten times.

Perpetual's key debt metrics are set out as follows.

Perpetual's Debt Metrics

Debt Metrics	As at 30 June			
	2019	2020	2021	2022
Corporate Debt (\$ millions) ¹	87.0	-	170.3	260.8
Gearing (%) ²	11.6%	-	15.9%	22.0%
Interest coverage calculation for continuing operations (times) ³	59 x	33 x	21 x	34 x

Source: Perpetual Annual Reports and Results Presentations.

Notes:

1. Corporate debt represents the gross corporate debt excluding the offset of capitalised debt costs. The FY22 balance of Corporate debt excludes the offset of \$2.4 million of capitalised borrowing costs that have yet to be released to the profit and loss account.
2. Perpetual has calculated gearing as Corporate debt/(corporate debt + equity).
3. Perpetual have calculated interest coverage as EBIT/gross interest expense in accordance with banking covenants.

The Group uses a risk-based capital model to assess its capital requirements as part of its capital management strategy. The model requires capital to be set aside for operational, credit and market risk and any known capital commitments. As at 30 June 2022, total base capital requirements were \$41 million compared to \$314 million of available liquid funds.

9.8.3 Hedging

Where appropriate and in accordance with set investment guidelines, Perpetual enters into a variety of derivative financial instruments in the normal course of business to mitigate market exposures and hedge fluctuations in foreign exchange rates. Debt denominated in US\$ provides a natural hedge for US denominated business lines.

9.9 Cash flow

Perpetual's statement of cash flows from FY19 to FY22 is summarised as follows.

Perpetual Cash Flow (\$ millions)

	FY19	FY20	FY21 ¹	FY22
EBITDA²	196.0	181.9	214.0	248.5
Dividends received	0.2	0.1	0.1	0.5
Net interest received/ (paid)	4.1	(0.5)	(5.4)	(7.8)
Income taxes paid	(48.8)	(26.1)	(42.6)	(59.6)
Working capital and other adjustments ³	(18.8)	(5.5)	(45.5)	(10.7)
Net cash flows from operating activities	132.7	149.8	120.6	170.8
Lease financing costs	-	(14.1)	(15.2)	(14.4)
Capital expenditure	(20.0)	(13.6)	(13.7)	(15.0)
Free cash flow	112.7	122.2	91.7	141.4
Dividends paid	(123.4)	(105.3)	(72.4)	(112.4)
Repurchase of shares on market	(2.1)	(5.8)	(7.6)	(14.8)
Proceeds from issue of equity, net of transaction costs	-	-	270.1	-
Receipt from/ (repayment of) borrowings, net of transaction costs	-	(87.0)	169.2	75.0
Payment for acquisition of a business, net of cash acquired	(13.5)	(51.7)	(429.0)	(46.3)
Net investment in seed funds	5.7	(7.8)	(36.2)	(7.9)
Net cash generated/(used)	(20.7)	(135.4)	(14.2)	35.0
Opening cash and cash equivalents	320.2	299.6	164.1	147.1
FX impact on cash held	-	-	(2.8)	(6.7)
Net cash generated/(used)	(20.7)	(135.4)	(14.2)	35.0
Closing cash and cash equivalents	299.6	164.1	147.1	175.4
Statistics				
<i>Cash conversion ratio⁴</i>	<i>1.0</i>	<i>1.4</i>	<i>1.2</i>	<i>1.3</i>

Source: Perpetual Annual Reports and Results Presentations, Kroll analysis.

Notes:

1. FY21 results were restated following the change in accounting policy relating to SaaS costs.
2. EBITDA is Earnings, Before, Interest, Tax, Depreciation and Amortisation of intangible assets, equity remuneration expenses, and significant items.
3. Adjustments to reconcile EBITDA with net cash receipts from operating activities.
4. The cash conversion ratio has been calculated as (Net cash flow from operating activities/ (NPAT-Depreciation)).

In relation to the cashflows of Perpetual, we note:

- Perpetual generates cashflows broadly in line with profit and had a cash conversion rate of 1.3 to 1.4 times over the last three years. Strong operating cash flows were mainly used to fund capital expenditure and lease payments, dividends and the repurchase of Perpetual's treasury shares, held for employee share plans;
- acquisition activity and related expenditure has been funded by a combination of debt and equity. Debt funding was sourced from the syndicated facilities as discussed earlier in Section 9.8.2 of this report. Equity was issued in FY21 via an initial share placement and share purchase plan to fund the Barrow Hanley acquisition. Costs of \$5.0 million were offset against the fundraising proceeds of \$275.1 million; and
- net investment in seed funds relates to the funds established by Perpetual to incubate new investment strategies to build investment track records and develop asset management skills before releasing these new products to Perpetual investors.

9.10 Segment financial performance

9.10.1 Perpetual Asset Management Australia

The financial performance for PAMA from FY19 to FY22 is summarised in the following table.

PAMA Financial Performance (\$ millions)

	FY19	FY20	FY21	FY22
Base revenue ¹	201.5	170.4	147.6	157.2
Performance fees	3.5	3.1	18.1	11.8
Revenue	205.0	173.5	165.7	169.0
Operating expenses	(115.1)	(104.5)	(112.5)	(108.7)
EBITDA	89.9	69.0	53.2	60.3
Depreciation & amortisation	(2.6)	(6.4)	(5.3)	(5.5)
Equity remuneration	(7.3)	(6.8)	(5.7)	(4.8)
Interest expense	-	(0.1)	(0.1)	(0.1)
Underlying profit before tax (UPBT)	79.9	55.6	42.2	49.9
Significant items (pre tax) ²	-	(2.1)	0.9	(2.2)
Net profit before tax (NPBT)	79.9	53.5	43.1	47.7
Operating				
Closing FUM (\$billion)	27.1	22.8	24.7	21.3
Average FUM (\$billion)	28.8	25.0	23.5	25.1
Net flows (\$billion)	(4.3)	(2.6)	(2.8)	(1.9)
Cost to income ratio ³	61.0%	67.9%	74.6%	70.5%
Growth				
Revenue growth	(11.8%)	(15.4%)	(4.5%)	2.0%
EBITDA growth	(26.2%)	(23.2%)	(22.9%)	13.3%
UPBT growth	(29.0%)	(30.4%)	(24.1%)	18.2%
Profitability				
Average FUM revenue margin (bps)	71.0	69.0	71.0	67.0
Average FUM revenue margin excluding performance fees (bps)	70.0	68.0	63.0	63.0
EBITDA margin on revenue	43.9%	39.8%	32.1%	35.7%
UPBT margin on revenue	39.0%	32.0%	25.5%	29.5%

Source: Perpetual Annual Reports and Results Presentations, Kroll analysis.

Note:

1. Base revenue is calculated as the difference between reported revenue and reported performance fees
2. PAMA's significant items over the presented historical period primarily include unrealised gains/ losses on the Perpetual EMCF, seed fund investments and financial assets held for regulatory purposes (\$1.9 million in FY22 and a return of \$0.9 million in FY21), and transaction and integration costs (\$0.2 million in FY22).⁷⁶ A detailed breakdown of pre-tax significant items by operating segment is not available for FY20.
3. Perpetual's reported cost to income figures have been calculated as total expenses (operating expenses, depreciation and amortisation, equity remuneration and interest expense)/ operating revenue.

In relation to the financial performance of PAMA from FY19 to FY22, we note:

- PAMA revenue is generated by fees on FUM and non-FUM related asset products. FUM related revenue includes management and performance fees earned on Australian and Global equity products and on cash and fixed income products, and management fees for external funds on the WealthFocus platform. Non-FUM related revenue includes interest earned on operational bank accounts across the PAMA business;
- in FY22, Australian equities strategies generated \$10.6 million in performance fees in FY22, mainly from the Pure Equity Alpha and Pure Microcap funds. Total performance fees were \$6.3 million lower than in FY21;
- average FUM revenue margins in FY22 were 4 basis points lower as a result of the reduced performance fees. The underlying revenue margin excluding performance fees, however, remained in

⁷⁶ FY22 Annual Report page 96, FY21 Annual Report page 92

line with FY21, with the impact of prior year repricing being offset by a change in mix towards higher margin asset classes. The underlying average margins of 63 basis points in FY22 and FY21 were 5 basis points lower than in FY20, driven by a change in product mix towards lower margin products in cash and fixed income, and the impact of repricing;

- the increase in total expenses in FY21 was mainly due to higher variable remuneration driven by performance fees, and costs related to the transition of PAMA's custodian and administrator provider. The increase was partially offset by synergies resulting from the creation of PAMI and FY20 operating model benefits. The cost to income ratio in FY22 improved to 70.5% from 74.6% in FY21, driven by the higher average FUM and disciplined cost management, although the cost to income ratio is above the FY20 ratio of 67.9%; and
- overall, the EBITDA and UPBT has fluctuated between FY20 and FY22, largely due to the impact of net outflows on average FUM. The EBITDA and UPBT margins on revenue increased to 35.7% and 29.5% respectively in FY22.

9.10.2 Perpetual Asset Management International

The financial performance for PAMI in FY21 and FY22 is summarised in the following table.

PAMI Financial Performance (\$ millions)

	FY19	FY20	FY21	FY22
Base revenue ¹	-	-	137.2	219.1
Performance fees	-	-	2.0	(0.3)
Revenue	-	-	139.2	218.8
Operating expenses	-	-	(95.8)	(162.6)
EBITDA	-	-	43.4	56.2
Depreciation & amortisation	-	-	(1.7)	(2.3)
Equity remuneration	-	-	(0.4)	(0.4)
Interest expense	-	-	(0.6)	(0.6)
Underlying profit before tax (UPBT)	-	-	40.7	52.9
Significant items (pre tax) ²	-	-	(68.1)	(41.0)
Net profit before tax (NPBT)	-	-	(27.4)	11.9
Operating				
Closing FUM (\$billion)	-	5.6	73.6	69.1
Average FUM (\$billion)	-	-	45.6	74.4
Net flows (\$billion)	-	-	(3.9)	(5.0)
Cost to income ratio ³	na	na	70.8%	75.8%
Growth				
Revenue growth	na	na	na	57.2%
EBITDA growth	na	na	na	29.5%
UPBT growth	na	na	na	30.0%
Profitability				
Average FUM revenue margin (bps)	na	-	30.0	29.0
Average FUM revenue margin excluding performance fees (bps)	na	-	30.0	29.0
EBITDA margin on revenue	na	na	31.2%	25.7%
UPBT margin on revenue	na	na	29.2%	24.2%

Source: Perpetual Annual Reports and Results Presentations, Kroll analysis.

Notes:

- Base revenue is calculated as the difference between reported revenue and reported performance fees.
- PAMI's significant items since formation primarily include transaction and integration costs (\$27.0 million in FY22, \$42.1 million in FY21), non-cash amortisation of acquired intangibles (\$20.3 million in FY22, \$12.7 million in FY21), and accrued incentive compensation liabilities reflecting the value of employee-owned units in Barrow Hanley (\$13.3 million in FY21, receipt of \$6.4 million in FY22).⁷⁷

(notes continued)

⁷⁷ FY22 Annual Report page 96, FY21 Annual Report page 92

3. Perpetual's reported cost to income figures have been calculated as total expenses (operating expenses, depreciation and amortisation, equity remuneration and interest expense)/ operating revenue.

In relation to the financial performance of PAMI in FY21 and FY22, we note:

- PAMI revenue is generated by fees on FUM managed through Trillium and Barrow Hanley which are primarily US and Global equities, and Fixed income mandates;
- FY21 includes a full 12 month of Trillium performance, and just over seven months of Barrow Hanley following completion of the acquisition in mid-November 2020;
- performance fees represent a relatively minor portion of total PAMI revenue (\$2.0 million in FY21, - \$0.3 million in FY22);
- average FUM revenue margins have remained relatively stable since the acquisition of Barrow Hanley in FY21, at 29 to 30 basis points both including and excluding performance fees. The average revenue margins for PAMI are lower than PAMA due to the high portion of the FUM in institutional mandates;
- PAMI's expenses since being separately reported have included the Trillium and Barrow Hanley operating costs, and investment in the build out of global distribution capability in the United States, Europe and the United Kingdom and infrastructure to support growth in the business. The cost to income ratio increased from 70.8% in FY21 to 75.8% in FY22 largely due to the inclusion of a full 12 months of Barrow Hanley operations, the impact of exchange rates, the development of the CLO equity fund strategy to support in excess of US\$1 billion of CLOs, and investment in global distribution capability and infrastructure to support growth in the business; and
- overall, the EBITDA and UPBT from PAMI have grown with additional earnings contributed by Trillium and Barrow Hanley, offset by increasing investment costs. The EBITDA and UPBT margins in FY22 were 25.7% and 24.2% respectively.

9.10.3 Perpetual Private

The financial performance for Perpetual Private from FY19 to FY22 is summarised in the following table.

Perpetual Private Financial Performance (\$ millions)

	FY19	FY20	FY21	FY22
Market related revenue	120.4	122.1	126.7	153.0
Non-market related revenue	65.7	60.9	57.1	58.3
Revenue	186.1	183.0	183.8	211.2
Operating expenses	(132.0)	(135.3)	(134.2)	(151.5)
EBITDA	54.1	47.7	49.6	59.7
Depreciation & amortisation	(9.7)	(10.7)	(10.5)	(9.3)
Equity remuneration	(3.2)	(3.4)	(3.5)	(4.0)
Interest expense	-	(1.0)	(0.6)	(2.1)
Underlying profit before tax (UPBT)	41.2	32.6	35.0	44.3
Significant items (pre tax) ¹	-	(2.4)	(2.1)	(5.0)
Net profit before tax (NPBT)	41.2	30.1	33.0	39.2
Operating				
Closing FUA (\$billion)	14.8	14.3	17.0	17.4
Average FUA (\$billion)	14.2	14.7	15.4	18.3
Net flows (\$billion)	0.2	0.6	0.8	1.0
Cost to income ratio ²	77.9%	82.2%	81.0%	79.0%
Growth				
Revenue growth	(0.2%)	(1.7%)	0.4%	14.9%
EBITDA growth	(6.7%)	(11.8%)	4.0%	20.4%
UPBT growth	(10.6%)	(20.9%)	7.4%	26.5%
Profitability				
Market related revenue margin (bps)	85.0	83.0	82.0	84.0
Market related revenue margin excluding performance fees (bps)	na	83.0	82.0	80.0
EBITDA margin on revenue	29.1%	26.1%	27.0%	28.3%
UPBT margin on revenue	22.1%	17.8%	19.0%	21.0%

Source: Perpetual Annual Reports and Results Presentations, Kroll analysis.

Notes:

- Perpetual Private's significant items primarily include non-cash amortisation of acquired intangibles (\$2.9 million in FY22, \$2.1 million in FY21) and other transaction and integration costs (\$2.2 million in FY22).⁷⁸ As noted in Section 9.10.1 of this report, a detailed breakdown of pre-tax significant items by operating segment is not available for FY20.
- Perpetual's reported cost to income figures have been calculated as total expenses (operating expenses, depreciation and amortisation, equity remuneration and interest expense)/ operating revenue.
 - In relation to the financial performance of Perpetual Private from FY19 to FY22, we note:
 - Perpetual Private generates revenue from market related and non-market related sources. Market related revenue includes management and performance fees earned on Perpetual Private's managed funds and represents 72.4% of total Perpetual Private revenue in FY22, up from 66.7% in FY20. Non-market related revenue includes fees for advisory services generated by Fordham, Priority Life and Jacaranda;
 - market related revenue grew by 3.8% in FY21 and 20.8% in FY22 due to higher average equity markets and positive net flows in both years. Growth in FY21 was partially offset by legacy product pricing and lower fiduciary income fees. Growth in FY22 was boosted by the strong performance of the portfolio, including Jacaranda, and receipt of performance fees;
 - non-market related revenue fell by 6.2% in FY21 but grew by 2.1% in FY22. Performance in FY21 was impacted by lower interest rates and the economic slow-down on Fordham and transactional revenue, partially offset by the Priority Life acquisition in November 2021. An uplift in Fordham

⁷⁸ FY22 Annual Report page 96, FY21 Annual Report page 92

together with higher insurance revenue through Priority Life boosted non-market revenue growth in FY22, partially offset by a continued low interest rate environment and legacy product closure;

- Perpetual Private's market related revenue margins have ranged between 82 basis points in FY21 and 84 basis points in FY22, including performance fees. The FY22 market related revenue margin excluding performance fee was 82 basis points;
- performance fees have not been separately disclosed for Perpetual Private;
- whilst Perpetual Private's total expenses decreased by 1.1% in FY21 due to operating model benefits and lower remediation costs relating to legacy matters, total expenses increased by 12.2% in FY22 due to the acquisition of Jacaranda, continued investment in growth initiatives and technology, and higher variable remuneration. The cost to income ratio fell from 82.2% in FY20 to 79.0% in FY22; and
- overall, the EBITDA and UPBT from Perpetual Private has grown from FY20 to FY22, mainly driven by higher market related revenue. The EBITDA and UPBT margins grew to 28.3% and 21.0% respectively in FY22. NPBT in FY22 however remains below NPBT in FY19.

9.10.4 Perpetual Corporate Trust

The financial performance for Perpetual Corporate Trust from FY19 to FY22 is summarised as follows.

Perpetual Corporate Trust Financial Performance (\$ millions)

	FY19	FY20	FY21	FY22
Debt Market Services	61.6	69.9	62.4	68.7
Managed Funds Services	51.3	55.6	59.8	70.3
Perpetual Digital	-	-	12.6	19.5
Revenue	112.9	125.5	134.9	158.5
Operating expenses	(56.6)	(58.2)	(60.9)	(75.4)
EBITDA	56.3	67.3	74.0	83.1
Depreciation & amortisation	(7.5)	(7.1)	(8.6)	(8.0)
Equity remuneration	(1.0)	(1.0)	(1.2)	(1.8)
Interest expense	(0.2)	(0.5)	(0.4)	(0.7)
Underlying profit before tax (UPBT)	47.7	58.6	63.8	72.6
Significant items (pre tax) ¹	-	(3.5)	(3.5)	(2.7)
Net profit before tax (NPBT)	47.7	55.2	60.3	69.9
Operating				
Closing FUA (\$b) - Debt Market Services	494.9	656.1	582.9	682.2
Closing FUA (\$b) - Managed Funds Services	269.7	285.8	339.9	410.1
Cost to income ratio ²	57.8%	53.2%	52.7%	54.2%
Growth				
Revenue growth	9.3%	11.2%	7.5%	17.5%
EBITDA growth	12.4%	19.5%	10.0%	12.3%
UPBT growth	11.9%	22.9%	8.9%	13.8%
Profitability				
EBITDA margin on revenue	49.9%	53.6%	54.9%	52.4%
UPBT margin on revenue	42.2%	46.7%	47.3%	45.8%

Source: Perpetual Annual Reports and Results Presentations, Kroll analysis.

Notes:

1. Perpetual Corporate Trust's significant items primarily include transaction and integration costs (\$0.5 million in FY22, \$0.1 million in FY21) and non-cash amortisation of acquired intangibles (\$2.2 million in FY22 and \$3.5 million in FY21).⁷⁹ As noted in Section 9.10.1 of this report, a detailed breakdown of pre-tax significant items by operating segment is not available for FY20.
2. Perpetual's reported cost to income figures have been calculated as total expenses (operating expenses, depreciation and amortisation, equity remuneration and interest expense)/ operating revenue.

In relation to the financial performance of Perpetual Corporate Trust from FY19 to FY22, we note:

⁷⁹ FY22 Annual Report page 96, FY21 Annual Report page 92

- DMS revenue in FY19 and FY20 included revenue from Perpetual's existing digital businesses, now part of Perpetual Digital (a retrospective allocation to Perpetual Digital is not available). DMS revenue has increased since FY19 driven by underlying growth in the securitisation portfolio from new and existing clients particularly from RMBS non-bank and ABS clients, higher document custody volumes and additional new clients in trust management;
- MFS revenue has also grown since FY19 driven by continued market activity within commercial property and managed investment funds segments and growth from both local and overseas clients for custodian and responsible entity solutions, supported by higher asset prices;
- the Perpetual Digital revenue in FY22 was driven by the acquisition of Laminar Capital together with continued growth from new and existing products;
- total Perpetual Corporate Trust expenses increased between FY20 and FY21 to support increased client volumes, with higher variable remuneration and investment in digital platforms. In FY22, the increase in expenses was driven by higher employment and technology costs to support business growth, new digital solutions to meet regulatory requirements, together with the operating expenses of Laminar Capital. The cost to income ratio increased slightly to 54.2% from approximately 53.0% in prior years with the acquisition of Laminar Capital; and
- overall, the EBITDA and UPBT from Perpetual Corporate Trust has grown since FY20, driven by organic and inorganic growth. The EBITDA and UPBT margins grew to 52.4% and 45.8% respectively.

9.10.5 Group Support Services

The financial performance for Group Support Services from FY19 to FY22 is summarised in the following table.

Group Support Services Financial Performance (\$ millions)

	FY19	FY20	FY21 ¹	FY22
Interest income	6.3	3.1	0.4	0.3
Other income	3.8	5.4	16.7	9.9
Revenue	10.1	8.5	17.1	10.2
Operating expenses	(14.4)	(10.6)	(23.3)	(21.0)
EBITDA	(4.3)	(2.1)	(6.2)	(10.9)
Depreciation & amortisation	(0.2)	(2.1)	(1.7)	(2.1)
Equity remuneration	0.5	(0.7)	(0.7)	(0.1)
Interest expense	(2.6)	(2.4)	(3.9)	(5.5)
Underlying profit before tax (UPBT)	(6.6)	(7.2)	(12.4)	(18.5)
Significant items (pre tax) ²	-	(15.0)	7.3	(13.1)
Net profit before tax (NPBT)	(6.6)	(22.2)	(5.1)	(31.6)

Source: Perpetual Annual Reports and Results Presentations, Kroll analysis.

Notes:

1. FY21 as a prior periods comparative has been restated due to a change in accounting policy on the treatment of SaaS costs.
2. Significant items primarily relate to unrealised gains and losses on financial assets.

In relation to the financial performance of Perpetual Corporate Trust from FY19 to FY22, we note:

- Group Support Services invest the Group's cash holdings and principal investments. The increase in revenue in FY21 was driven by higher distribution income received from unit trust investments held for investing in product (IIP), unrealised gains on IIP, and seed fund investments, partially offset by lower interest income. The decrease in FY22 was driven by movement in the IIP portfolio and lower distribution income; and
- total expenses increased in FY21 due to distributions on employee-owned units in Barrow Hanley, additional expenses relating to consolidated seed funds in connection with acquisitions, higher variable remuneration and higher interest expense. In FY22 lower variable remuneration and disciplined cost management across support areas led to a slight reduction in total expenses.

9.11 Capital structure and ownership

Perpetual had the following securities on issue as at 16 November 2022:⁸⁰

- 57,308,133 fully paid ordinary shares, including 651,437 treasury shares; and
- 1,872,301 performance rights.

9.11.1 Ordinary shareholders

As at 3 August 2022, Perpetual had 23,689 registered shareholders. The top 20 registered shareholders accounted for 47.9% of shares on issue and mainly included institutional nominees. Retail investors (investors holding less than 10,000 shares) accounted for 98.7% of shareholders and 41.3% of shares on issue.⁸¹

Since the announcement of the Transaction, Citigroup Global Markets, JPMorgan Chase & Co and UBS Group AG have become substantial shareholders. Perpetual has received notices from the following substantial shareholders.

Perpetual Substantial Shareholders as at 16 November 2022

Substantial securityholder	Date of notice	Number of securities	Percentage ¹
Citigroup Global Markets Australia and related entities	24 October 2022	5,258,883	9.18%
State Street Corporation and its subsidiaries	9 August 2022	4,392,882	7.75%
JPMorgan Chase & Co. and its affiliates	16 November 2022	3,828,776	6.67%
Blackrock Inc. and its subsidiaries	10 December 2020	3,742,578	6.62%
UBS Group AG and its related bodies corporate	27 October 2022	2,971,296	5.18%
Vanguard Group and its controlled entities	10 May 2022	2,836,386	5.00%

Source: Substantial shareholder notices, ASX Limited.

Notes:

1. As at the date of notice.

9.11.2 Share Rights and Performance Rights

Perpetual operates a Long-term Incentive Plan (**LTIP**) under which share rights and performance rights are granted to Executive and eligible employees:

- Share Rights are issued around September each year following the set performance period and have a two-year vesting period. If vesting conditions are met, Share Rights are converted to Restricted Shares on a one share for one Share Right basis. Restricted Shares are then held for a further two years; and
- Performance Rights are granted to eligible employees under the Hurdled Equity component of the Executive Variable Incentive Plan, which is subject to performance hurdles of absolute total shareholder return and awarded equally over three to four years.

Share Rights and Performance Rights do not receive dividends or have voting rights until they have vested and have been converted into Perpetual Shares. Perpetual intend for the vested rights to be settled with available treasury shares.

As at 30 June 2022, 1,142,900 rights were outstanding, and the proportion of unvested shares and Performance Rights (excluding unallocated shares as a result of forfeitures) held in Perpetual's employee share plans as a percentage of issued shares was 2.5%. A summary of the rights outstanding at 30 June 2022 is provided in the following table.

⁸⁰ The balance of ordinary shares and performance rights are as per Appendix 3B Announcement on 7 November 2022. The balance of treasury shares is as per the FY22 Annual Report.

⁸¹ Sourced and calculated from the Perpetual 2022 Annual Report, page 170

Perpetual Rights Outstanding at 30 June 2022

Grant Date	Vest Date	Expiry Date	Hurdle	Issue Price	Total Outstanding at 30 June 2022
Oct 2017	Oct 2020	Sep 2032	Non TSR	\$ 44.64	2,989
Jul 2018	Sep 2021	Sep 2034	Non TSR	\$ 28.70	44,864
Jul 2018	Sep 2022	Sep 2034	TSR	\$ 8.22	5,276
Jul 2018	Oct 2022	Oct 2034	Non TSR	\$ 31.53	11,131
Jul 2018	Sep 2023	Sep 2034	TSR	\$ 8.40	5,275
Sep 2018	Sep 2020	Sep 2033	Non TSR	\$ 37.03	30,951
Oct 2018	Oct 2021	Oct 2033	Non TSR	\$ 34.97	140,416
Jul 2019	Sep 2023	Sep 2035	TSR	\$ 12.30	52,034
Jul 2019	Sep 2024	Sep 2035	TSR	\$ 12.63	52,031
Oct 2019	Oct 2022	Oct 2034	Non TSR	\$ 31.53	157,766
Oct 2019	Oct 2023	Oct 2030	Non TSR	\$ 23.82	284,912
Jul 2020	Sep 2023	N/A ¹	Non TSR	\$ 33.72	56,701
Jul 2020	Sep 2024	N/A ¹	Non TSR	\$ 19.93	28,349
Jul 2020	Sep 2025	N/A ¹	Non TSR	\$ 16.88	28,349
Oct 2021	Oct 2024	N/A ¹	Non TSR	\$ 32.66	237,210
Dec 2021	Dec 2024	N/A ¹	Non TSR	\$ 34.43	4,646
Total					1,142,900

Source: Perpetual FY22 Annual Report.

Note:

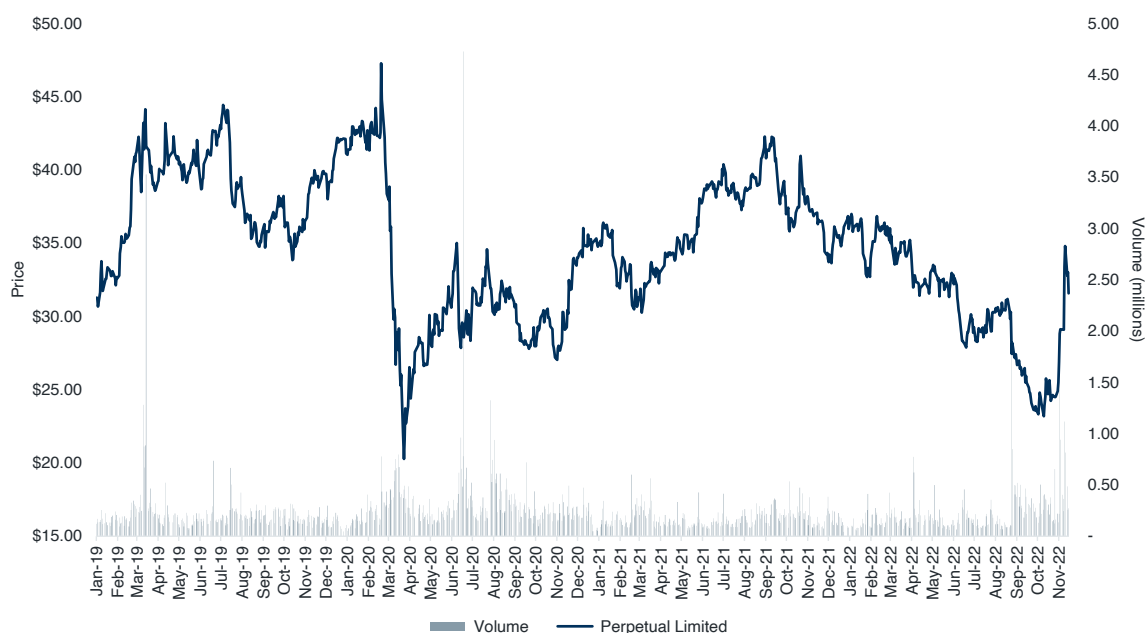
1. Rights either vest or are forfeited on the vesting date, hence there is no expiry date.

9.12 Share price performance

9.12.1 Recent share market trading

The trading price and volume of Perpetual Shares from 2 January 2019 to 16 November 2022 follows.

Perpetual Trading Price and Volume per share



Source: S&P Capital IQ, Kroll analysis.

The Perpetual share price performed strongly from January 2019 until around July 2019, before declining to a low of \$33.89 on 15 October 2019. Perpetual's share price was negatively impacted by its June quarter 2019 business update on 15 July 2019 which showed net outflows of \$1.1 billion during the quarter.

The Perpetual share price subsequently recovered and closed at a high of \$47.27 on 20 February 2020, following the announcement that Perpetual would acquire Trillium on 31 January 2020. The market-wide sell-off in response to the COVID-19 pandemic commenced shortly after, resulting in the Perpetual share price declining to close at a low of \$20.27 on 24 March 2020.

The Perpetual share price recovered from late March 2020 until September 2021, albeit with significant volatility. Key events during the period include Perpetual's acquisition of 75.0% of Barrow Hanley for US\$319 million announced on 27 July 2020 and the March quarter 2021 and June quarter 2021 business updates. This period of share price recovery coincided with a recovery of both the market as a whole and the S&P/ASX 200 Financial Sector Index.

From the closing high of \$42.27 on 31 August 2021, the Perpetual share price declined by 19.0% to close at \$34.23 on 1 April 2022, the last trading day before the announcement of the Indicative Proposal. The decline over this period likely reflects:

- reductions in FUM resulting from:
 - net outflows in PAMI of \$1.9 billion during December Quarter 2021, \$1.0 billion during March Quarter 2022 and \$2.1 billion June Quarter 2022;⁸²
 - net outflows in PAMA of \$1.9 billion during June Quarter 2022⁸³ (partially offset by minor net inflows during the December and March Quarters 2022); and
 - negative equity market movements from 2022 onwards, particularly in international equity markets, which acted as a headwind to FUM. Equity markets have been negatively impacted by rising risk-free rates as central banks including those in Australia and the United States have increased interest rates.
- the negative re-rating of fund management companies in Australia due to adverse cyclical and structural trends as discussed in Section 7.2.2 of this report.

The degree of decline may have been mitigated by:

- positive performance of the Corporate Trust as described in Sections 9.3.5 and 9.10.4 of this report;
- increased exposure of Perpetual to relatively higher growth ESG investment products following the acquisition of Trillium; and
- relative outperformance of and fund inflows into value strategies in 2022.

In the month prior to the announcement of the Indicative Proposal on 4 April 2022, the Perpetual share price traded in the range of \$33.53 to \$35.74, at a VWAP of \$34.62.⁸⁴

The performance of Perpetual Shares since the announcement of the Indicative Proposal on 4 April 2022 is discussed further in Sections 12.3.1 and 12.3.2 of this report.

9.12.2 Relative share price performance

Perpetual is a member of several indices including the S&P/ASX All Ordinaries Index (0.07% weighting), ASX 200 Index (0.07% weighting) and ASX 200 Financials Sector Index (0.29% weighting).⁸⁵

The relevant indices chosen for comparative purposes are the S&P/ASX 200 Index and the Comparable Companies Index. The performance of Perpetual relative to these indices from January 2020 until 16 November 2022 is illustrated as follows.

⁸² Source: Perpetual Second Quarter 2022 Business Update on 27 January 2022, Perpetual Third Quarter 2022 Business Update on 21 April 2022, Perpetual Fourth Quarter 2022 Business Update on 25 July 2022.

⁸³ Source: Perpetual Fourth Quarter 2022 Business Update on 25 July 2022.

⁸⁴ Source: S&P Capital IQ. Period 2 March 2022 to 1 April 2022.

⁸⁵ Source: S&P Capital IQ. As at 16 November 2022.

Perpetual Share Price Performance Relative to Indices



Source: S&P Capital IQ, Kroll analysis.

The Perpetual share price outperformed the ASX 200 Index and broadly tracked the Comparable Companies Index from January 2019 until June 2019, following which Perpetual's share price began to underperform the Comparable Companies Index, likely reflecting net outflows of \$1.1 billion and \$1.8 billion during June Quarter 2019 and September Quarter 2019, respectively.

Perpetual's share price and the Comparable Companies Index declined by more than the market in response to the COVID-19 pandemic-related sell-off which began in February 2020, possibly reflecting the tendency of fund managers to be levered to movements in equity markets and investor beliefs that the market sell-off would reduce FUM and/or lead to fund outflows.

The Perpetual share price and the ASX 200 Index underperformed the Comparable Companies Index when the market recovered in March to June 2020. From June 2020 until July 2021, Perpetual's share price broadly tracked the Comparable Companies Index.

From July 2021, the Comparable Companies Index began to significantly underperform the ASX 200 Index, driven by underperformance of constituents Magellan and Platinum (as described in Section 8.14.2 of this report). The Perpetual share price did not decline significantly until September 2021 and has declined by less than the Comparable Companies Index.

9.12.3 Perpetual Liquidity

An analysis of the volume of trading in the Perpetual Shares, including the VWAP for various periods up to 1 April, the day before the announcement of the Indicative Proposal, is set out as follows.

Perpetual Liquidity to 1 April 2022

Period	Low	Price (\$) High	VWAP	Cumulative value (\$ million)	Cumulative volume (\$ million)	Percentage of issued capital
1 day	34.11	34.67	34.34	2.8	0.1	0.1%
1 week	34.11	35.48	34.72	21.3	0.6	1.1%
1 month	33.53	35.74	34.62	126.7	3.7	6.5%
3 months	31.96	37.42	35.03	340.5	9.7	17.4%
6 months	31.96	41.37	35.84	754.2	21.0	37.6%
12 months	31.96	42.45	36.26	1,520.8	41.9	74.4%

Source: S&P Capital IQ, Kroll analysis.

In the 12 months to 1 April 2022, 74.4% of Perpetual Shares were traded and in the 12 months to 24 August 2022, 78.5% of Perpetual Shares were traded. This level of trading indicates that Perpetual Shares are liquid.

10 Profile of the Combined Group

10.1 Overview

The combination of Pental and Perpetual to form the Combined Group brings together two highly complementary businesses that will create a global funds manager with greater scale, a global distribution network, diversified investment strategies, and strengthened ESG capabilities. The Transaction also brings together Pental and Perpetual's experienced management teams, fostering a culture of collaboration in a unified, global multi-boutique model, while also allowing for autonomy and independence amongst investment teams. The combination of the businesses positions the Combined Group for global growth and expansion of investment capabilities, while driving cost efficiencies, which will enhance shareholder value.

The Combined Group will create a global multi-boutique asset manager with \$194.3 billion in FUM, \$1.4 billion in revenue, seven boutique brands, and over 100 investment strategies. The Combined Group will maintain considerable exposure to Australian and International investment revenue streams, while also having exposure to non-market linked revenue and earnings through Perpetual Corporate Trust and Perpetual Private, which historically have been stable, scalable and capital light business segments. Given that Perpetual Corporate Trust and Perpetual Private generate non-market linked revenues, these businesses are expected to allow the Combined Group to leverage stable earnings and a strengthened balance sheet to invest in growth that wouldn't necessarily be possible as a standalone funds management business.

The transaction will also enhance capabilities in ESG investing, with Trillium and Regnan offering complementary ESG capabilities and \$15 billion in dedicated ESG FUM which has been growing strongly in recent years.⁸⁶

Should the Transaction be implemented and all New Perpetual Shares distributed to Pental Shareholders as intended, Pental Shareholders will collectively hold up to 49.1% of the Combined Group and existing Perpetual Shareholders will collectively hold at least 50.9% of the Combined Group (refer to Section 7.6 of the Scheme Booklet). To the extent that Pental Shareholders receive the New Perpetual Shares, they will gain exposure to the investment characteristics of the Combined Group, such as enhanced scale and efficiencies, including synergies, access to a significantly expanded customer base, diversified market risk, and additional cross-selling opportunities.

A detailed description of the profile of the Combined Group following the Scheme is set out in Section 7 of the Scheme Booklet.

10.2 Corporate strategy

The Transaction will create a global multi-boutique asset management business with greater scale and a strong presence across major markets, with capacity for strong growth. The strategy of the Combined Group will be consistent with the strategies employed by both Pental and Perpetual, and the multi-boutique model will bring together the best elements of both the pure boutique model and the traditional institutional model.

In Section 7.5 of the Scheme Booklet, Perpetual has stated that if the Scheme is implemented, the strategy of the Combined Group will be to:

- maintain strong momentum across each segment with a disciplined operating and investment model;
- maintain the autonomy and independence of key investment teams and continue to build out the multi-boutique model;
- invest in the build out of the Combined Group's global distribution capability to provide deeper coverage in key markets;

⁸⁶ Source: Perpetual Acquisition of Pental Group Presentation.

- expand capability set to offer the most contemporary products across all key markets and channels;
- continue to integrate and build out global ESG capabilities across the asset management boutiques and deliver the best investment solutions to their respective clients;
- increased investment in digital capabilities across the Combined Group to enable scale, support the client experience and solidify Perpetual's position in key segments;
- leverage the Combined Group balance sheet to explore attractive acquisitions to enhance product offering and client value proposition;
- grow Perpetual's presence in key geographic market segments and explore opportunities to increase exposure in regions that are currently underserved by the Combined Group; and
- use the Combined Group's seed capital efficiently to identify and seed new contemporary strategies in which the Combined Group is currently underweight in.

Once the Scheme is implemented, it is anticipated that the Combined Group will operate and will trade under the following segments:

- **PAMA** – which will include the Australian-based investment teams and business management functions, excluding the Pandal Australian equities team which will operate separately. All teams will apply their pre-existing investment processes, and will benefit from a strengthened distribution capability and integrate the Combined Group's global ESG investing capabilities. While the asset management business will operate according to current operations, the Australian corporate support activities are expected to merge;
- **Perpetual Asset Management United States (PAMUS)** – this segment will cover the Barrow Hanley, Trillium and TSW boutiques, and will include US based operations and distribution functions;
- **Perpetual Asset Management Europe and UK (PAMEUK)** – this segment will cover asset management functions including the JOHCM European, UK and Asian operations, as well as management of Regnan;
- **Perpetual Corporate Trust** – is not expected to be materially impacted by the transaction and will continue to operate in line with current operations; and
- **Perpetual Private** – is not expected to be materially impacted by the transaction and will continue to operate in line with current operations.

10.2.1 Brands, investment strategies and products

As part of the Combined Group's global multi-boutique model, Perpetual has advised that it will maintain seven boutique asset management brands, with each brand retaining its investment autonomy and independence.

Combined Group Brands, Investment Strategies and Products

Brand	FUM	Investment Strategy and Products
Barrow Hanley	\$60.3 billion	<ul style="list-style-type: none"> Value-focused investment strategies Global equities and fixed income
JOHCM	\$39.5 billion	<ul style="list-style-type: none"> Growth-focused investment strategies Assets across a range of global and regional equity, and a multi-asset
Pendal	\$38.0 billion	<ul style="list-style-type: none"> High-conviction, core style active management Australian equities and listed property, Australian and international fixed interest, global equities, multi-asset portfolios, and alternative investments
PAMA	\$21.3 billion	<ul style="list-style-type: none"> Dynamic, active management, with specialist value style strategies Australian and global equities, credit, fixed income, multi-asset, ESG
Regnan	<i>Included in JOHCM</i>	<ul style="list-style-type: none"> Responsible funds management, delivering innovative sustainable and impact investment solutions ESG style is thematic and impact investing and engagement Seeks to deliver long-term value through systemic risk and RSG analysis
Trillium	\$8.2 billion	<ul style="list-style-type: none"> Sustainable investment management strategies and products Impact driven, ESG focused, active management ESG style is shareholder advocacy and integrated ESG investing Equity, fixed income and alternative investments
TSW	\$27.0 billion	<ul style="list-style-type: none"> Fixed income, US Large/Mid/Small-Mid, international, international small cap equity

Source: Scheme Booklet, Kroll analysis.

The combination of the Perpetual and Pendal businesses brings together highly complementary investment capabilities differentiated by investment style. Both firms manage assets in the same asset sector, but in each case where there is an overlap, the two businesses generally manage their assets in a different style. This differentiation brings increased diversification and also means that each boutique will rarely compete for clients and FUM, and where they may, the distribution of those capabilities will be segregated.

Investment Style

Asset Class	Perpetual	Pendal
Australian equities	Value-style	Core-style
Australian fixed income	Credit focused	Rates driven
International equities (ex-US)	Value-style	Core and relative value
US equities	Value-style	Core and value
ESG investing	Shareholder advocacy and integrated ESG investing	Thematic and Impact investing, shareholder engagement

Source: Scheme Booklet.

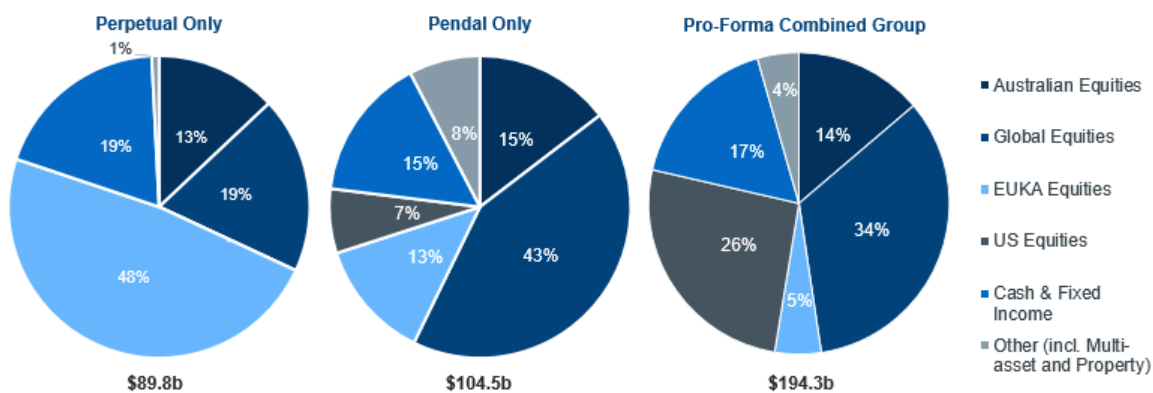
Perpetual's investment style is focused on value investing, which involves identifying shares that the market appears to be undervaluing and are trading at a discount relative to the company's underlying or intrinsic value, whereas Pendal's core investment style aims to select shares based on their long-term worth and ability to outperform the market, without a predetermined growth or value bias.

10.3 Scale and diversification

Relative to Pendal, the Combined Group's FUM will be more diversified by asset class and domicile. The greater diversification will also reduce exposure to any particular customer or fund manager, thereby reducing the risk to earnings.

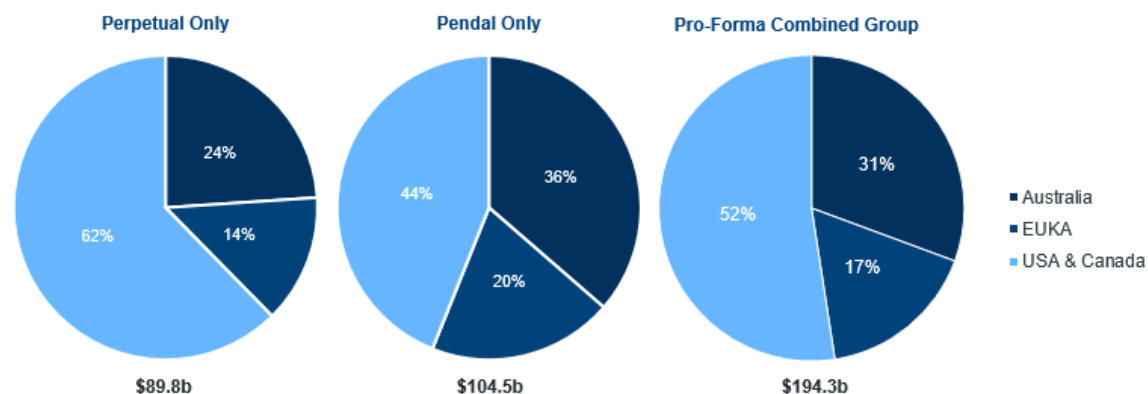
10.3.1 FUM by Asset Class and Client Domicile for the Combined Group

FUM by Asset Class for the Combined Group as at 30 September 2022



Source: Scheme Booklet, Kroll analysis.

FUM by Client Domicile for the Combined Group as at 30 September 2022⁸⁷



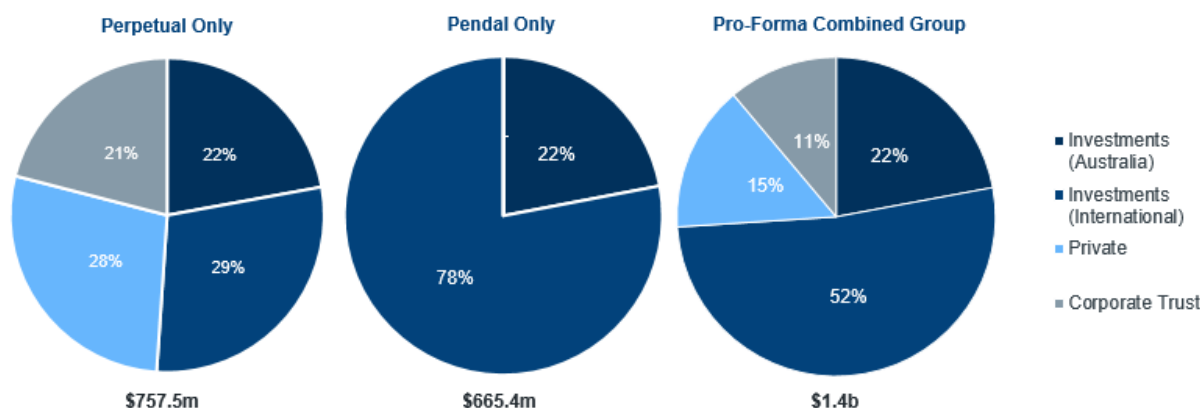
Source: Scheme Booklet, Kroll analysis.

⁸⁷ EUKA includes Europe, UK and Asia; Australia includes Australia and New Zealand. Pandal cash FUM is classified as Australia.

10.3.2 Contribution by segment for the Combined Group

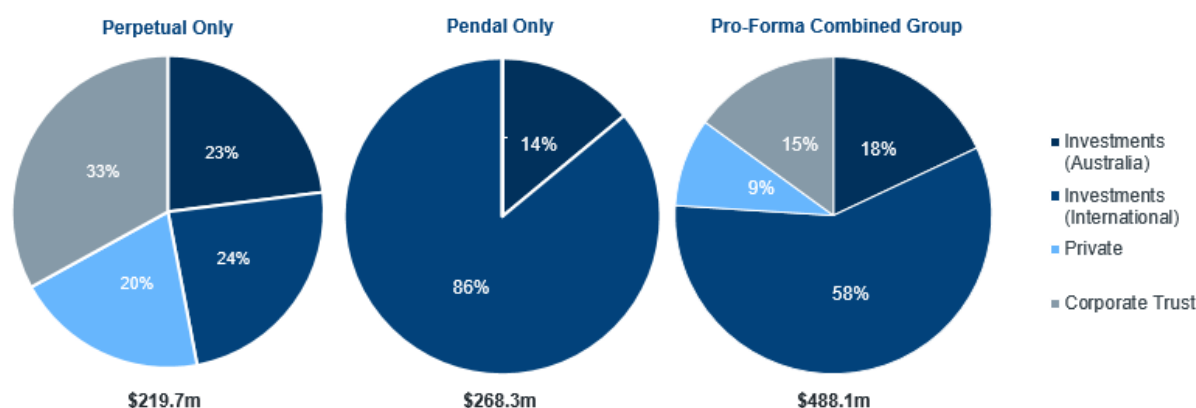
Relative to Pental, the Combined Group will have more diversified sources of revenue and UPBT. In particular, Pental Shareholders who receive New Perpetual Shares will have an exposure to Perpetual's relatively stable, non-market linked revenue and earnings of Perpetual Corporate Trust and Perpetual Private (approximately 25% of revenue and UPBT). These businesses have experienced strong growth and are relatively scalable and capital light.

Revenue by Segment for the Combined Group as at 30 June 2022⁸⁸



Source: Scheme Booklet, Kroll analysis.

UPBT by Segment for the Combined Group as at 30 June 2022⁸⁹



Source: Scheme Booklet, Kroll analysis.

10.4 Cost synergies and implementation costs

Perpetual estimates annual net run-rate pre-tax cost synergies to be approximately \$60 million per annum, excluding integration and other one-off costs. It is expected that these synergies will be realised by the end of the second year post completion on an annualised basis, with 50% to be achieved by the end of the first year post completion on an annualised basis. To the extent that these synergies are realised, it is expected that there will be an uplift in EPS of the Combined Group.

If the Scheme is implemented, Perpetual estimates additional one-off costs to achieve synergies of \$110 million, the majority of which will be incurred during the first 18 months post completion. There is a risk that the estimated integration costs may be higher than those currently expected to be incurred.

⁸⁸ Perpetual revenue refers to the last 12 months ending 30 June 2022 excluding revenue from Perpetual Group Investments and the impact of significant items. Pental revenue refers to the last 12 months ending 30 June 2022.

⁸⁹ Perpetual UPBT refers to the last 12 months ending 30 June 2022. Pental UPBT refers to Operating Profit in the last 12 months ending 30 June 2022. Note for Perpetual, this excludes revenue from Perpetual Group Investments, Group Support Services, and the impact of Significant items.

The anticipated cost synergies are expected to be realised through a combination of operational and corporate efficiencies, including reduction of corporate overheads, listing, audit, Board, Executive Committee, information technology, borrowing and insurance costs.

Synergy values represent current expectations and are subject to a number of assumptions, including future events which are inherently uncertain. The final value of synergies will only be able to be determined following the Implementation of the Scheme and completion of a detailed review of the Combined Group's operations and corporate strategy. It should be noted that there is a risk that the estimated synergies may not materialise, or that they may be realised over a longer time period than expected.

10.5 Strategic rationale

The Combined Group is expected to realise a number of strategic benefits that are not easily quantifiable. Perpetual has stated that the strategic benefits of the Transaction include:

- **combining the businesses under a multi-boutique model:** which combines the best elements of a pure boutique model and the traditional institutional model. Shareholders in the Combined Group will benefit from the autonomy of investment talent that exists across the Group, amplified by an enlarged distribution capability, greater scale and deeper capital resources:
 - enables the benefits of the multi-boutique model, including the ability to attract and retain investment and distribution talent, retention of independent culture within each boutique, and the ability for fund managers to retain independent judgement to provide bespoke solutions to clients; and
 - enables benefits of institutional scale, including global, high-quality governance and risk oversight functions, global distribution platforms, and a larger balance sheet allowing additional investment in business infrastructure and seeding opportunities;
- **enhanced global distribution footprint:** acceleration of the global build out and growth strategy, with a significant and immediate acceleration of both Perpetual and Pandal's plans to continue to build their distribution teams and deliver optimal products to each client base. The Combined Group's enlarged global distribution team is expected to create growth opportunities for both investment teams, including improved geographical reach and opening of new distribution channels, including digital capabilities;
- **creates an ESG investing platform positioned for growth:** the combination of both Perpetual and Pandal's strong ESG and sustainable investing brands (Trillium and Regnan), capabilities, resources and focus, creates a global leader in ESG investing, which will benefit from the combined distribution capabilities, expertise, and enlarged client base;
- **diversified set of investment capabilities,** which are highly complementary, differentiated by investment style, by asset sector and specialist capabilities within each asset sector; and
- the Combined Group will be well capitalised to support future growth initiatives.

10.6 Transaction costs

If the Scheme is implemented, the Combined Group is expected to incur transaction costs of \$71.5 million (pre-GST) in relation to the Scheme (\$40.0 million for Perpetual and \$31.5 million for Pandal) (in addition to the \$110 million (pre-tax) integration costs discussed above) (refer to Section 7.3 of the Scheme Booklet). There is a risk that the estimated transaction costs may be higher than those currently expected to be incurred.

10.7 Pro forma historical financial performance

The pro forma historical financial performance of the Combined Group is set out in Section 7.9 of the Scheme Booklet. It has been prepared by Perpetual and is presented in the following table.⁹⁰

Combined Group Pro Forma Financial Performance (\$ millions)¹

	Pendal 30 June 2022 ²	Perpetual 30 June 2022	Pro forma adjustment	Combined Group 30 June 2022
Base management fees	614.0	749.6	-	1,363.6
Performance fees	51.5	-	-	51.5
Total fee revenue	665.4	749.6	-	1,415.0
Employee expenses	(305.7)	(381.2)	-	(686.9)
Financing costs	(2.5)	(9.2)	(34.1)	(45.8)
Other expenses	(158.3)	(221.9)	-	(380.2)
Operating profit before tax	199.0	137.3	(34.1)	302.1
Other income	(11.9)	-	-	(11.9)
Tax	(48.8)	(36.1)	10.2	(74.7)
Statutory NPAT	138.2	101.2	(23.9)	215.5
Transaction and integration costs	13.3	22.2	-	35.5
Non-cash amortisation of acquired intangible assets	31.6	18.6	-	50.2
Unrealised losses/(gains) on financial assets	27.7	10.9	-	38.6
Accrued incentive compensation liability	-	(4.7)	-	(4.7)
UPAT	210.8	148.2	(23.9)	335.1
<i>UPAT Margin</i>	<i>31.7%</i>	<i>19.8%</i>		<i>23.7%</i>
<i>Weighted average number of shares (millions)</i>	<i>382.5</i>	<i>56.4</i>	<i>54.7</i>	<i>111.1</i>
<i>EPS³ (cents per share)</i>	<i>36.1</i>	<i>179.6</i>		<i>194.0</i>
<i>Underlying EPS⁴ (cents per share)</i>	<i>55.1</i>	<i>263.0</i>		<i>301.6</i>
<i>Interest coverage ratio⁵</i>	<i>67.7x</i>	<i>24.1x</i>		<i>9.8x</i>

Source: Scheme Booklet, Kroll analysis.

Notes:

1. The historical financial performance has been prepared as if the Scheme was implemented prior to 1 July 2021 in order to give Pendal Shareholders an indication of the Combined Group financial performance. It has been prepared for illustrative purposes only and does not reflect actual financial performance of the Combined Group at the time of implementation.
2. Reflects the unaudited income statement of Pendal for the 12 months to 30 June 2022, based on the aggregation of Pendal historical financial statements. Refer to Section 7.9 in the Scheme Booklet for further information.
3. EPS is calculated as statutory NPAT divided by the weighted average number of shares.
4. Underlying EPS is calculated as UPAT divided by the weighted average number of shares.
5. Interest coverage ratio is calculated as EBIT divided by interest expense.

The Combined Group's pro forma income statement represents the aggregation of Perpetual's pro forma FY22 financial performance (refer to Section 9.7.1 of this report) and Pendal's financial performance on a 12 month basis to 30 June 2022.

The pro forma adjustments outlined in the previous table comprise:

- financing costs – incremental borrowing costs of \$34.1 million (including commitment fees) relating to the refinancing of existing facilities and drawdown of new facilities resulting in a total of \$701.8 million debt. This reflects a weighted average cost of debt of 6.35% (excluding commitment fees) assuming base rates ranging from 3.65% to 4.57%. The interest coverage ratio for the Combined Group declines to 9.8x with the addition of the new debt facility;

⁹⁰ The information was prepared by Perpetual, for which Perpetual takes responsibility.

- the tax effect of the additional interest expenses calculated based on a 30% tax rate in line with the Australian corporate tax rate; and
- shares on issue – reflects each Perpetual Share being exchanged for 0.143 (rounded to three decimal places) New Perpetual Shares.

Other items worth noting include:

- for the 12 months ending 30 June 2022, Pendal generated \$51.5 million in performance fees while Perpetual received zero; and
- for the 12 months ending 30 June 2022, Perpetual's UPAT margin was 19.8%, significantly lower than Pendal's which was 31.7%.

10.7.1 Dividend policy

If the Scheme is implemented, Perpetual currently intends to maintain its existing policy to pay ordinary dividends, with a target payout ratio of 60% to 90% of UPAT. It should be noted that the payment of future dividends to Perpetual Shareholders will be at the discretion of the Perpetual Board and will be a function of a number of factors that the Perpetual Board may consider relevant at the time.

This differs to Pendal whose distribution policy is to pay distributions in the range of 80% to 95% of UPAT, noting that in recent years Pendal has paid at the upper end of this range.

10.7.2 Outlook

Perpetual has not released earnings guidance for the Combined Group. As far as Kroll is aware, Pendal is followed by 13 brokers, of which two of the brokers are financial advisors to the Transaction and have therefore been excluded from our analysis. Of the remaining brokers, five have published reports with pro forma Combined Group financials either separately in detail or as part of EPS accretion estimates following the announcement of the 30 September 2022 FUM updates. Kroll has considered the forecasts for the four brokers (excluding advisers) in order to provide an indication of the brokers' expected future financial performance of the Combined Group.

Combined Group Broker Consensus (\$ millions)

	Broker consensus		
	FY23	FY24	FY25
Operating revenue¹	1,242.1	1,349.3	1,454.0
Operating expenses ²	(956.3)	(984.9)	(1,033.0)
Operating profit³	285.9	364.4	421.0
Non-operating items and income taxes	(77.2)	(118.4)	(142.6)
Underlying profit after tax (UPAT)⁴	208.7	246.0	278.5
Growth			
Revenue growth	(11.1%)	8.6%	7.8%
Operating profit growth	(34.8%)	27.5%	15.5%
UPAT growth	(38.9%)	17.9%	13.2%
Profitability			
Operating profit margin	23.0%	27.0%	29.0%
UPAT margin	16.8%	18.2%	19.2%
Shareholder returns			
Diluted EPS (cents per share) ⁵	196.8	227.2	256.3
Operational			
Average FUM (\$ billions)	203.1	214.7	229.9

Source: Perpetual broker reports.

Notes:

- Reflects the median of pro forma revenue forecasts from up to five brokers with varying assumptions regarding FUM attrition.
- Operating expenses include asset management employee and non-employee expenses, depreciation and amortisation and equity remuneration.
- Operating profit equates to EBIT, excluding interest expense.
- Five brokers have provided UPAT forecasts either as pro forma forecasts or as part of EPS accretion estimates for the Transaction following the announcement of the 30 September 2022 FUM updates.
- The median of broker estimates.

- Between the observed broker reports, there are mixed views as to which party would benefit most from the deal, and whether the deal makes strategic sense. The transaction rationale is noted to be heavily based around distribution, scale and EPS accretion.
- Brokers note the increased diversification of product suite across the asset management business, increase in valuable ESG capabilities, and improved economies of scale across a deeper distribution footprint and centralised cost base. Both Pendal and Perpetual are noted to independently lack the scale globally to be relevant and both are embarking on similar strategies to globally expand their product set and distribution platform with a focus on ESG. While there is modest product overlap, styles are significantly different which should limit product rationalisation, and the UK and EU distribution footprints are noted to be complementary. Global equities capabilities are seeing stronger active flows than domestic equities.
- The deal also adds operating scale, however brokers note that asset manager combinations relying on scale alone have generally seen revenue attrition.
- Key risks noted by the brokers for the Combined Group include execution and integration risk, retaining key portfolio managers and clients, expense growth and high gearing.

We note the following regarding broker estimates for the Combined Group:

- the execution and integration risk is expected to affect near-term value as the acquisition together with prior transformational acquisitions (TSW, Barrow Hanley) create some near term distractions to the future pipeline of flows. Flows and synergies will likely take time to turn. Brokers note the difficulty of execution experienced in other fund manager mergers;
- brokers note that the key risk with asset manager mergers is revenue attrition. Whilst Perpetual and Pendal are attempting to manage this through staff and client engagement, brokers have estimated FUM attrition of up to \$15 billion, noting that higher levels would erode expected EPS accretion. One broker notes that attrition may more likely be higher in the Australian market given that J O Hambro, TSW and Barrow Hanley clients have recently undergone a change of ownership;
- one broker noted observations from other major global fund management mergers, that whilst fund flows around announcement have been mixed, over a three year timeframe post the deal announcement, five out of six observed acquired fund managers generated negative cumulative net flows, suggesting that the longer-term rationale for revenue synergies to flow from the deals did not succeed;
- expense growth could easily erode the benefits. One broker notes that this particular deal is not accretive without the synergies. Estimates become more accretive as assumed synergies are delivered, however some brokers estimate that it will take a while to reach the double digit accretion claimed by Perpetual;
- the expected timing and realisation of synergies varies across the brokers. The majority assume a two-year period to fully achieve the \$60 million of annual pre-tax net synergies in line with Perpetual's announced estimates, whilst others stagger realisation over three years, together with costs to achieve the synergies. One assumes only 75% of synergies will be realised. Another notes there is scope for synergies to be quickly absorbed by cost inflation or reinvestment. All brokers indicate that the first year of full synergy realisation is FY25;
- brokers are uncertain as to whether dis-synergies can be avoided. From review of other asset manager mergers, one broker notes that managers of Perpetual and Pendal's size tend to see diseconomies of scale in their operating margins due to complexity;
- one-off costs are expected to be significant, elevating gearing in the short term. Several brokers have factored in higher debt costs into their forecasts. Brokers note that there may be investor concern surrounding the increase in the cash component of the consideration;
- whilst one broker notes that approximately 30% of the acquired cost base has been taken out from prior asset manager deals on average, another notes that expense synergies are not as common considering the majority of the funds management expenses tend to be fixed in nature; and
- the shift in Perpetual business mix could erode EPS accretion. Brokers note that the Transaction could see Perpetual's business mix shift from approximately 35% in asset management to

approximately 70%, and the contribution of Perpetual Corporate Trust will decline from approximately 45% to approximately 20%. Perpetual's earnings will be increasingly skewed away from the higher multiple Perpetual Corporate Trust business and Pental has had a structurally lower multiple given its greater exposure to cyclical performance fees.

10.8 Pro forma historical financial position

The pro forma historical financial position of the Combined Group is set out in Section 7.9 of the Scheme Booklet. It has been prepared by Perpetual and is presented in the following table.

Pro Forma Statement of Financial Position (\$ millions)

	Pental 30 June 2022	Perpetual 30 June 2022	Pro forma adjustment	Combined Group 30 June 2022
Net structured products – EMCF	-	(1.4)	-	(1.4)
Receivables and other current assets	110.2	136.7	-	246.9
Payables, current provisions, other liabilities	(167.2)	(165.1)	-	(332.3)
Net working capital	(57.0)	(29.8)	-	(86.8)
Property, plant and equipment	43.1	77.8	-	120.9
Financial assets at FVTPL	257.7	152.0	-	409.7
Deferred tax assets	36.9	53.6	21.5	112.0
Intangible assets	907.7	951.7	983.7	2,843.1
Derivatives	(0.7)	-	-	(0.7)
Non-current employee benefits	(4.2)	(29.3)	-	(33.5)
Accrued incentive compensation	-	(48.6)	-	(48.6)
Other assets and liabilities	-	(31.4)	-	(31.4)
Deferred tax assets	(9.9)	(14.9)	-	(24.8)
Total funds employed	1,173.6	1,081.1	1,005.2	3,259.8
Cash and cash equivalents	207.9	175.4	(297.7)	85.5
Borrowings	(50.8)	(258.4)	(392.6)	(701.8)
Net cash/(debt) (excluding lease liabilities)	157.1	(83.0)	(690.3)	(616.3)
Lease liabilities	(37.1)	(72.3)	-	(109.4)
Net cash/(debt) (including lease liabilities)	120.0	(155.3)	(690.3)	(725.6)
Net assets	1,293.6	925.8	314.9	2,534.2
Contributed equity	855.2	817.7	803.3	2,476.2
Reserves	234.9	34.3	(234.9)	34.3
Retained earnings	203.4	73.8	(253.5)	23.7
Total Equity	1,293.6	925.8	314.9	2,534.2
<i>Gearing (excluding lease liabilities)²</i>	<i>3.8%</i>	<i>21.8%</i>		<i>21.7%</i>
<i>Gross debt</i>	<i>50.8</i>	<i>258.4</i>	<i>404.5</i>	<i>713.7</i>
<i>Gross debt / pro forma EBITDA³</i>	<i>0.2x</i>	<i>1.0x</i>		<i>1.4x</i>

Source: Scheme Booklet, Kroll analysis.

Notes:

1. Reflects the impact of new equity of \$1,658.5 million to be issued by Perpetual (54.7 million New Perpetual assumed to be issued at \$30.30 per share) and cash paid of \$618.8 million (excluding total permitted dividend amount of \$13.4 million) to Pental in order to acquire Pental, drawn from cash and cash equivalents and additional borrowings. The final purchase price will be subject to customary adjustments for changes in the tangible net assets of Pental at the date of completion and the market price of Perpetual's shares as at that date.
2. Calculated as gross debt (excluding lease liabilities) divided by total capital (which equals gross debt (excluding lease liabilities) plus total equity).
3. Calculated as gross debt (borrowings) divided by pro forma EBITDA including the benefit of synergies. EBITDA is operating profit before depreciation and amortisation.

The pro forma adjustments outlined in the previous table comprise of:

- deferred tax assets – an increase in deferred tax assets of \$21.5 million resulting from debt funded transaction costs;
- intangible assets – reflects the excess of the Scheme Consideration to acquire Pandal over the fair value of the Pandal net assets acquired. The pro forma adjustment assumes a Perpetual share price of \$30.30 per share, based on the closing price on 24 August 2022 (being the last trading day prior to the announcement of the Scheme). If the Scheme is implemented, the Perpetual share price as at the Implementation Date will be used to calculate the fair value of the Scheme Consideration. If the Perpetual share price is \$30.30 on the Implementation Date, additional intangibles and goodwill would be \$983.7 million resulting in net assets \$2,534.2 million as at 30 June 2022. Goodwill will be tested for impairment at 30 June 2023 and annually thereafter, and impaired where the value cannot be supported.
- additional net debt as a result of:
 - decrease in cash and cash equivalents of \$297.7 million and additional debt of \$392.6 million drawn to fund net Cash Consideration paid to Pandal Shareholders of \$618.8 million and \$71.5 million transaction related costs; and
 - additional drawn debt to refinance debt that Perpetual currently holds (as at 30 June 2022).
- total equity, which reflects:
 - the decrease in contributed equity, reserves and retained earnings of \$1,293.6 million, reflecting the elimination of Pandal's equity reserves;
 - each Pandal Share being exchanged for 0.143 (rounded to 3 decimal places) New Perpetual Shares at the Perpetual share price of \$30.30, based on the closing price on 24 August 2022 (being the last trading day prior to the announcement of the Scheme), resulting in the issue of 54.7 million Perpetual Shares to Pandal Shareholders; and
 - transaction costs written off through reserves and retained earnings.

If the Scheme is implemented, the Perpetual share price as at the Implementation Date will be used to calculate the fair value of the equity exchanged. If the Perpetual share price is \$30.30 on the Implementation Date, total equity would be \$2,534.2 million.

10.8.1 Gearing

Perpetual has publicly stated its gearing ratio target as 30% debt to total capital. The \$618.8 million Cash Consideration of the offer will be funded by a new debt facility and will result in the Combined Group initially having a gearing ratio (gross debt to total capital) of 21.7% and a gross debt / pro forma EBITDA ratio of 1.4 times. Perpetual anticipates that it will be able to steadily deleverage the facility post completion of the acquisition.

10.9 Accretion analysis

The extent of accretion for Pandal Shareholders will vary depending on the extent to which synergies are realised and movements in the Perpetual share price.

The following table illustrates the EPS accretion that Pandal Shareholders would experience per Pandal Share based on Kroll's assessed value of Perpetual Shares (as part of the Combined Group) in the range of \$24.00 to \$28.00 and the pro forma financial analysis for the Combined Group contained in Section 10.7 of this report. The accretion is presented on two basis: i) assuming that no synergies are realised; and ii) assuming that 100% of synergies (tax effected⁹¹) are realised on a full run-rate basis.

⁹¹ Assumes a 30% statutory tax rate.

Combined Group Accretion Analysis¹

	Pendal	Perpetual	Combined Group	Value of Scheme Consideration per Pendal Share					
				\$24.00			\$28.00		
				Pendal equivalent ²	Absolute change	% change	Pendal equivalent ²	Absolute change	% change
<u>Without synergies</u>									
FY22 EPS	36.1¢	179.6¢	194.0¢	40.8¢	4.6¢	12.8%	38.9¢	2.8¢	7.7%
FY22 underlying EPS	55.1¢	263.0¢	301.6¢	63.4¢	8.3¢	15.0%	60.5¢	5.4¢	9.8%
<u>With synergies</u>									
FY22 EPS	36.1¢	179.6¢	231.8¢	48.7¢	12.6¢	34.8%	46.5¢	10.4¢	28.7%
FY22 underlying EPS	55.1¢	263.0¢	339.4¢	71.3¢	16.2¢	29.5%	68.1¢	13.0¢	23.5%

Source: Kroll analysis.

Notes:

1. Assumes Scheme was implemented prior to 1 July 2021.
2. Pendal equivalent under the Scheme Consideration is based on Pendal Shareholders receiving between 0.201 and 0.210 New Perpetual Shares per Pendal Share, calculated as the sum of the scrip component of the Scheme Consideration of 0.143 (rounded to 3 decimal places) Perpetual Shares and the \$1.615 cash component of the Scheme Consideration (being the announced \$1.65 cash component of the Scheme Consideration less the cash value of the Permitted Dividend Amount of 3.5 cents per Pendal Share), reinvested in Perpetual Shares at a price in the range of \$24.00 to \$28.00 based on Kroll's range of values for Perpetual Shares.

Implementation of the Scheme and realisation of synergies is expected to generate substantial accretion in pro forma EPS for Pendal Shareholders. With full realisation of anticipated after tax synergies, EPS increases to a greater extent than underlying EPS as Perpetual has fewer significant items than Pendal.

The extent of the accretion will depend on a number of factors, including:

- **The extent to which synergies are realised:** the above table illustrates two extremes – that no synergies are realised and a full realisation of synergies. Inclusion of all of the anticipated \$60 million in annual net pre-tax cost synergies results in significantly more accretion for Pendal Shareholders. Actual synergies realised may be more or less than those anticipated or substantial dis-synergies may occur. Even if no synergies are assumed, the Scheme is EPS accretive to Pendal Shareholders due to the higher financial leverage of the Combined Group (21.7% gross debt to total capital) relative to Pendal (3.8% gross debt to total capital, and a net cash position) as the cash component of the Scheme Consideration will be funded by debt; and
- **movements in the Perpetual share price:** the accretion analysis is based on Kroll's assessed value range for Perpetual Shares of \$24.00 to \$28.00. The actual impact on EPS under the Scheme Consideration will vary with movements in the Perpetual share price, which may be higher or lower than this range.

We note that the FY22 pro forma financial information for the Combined Group is illustrative only as it assumes the Scheme is implemented prior to 1 July 2021 and does not include the benefit of any synergies or any transaction or integration costs associated with the Scheme (refer to Section 7.9 of the Scheme Booklet). The Scheme is expected to be implemented on 23 January 2023. Consequently, the Combined Group's FY23 earnings will include only a partial year of impact of the Scheme and EPS will include transaction and integration costs incurred during FY23.

Furthermore, when after tax synergies are included, it is assumed that all after tax synergies are realised in FY22 whereas they are expected to be generated incrementally over a two-year period from implementation. Consequently, actual EPS per share in FY23, FY24 and FY25 is not expected to reflect the full impact of the after-tax synergies, with FY26 being the first financial year in which synergies are expected to be fully reflected.

10.10 Board of Directors and management

If the Scheme is implemented, up to three existing non-executive directors from the Pendal Board will be invited to join the Combined Group Board following an appropriate process overseen by the Perpetual Nomination Committee.

The Board of the Combined Group will comprise ten non-executive directors and the Chief Executive Officer / Managing Director of Perpetual.

The Chairman of the Combined Group will be the current Chairman of Perpetual, Mr Tony D'Aloisio AM.

The Combined Group will be led by the current Perpetual Chief Executive Officer and Managing Director, Mr Rob Adams.

10.11 Capital structure and ownership

10.11.1 Share capital

As at the date of this report, there are 57,308,133 Perpetual Shares on issue. If the Scheme is implemented, the total number of New Perpetual Shares is 54,735,642 Perpetual Shares, subject to rounding. Therefore, following the implementation of the Scheme, it is anticipated that the Combined Group will have approximately 112.0 million shares on issue.

It is worth noting that there exists 9,246,311 Pental treasury shares which, should the Transaction proceed, may be acquired by Perpetual. Consequently, the number of Perpetual Shares on issue following the Transaction may be lower than 112.0 million previously indicated (as low as 110.2 million).⁹²

10.11.2 New debt facility

Perpetual has entered into a debt commitment letter for the provision of unsecured loan and bank guarantee facilities in an aggregate amount of A\$850 million, US\$173 million and GBP115 million (together, the **Facilities**). Up to A\$450 million, US\$173 million and GBP115 million of the Facilities will be made available to fund part of the Scheme Consideration and to pay related transaction costs (**Acquisition Facilities**). The balance will be made available for other corporate purposes, including to refinance \$261 million of debt that Perpetual currently holds (as at 30 June 2022).

10.11.3 Ownership

Former Perpetual Shareholders will collectively hold approximately 50.9% of the shares on issue and former Pental Shareholders will collectively hold approximately 49.1% of the Combined Group.

10.12 Liquidity and share market rating

The Combined Group is likely to have greater relevance to equity investors through increased scale relative to Pental. Based on Kroll's value range for the Combined Group of \$24.00 to \$28.00 per share and the number of Perpetual Shares to be on issue if the Scheme is implemented, the Combined Group will have a market capitalisation of approximately \$2.6 billion to \$3.1 billion.⁹³ This will position the Combined Group comfortably within the ASX 200 (close to the top 100 of the index) and as a top 25 financial services business (Refer to Section 7.5 of the Scheme Booklet for further details on market positioning).

Presently, both Pental Shares and Perpetual Shares are liquid and are widely covered by brokers. The larger market capitalisation of the Combined Group is expected to result in an increased daily trading volume for the Combined Group in comparison to Pental standalone. The increased daily trading volume will allow Pental Shareholders wishing to exit Perpetual Shares issued to them, to do so with minimal impact on the Perpetual share price.

Additionally, the transaction increases the free float and liquidity of the Combined Group and would bring it considerably closer to inclusion within the S&P/ASX 100 Index. If included, shares in the Combined Group may benefit from increased interest by index funds tracking the index. The larger size of the Combined Group may also increase coverage by brokers, attracting the interest of institutional shareholders.

The Combined Group will have an expanded capital base from which to pursue organic and acquisitive growth opportunities.

⁹² Excluding 9,246,311 Pental treasury shares that Perpetual will acquire as part of the Transaction, converted to Perpetual Shares at 0.201 Perpetual Shares for each Pental Share.

⁹³ The high end of the range is calculated using 57,346,980 Perpetual Shares plus 54,735,642 New Perpetual Shares. The low end of the range excludes 9,246,311 Pental treasury shares that Perpetual will acquire as part of the Transaction, converted to Perpetual Shares at 0.201 Perpetual Shares for each Pental Share.

10.13 Changes in risk profile for Pental Shareholders

The risk profile for Pental Shareholders is likely to change should they become shareholders in the Combined Group. The key changes in the risk profile for Pental Shareholders include:

- **product composition:** the Combined Group will have a broader product suite relative to Pental, and Pental Shareholders will, therefore, be exposed to the future demand for Perpetual's products, including products in the Perpetual Corporate Trust (which operates in the securitisation market) and Perpetual Private segments;
- **greater diversification:** in products, investment strategies, asset classes, and distribution channels which could create a more diverse business, resulting in less flow volatility and less strategy concentration risk through greater diversification of revenue streams;
- **geographic composition:** the Combined Group will have a larger distribution footprint than Pental alone, however, shareholders will also be exposed to volatility in equity, debt and foreign exchange markets in new geographical markets, as well as changing the relative FUM invested in existing geographical markets. The Combined Group will also see greater investment to support infrastructure and global distribution capabilities which should improve fund flows and revenue in Asia, Europe, and the United Kingdom;
- **trends in FUM:** EPS accretion from the Transaction could be lower than expected if Perpetual's FUM attrition remains elevated. Historical mergers in the funds management sector have also resulted in a degree of FUM and revenue attrition, with risks around the Combined Group's ability to retain offshore FUM, particularly from TSW which was acquired relatively recently. Critically, Perpetual has stated that client consents for the Transaction are tracking in line with both parties' expectations;
- **integration, migration and synergy realisation:** there is a risk that the integration could take longer or cost more than anticipated. There also exists a risk of potential failure to achieve synergies and expected earnings accretion from the Transaction, as well as Perpetual's other recent transactions (e.g. Barrow Hanley and Trillium);
- **interest rate and funding risks:** arising from a higher level of gearing for the Combined Group with the utilisation of the new debt facility to finance the cash component of the Transaction; and
- **key personnel risk:** a key risk for the Combined Group is retaining talent, as the loss of any key investment personnel could have a material impact on retaining and winning new FUM, which would impact the Combined Group's future financial performance. Historically, large fund mergers have experienced integration risks due to changes in culture, portfolio managers leaving, changing remuneration structures, re-branding, and a focus on costs rather than revenue expansion. Perpetual has stated that the Combined Group will allow funds to operate independently and will not change remuneration structures. In addition, the greater number of portfolio managers of the Combined Group relative to Pental reduces key personnel risk. In order to mitigate this risk a number of Pental employees who have been identified as being important to the ongoing success of the Combined Group are subject to various incentive arrangements as outlined in the Scheme Booklet Section 5.10(b).

A detailed discussion of the risk factors of holding Perpetual Shares is set out in Section 8.4 of the Scheme Booklet.

11 Valuation of Pental

11.1 Summary

Kroll has assessed the value of the equity of Pental to be in the range of \$1,866 million to \$2,136 million, which corresponds to a value per Pental Share in the range of \$4.87 to \$5.71. Our range of assessed values represents 100% ownership of Pental and, therefore, incorporates a control premium. The value attributed to Pental's equity is an overall judgement as to the opportunities and risks associated with the business in the current economic and geopolitical environment and having regard to a market approach. The total equity value is the value of the equity for Pental's operating business plus the value of seed investments, for which no income is currently generated. Our rationale for the selection of this methodology is set out in Section 11.2.2 of this report.

The valuation of Pendal is summarised as follows.

Pendal Valuation Summary (\$ millions)

	Section Reference	Valuation Range	
		Low	High
Maintainable earnings (UPAT)	11.3.2	140.0	150.0
Capitalisation multiple	11.3.3	12.0x	13.0x
Equity value of Pendal (Excl. seed investments, controlling basis)		1,680.0	1,950.0
Add: Seed investments as at 30 September 2022	8.10	199.1	199.1
Less: Pendal FY22 Final Dividend	8.9.2	(12.9)	(12.9)
Total equity value of Pendal (controlling basis)		1,866.2	2,136.2
Divided by: Number of Pendal Shares outstanding (millions) ¹	8.13	383.1	373.9
Value of a Pendal Share (controlling basis)		\$4.87	\$5.71

Source: Kroll analysis.

Notes:

1. The high end number of shares excludes 9,246,311 treasury shares that Perpetual will acquire as part of the Transaction.

Our range of assessed values for Pendal excludes the value attributable to cost savings and other benefits that Perpetual may realise in completing the acquisition of Pendal which are unique to Perpetual, however, takes into consideration the synergies and benefits available to a pool of potential purchasers (refer to Section 11.2.3 of this report).

Our valuation range of \$4.87 to \$5.71 per Pendal Share reflects a premium over the closing price of Pendal Shares immediately prior to the announcement of the Indicative Proposal on 4 April 2022 of between 8.7% and 27.5%. The premium is towards the low end of or below premiums observed in completed transactions, which are broadly in the range of 25% to 40% depending on the individual circumstances.⁹⁴ The premiums are, however, understated since the funds management industry (including Perpetual) has been negatively re-rated in recent months likely as a result of adverse structural and cyclical trends as outlined in Section 7.2.2 of this report. From the announcement of the Indicative Proposal until 2 November 2022,⁹⁵ the ASX 200 Index declined by 7.0% and the Comparable Companies Index⁹⁶ declined by 30.3%.

We note that the selected multiple for Pendal represents a premium in the range of 27.7% to 38.3% relative to the median P/E multiple for the comparable companies of 9.4 times FY25 UPAT and a premium of 25.0% to 35.4% relative to the P/E multiple for the Combined Group of 9.6 times FY25 UPAT, and is consistent with the range of premiums typically observed.

It should be noted that a valuation of Pendal in the current economic and geopolitical environment is complex and requires judgement of the duration and impact of cyclical trends impacting the funds management industry as well as the long-term structural trends.

In forming our view as to the value of Pendal's equity, we have considered a range of factors including:

- external factors, such as:
 - ongoing structural trends facing the funds management industry, including an increase in market share for passive management strategies, rising drawdowns in aging countries, increasing internalisation of investment management activities by superannuation and pension funds, a need for greater investment in data analytics and technology to enhance customer service and support fund managers, increased regulatory oversight and fee compression (refer to Section 7.2.2 of this report);
 - adverse cyclical trends facing the funds management industry, including the decline of global equity markets, with the S&P 500 Index decreasing by 21.1% from 1 January 2022 until 2

⁹⁴ 2022 Mergerstat Review. Range represents median premium from 2012 to 2021. Premiums are calculated based on the seller's closing price five business days before the initial announcement. The calculations exclude negative premiums and premiums over 250%.

⁹⁵ The last trading day before the announcement that Perpetual had received and rejected the Consortium Offer.

⁹⁶ Includes Pendal, Perpetual, Magellan, Platinum, Insignia and Janus Henderson. Excludes GQG, which was listed on 26 October 2022 and Pinnacle, which has a different business model.

November 2022⁹⁷ and the ASX 200 and FTSE 100 Index decreasing by 6.8% and 5.2%, respectively, from 1 April 2022, caused by increasing economic and geopolitical uncertainties as a consequence of rising interest rates in the global economy, energy supply disruptions, slowing economic growth and heightened fears of a protracted global economic recession. This uncertainty has led to a decline in investment values and an increase in fund redemptions, which have reduced FUM globally, and exacerbated the ongoing structural trends;

- the negative re-rating of the funds management industry as a consequence of the adverse structural and cyclical trends. From 1 August 2021 until 2 November 2022,⁹⁸ the Comparable Companies Index declined by 59.5%;
- factors related to Pental, such as:
 - Pental's range of activities, which are focused on providing investment management services only and unlike Perpetual, does not include non-market linked services. Pental, therefore, has a greater exposure to the cyclical nature of share markets than Perpetual;
 - Pental's current strategy, which is based on increasing Pental's product diversification and global distribution. The implementation of this strategy carries elevated fixed costs related to the development of products and the recruitment of personnel, and is subject to execution risk and market risk. Recent declines in FUM have reduced the revenue base over which to spread these costs. In addition, it will require significant time to reach sufficient scale in international markets;
 - Pental's dependence on a few key investment personnel to generate revenue. The loss of any key investment personnel would negatively impact Pental's future financial performance;
 - the growth opportunities related to the recent acquisition of TSW and the development of ESG products. Pental expects to be able to cross-sell ESG and other products across Pental Australia, Pental EUSA and Pental US, therefore benefiting from scale economies;
 - significant investment is required in data analytics and technology to enhance customer service and support fund managers; and
 - the increasing complexity for Pental of managing its operations in different regions, with different regulatory requirements and tax regimes and increased exposure to risks such as legal and cyber-security risks.

11.2 Approach

11.2.1 Overview

Our valuation of Pental has been prepared on the basis of 'fair value'. The generally accepted definition of fair value (and that applied by us in forming our opinion) is the value agreed in a hypothetical transaction between a knowledgeable, willing, but not anxious buyer and a knowledgeable, willing, but not anxious seller, acting at arm's length.

Fair value excludes 'special value', which is the value over and above the value that a particular buyer, which can achieve synergistic or other benefits from the acquisition, may be prepared to pay.

In the absence of market distortions, the most reliable evidence for the value of a business is the price at which the business, or a comparable business, has been bought and sold in an arm's length transaction. Where direct market evidence is unavailable, estimates of value are made using methodologies that infer value from other available evidence. Some of the commonly used valuation methodologies for estimating the value of a business include:

- the market approach
- income approach
- cost approach.

⁹⁷ The last trading day before the announcement that Perpetual had received and rejected the Consortium Offer.

⁹⁸ The last trading day before the announcement that Perpetual had received and rejected the Consortium Offer.

The decision as to which approach to adopt will depend on various factors including the availability and quality of information, the maturity of the business and the actual practice adopted by purchasers of the type of asset or business involved. A secondary methodology is often adopted as a cross-check to ensure the reasonableness of the outcome, with the valuation conclusion ultimately being a judgement derived through an iterative process.

For profitable businesses, the market approach and income approach are commonly used as they reflect 'going concern' values, which typically incorporate some element of goodwill over and above the value of the underlying assets. For businesses that are either non-profitable, non-tradeable or asset rich (e.g. real estate investment trusts), a cost approach is typically adopted as there tends to be minimal goodwill, if any.

11.2.2 Selection of valuation methodology

A discussion of the rationale for the selection of the valuation methodologies is set out in the following.

Market approach

The market approach is based on comparing the asset or business to identical or comparable assets or businesses for which there is available price information. It is commonly adopted where:

- the asset or business or similar assets or businesses are actively publicly traded (**market comparable methodology**);
- there are frequent and/or observable transactions in comparable assets or businesses (**comparable transactions methodology**); and
- there is substantial operating history and a consistent earnings trend.

Pendal has established a track-record of through-the-cycle profitable earnings and there is no basis to expect that the business will be unable to continue indefinitely. In addition, there are a number of publicly traded funds management companies and transactions involving funds management companies from which to calculate meaningful multiples. Consequently, a market approach has been used as the primary valuation approach.

Application of this approach involves the capitalisation of the cash flows or earnings of a business at a multiple that reflects both the risks of the business and the future growth prospects of the income it generates. This methodology requires an element of professional judgement as to:

- the level of earnings or cash flows that are expected to be maintainable indefinitely, adjusted for non-recurring items and other known factors likely to impact on future operating performance; and
- an appropriate capitalisation multiple that reflects the risk and growth prospects associated with the level of earnings being capitalised. The capitalisation multiple is usually determined having regard to market evidence derived from comparable transactions and share market prices for comparable companies, whilst also considering the specific characteristics of the business being valued.

The earnings bases to which a multiple is commonly applied include revenue, EBITDA, EBIT and net profit after tax. The choice between parameters is usually not critical and should give a similar result. We note that UPAT or an equivalent measure reflecting the underlying profit of the company is commonly used in valuing funds management companies. Consequently, we have utilised historical UPAT and forecast net income (excluding exceptional items) as the basis of P/E multiples for our market approach.

Rule-of-thumb valuation benchmarks are sometimes considered to be an application of the market approach. They generally should not be given substantial weight unless market participants place particular reliance on them. Within the funds management industry, investors will often use percentage of FUM when valuing funds management businesses. As such we have used the percentage of FUM rule of thumb as a cross-check.

Income approach

Under an income approach the value of an asset is determined by converting future cash flows to a current value. It is commonly adopted when:

- the income producing ability is the critical element affecting value from a market participant perspective;

- future cash flows can be estimated on a reasonable basis; and
- there is not a substantial operating history, there is a variable pattern of cash flow, or the asset has a finite life.

The most common application of the income approach is the discounted cash flow (**DCF**) methodology. This methodology allows for cash flows to reflect a range of scenarios to be modelled.

Utilising the DCF methodology requires estimation of cash flows for a number of years and discounting those cash flows back to present value. Pandal has provided projected operating profit for each of its segments and projected operating profit and UPAT on a Pandal group basis until FY25. Pandal management has noted that while the projections include the effect of known events (e.g. redemptions) for approximately the next two years, beyond that time projections are based on long-run averages rather than specific estimates for the relevant years. We note that forecasting long term cash flows in the funds management industry is challenging given that earnings are predominantly driven by fund flows and investment performance, both of which are closely correlated with the performance of securities markets. Given that currently the future performance of markets is highly uncertain and that the projections use long-run averages as opposed to specific estimates, we do not consider the projected financial performance information provided by Pandal to be a reasonable basis for reliable, long term cash flows.

Cost approach

A cost based approach is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). Fund management companies are not asset rich, and their value is generally related to intangible assets, such as intellectual property or goodwill. Therefore, the cost approach would not capture the growth potential or internally generated intangible value associated with Pandal.

11.2.3 Control Premium

Consistent with the requirements of RG 111, we have assumed 100% ownership in valuing Pandal and, therefore, our valuation is inclusive of a control premium.

Successful acquisition transactions are commonly completed with an implied acquisition premium in the order of 25% to 40% to the pre-trading equity price of the target depending on the individual circumstances.⁹⁹ In considering the evidence provided by actual transactions, it is important to recognise that the observed premium for control is an outcome of the valuation process, not a determinant of value, and that each transaction will reflect to varying degrees the outcome of a unique combination of factors, including:

- the acquirer's capacity to realise full control over the strategy and cash flows of the target entity;
- the magnitude of synergies available to all acquirers, for example, the rationalisation of costs related to duplicated functions, or the removal of costs associated with the target being a listed entity;
- uncertainties related to the timing of full realisation of target synergies;
- the expected costs to migrate and integrate the business;
- the nature of the bidder (i.e. whether the acquirer is a financial investor or a trade participant);
- synergistic or special value that may be unique to a particular acquirer;
- the interest acquired in the transaction with consideration to the bidder's pre-existing shareholding in the target;
- the prevailing conditions of the economy and capital markets at the time of the transaction with consideration to the position in the overall market cycle;
- desire (or anxiety) for the acquirer to complete the transaction;
- whether the acquisition is competitive; and

⁹⁹ 2021 Mergerstat Review. Range represents median premium from 2011 to 2020. Premiums are calculated based on the seller's closing price five business days before the initial announcement. The calculations exclude negative premiums and premiums over 250%.

- the extent the target company's share price already reflects a degree of takeover speculation.

The premium that is ultimately applied must have regard to the circumstances of each case. In some situations, it may be appropriate to apply no premium for control, for example, there are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by institutional investors through an initial public offering. Accordingly, an assessment as to an appropriate control premium, if any, is essentially a matter of judgement.

Consistent with the requirements of RG 111, we have assumed 100% ownership in valuing Pendal and, therefore, our valuation is inclusive of a control premium. The multiples derived for listed comparable companies generally reflect prices at which portfolio interests (i.e. minority interests) are traded and consequently, do not include a control premium. They may also be impacted by the level of liquidity in trading of the particular security. Accordingly, when valuing a business as a whole (i.e. on a 100% basis), or when valuing the main undertaking of a business (i.e. Pendal), it is appropriate to reference the multiples achieved in recent transactions, where a control premium and breadth of purchaser interest are more fully reflected.

Any acquirer of Pendal could save head office costs and listing costs. Other than Perpetual, there are no other potential acquirers with similar active, equity funds management operations to Pendal in Australia. An acquirer with US or European operations could likely save a portion of Pendal's operational and distribution costs in those regions, depending on their range of products. The synergies achieved will vary depending on the geographical footprint of the acquirer and range of products offered.

In addition, there would likely be strategic value for other funds management companies to acquire Pendal in part or in whole, for reasons which include:

- as a means of immediate customer acquisition in Australia, the United States, the United Kingdom and Europe to increase the scale of existing FUM;
- incorporating an established suite of diversified investment strategies into its portfolio of product offerings; and
- a means of generating revenue synergies from cross-selling existing products to Pendal's clients.

Therefore, we consider it possible that an alternative buyer may be able to achieve revenue synergies and cost savings to the extent the acquirer also has European or US operations and offers similar products to Pendal. Consequently, we consider a control premium could reasonably be expected to be paid by a hypothetical acquirer.

Several of the benefits that may be available to a potential acquirer are not easily quantifiable. We have not adjusted Pendal's maintainable earnings to reflect the total direct and indirect cost savings and benefits available to a pool of purchasers, but rather, we have included a control premium by applying a control multiple based on recent transaction evidence. Adding both an adjustment for synergies and a control multiple for the valuation would result in an overstatement of the benefits of the transaction.

11.3 Market Approach

11.3.1 Summary

Kroll has determined the value of Pendal's equity (excluding seed investments and before subtracting the FY22 Permitted Dividend Amount) on a controlling basis to be in the range of \$1,680 million to \$1,950 million. The selected value range takes into consideration the value of Pendal's equity based on capitalising an assessed maintainable UPAT.

Value of Pendal's Equity on a Controlling Basis (\$ millions)

	Section Reference	Valuation Range	
		Low	High
Maintainable earnings (UPAT)	11.3.2	140.0	150.0
Capitalisation multiple	11.3.3	12.0x	13.0x
Equity value of Pendal (Excl. seed investments and before FY22 Permitted Dividend Amount, controlling basis)		1,680.0	1,950.0

Source: Kroll analysis.

11.3.2 Maintainable earnings

Maintainable earnings should reflect the earnings that can be achieved in the future for the business on an ongoing basis. In this respect, we have considered FY22 actual, and future earnings estimates in order to provide an estimate of maintainable earnings.

Pendal UPAT (\$ millions)

	FY22 (A)	Broker consensus ¹		
		FY23	FY24	FY25
Pendal UPAT ²	194.2	111.2	114.9	129.4

Source: Kroll analysis.

Notes:

1. Broker consensus for the first, second and third forecast years correspond to FY23, FY24 and FY25
2. UPAT is Pendal's preferred measure of business performance. It is UPBT adjusted to include interest income and expense, foreign exchange gains and losses and tax.

In assessing maintainable earnings for Pendal, the following factors have been considered:

- as presented in Section 8.9.1 of this report, UPAT excludes amortisation and impairment of intangible assets and gains and losses from financial assets, including Pendal's seed portfolio as they are not considered to be part of the underlying earnings of the business. As such, it includes only operating earnings and excludes significant and non-recurring items;
- a through-the-cycle view as to Pendal's historical performance fees which averaged \$32.2 million between FY19 and FY22 and includes relatively low performance fees in FY19 and FY20 of \$5.9 million and \$13.4 million, and relatively high performance fees in FY21 and FY22 of \$57.5 million and \$51.9 million, respectively. The broker consensus performance fees in FY23 are significantly lower than the average at \$17.6 million. In FY24 and FY25, broker consensus performance fees are \$20.4 million and \$26.4 million, respectively and are still below the historical average;¹⁰⁰
- the possible impact of the Transaction on FY23 broker forecasts, including the ability to win new business and the costs incurred;
- Pendal's historical UPAT in FY20 and FY21 is less relevant since:
 - TSW was acquired in May 2021;
 - it reflects the impact of the COVID-19 pandemic;
 - it does not reflect the current cyclical challenges (i.e. reductions in FUM as a result of elevated redemptions and reductions in asset values) faced by the funds management industry; and
 - it does not include the full impact of adverse structural changes that are progressively occurring in the funds management industry (refer to Section 7.2.2 of this report).

Consequently, our analysis has focused on UPAT in FY22 (the first full year of earnings from TSW) as well as UPAT forecasts provided by brokers for FY23, FY24 and FY25 as these reflect the impact of the adverse structural changes in the funds management industry and reflect a gradual recovery from the cyclical downturn. We note:

- FY22 UPAT corresponds to the most recent full year of performance of TSW and reflects an increase in operating profit from FY21 due to operating revenue growth being greater than operating expenses growth. However, Pendal's FY22 UPAT margin increased only slightly from FY21 reflecting elevated fixed costs associated with Pendal's strategic investments. Fixed costs are expected to remain elevated until the completion of Pendal's strategic investment program (described in Section 8.2.1 of this report) in FY25;
- brokers' UPAT forecasts reflect an expectation that Pendal will experience net outflows in FUM in FY23 due to industry-wide pressures, followed by net inflows in FUM in FY24 and FY25. Brokers also expect declining margins due to a recent change in FUM mix and the elevated fixed costs mentioned above. Overall, UPAT is expected to decline by 42.8% to \$111.2 million in FY23, before gradually recovering to \$114.9 million in FY24 and \$129.4 million in FY25. Brokers expectations of a protracted

¹⁰⁰ Refer Appendix 3 for the broker consensus performance fees.

recovery for Pendal are consistent with current expectations of a global economic contraction due to the cyclical trends detailed in Section 7.2.2 of this report. This worsening of expectations in relation to Pendal's recovery from FY23 to FY25 was crystallised after Pendal's release of the FY22 results. Prior to that announcement, broker consensus forecast FY25 UPAT was \$157.0 million; and

- as a result of the factors mentioned above, FY25 UPAT remains below FY22 levels despite the recovery trend expected after FY23.

Having regard to FY22 and forecast UPAT, we have selected a maintainable UPAT range for Pendal of \$140.0 million to \$150.0 million, which reflects the expectation of a gradual recovery from the cyclical downturn and a recovery in performance fees to normalised level, the impact of ongoing adverse structural changes and a reduction in fixed costs following the completion of the strategic investment program.

11.3.3 Capitalisation multiples

In determining an appropriate range of capitalisation multiples to apply to Pendal's maintainable earnings, we have considered the following:

- trading multiples of comparable listed funds management companies;
- multiples implied by recent transactions involving funds management companies; and
- the specific attributes of Pendal.

On balance, we consider that a multiple of 12.0 to 13.0 times UPAT is reasonable for Pendal, on a controlling basis.

We note, however, that the selected multiple for Pendal represents a premium of 27.7% to 38.3% relative to the median P/E multiple for the comparable companies of 9.4 times FY25 UPAT and a premium of 25.0% to 35.4% relative to the P/E multiple for the Combined Group of 9.6 times FY25 UPAT, and is consistent with the range of premiums typically observed.

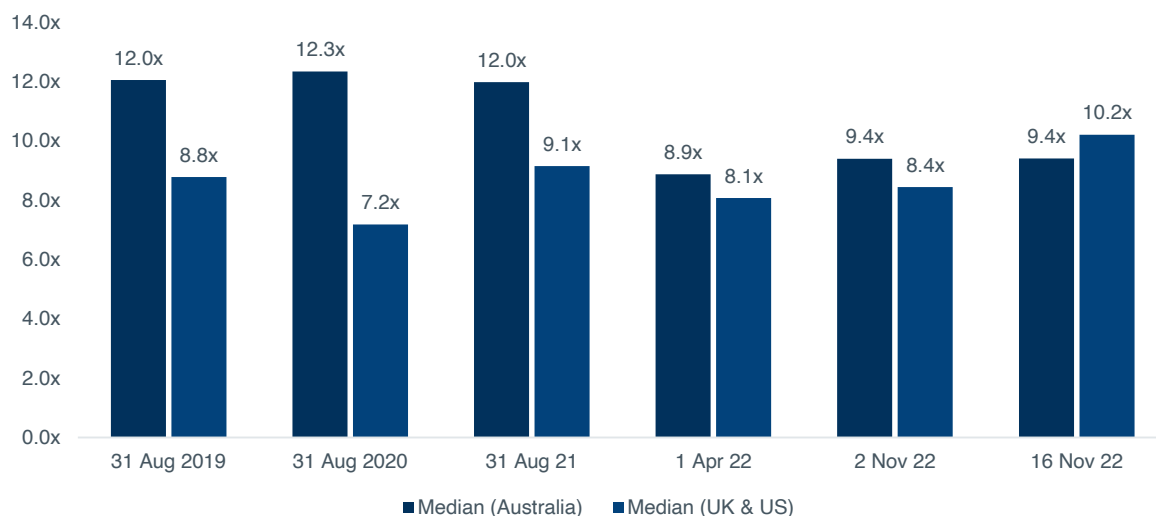
Further details regarding the identified comparable transactions and companies are included in Appendix 5 of this report.

Trading multiples of comparable funds management companies

Kroll has considered the movement in market capitalisations and multiples of the comparable companies since 31 August 2019. We have selected this starting point given that at that date financial results for the prior year and half year would have been released for the Australian, the United States and the United Kingdom based comparable companies, respectively. In addition, a period of approximately three years covers the COVID-19 pandemic period and its effects on the industry.

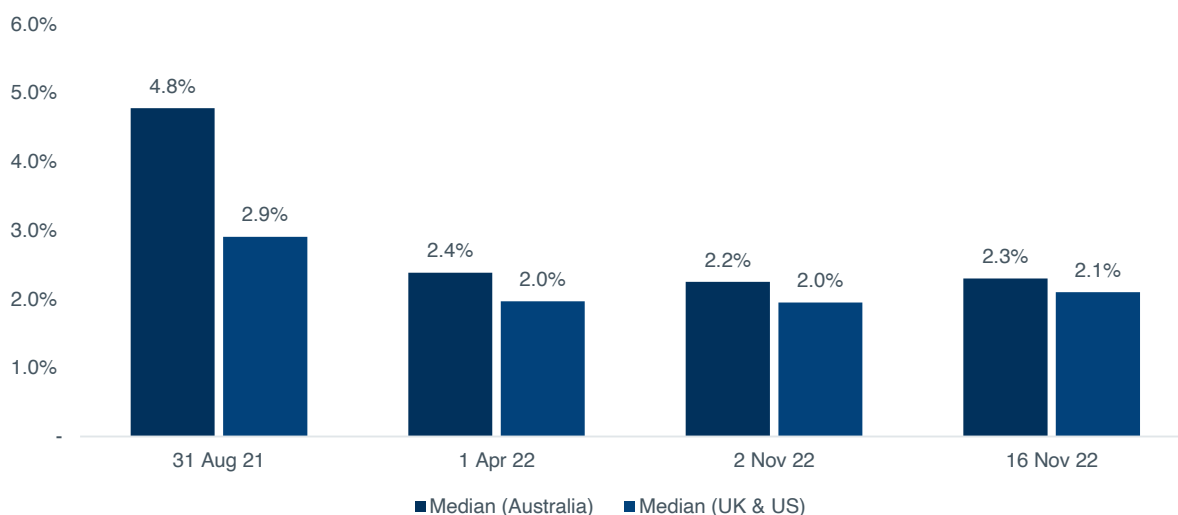
The movement in the implied forecast net profit after tax (NPAT) multiples and FUM multiples (market capitalisation as a percentage of FUM) for the comparable companies over time is presented as follows.

Implied forecast FY+3 NPAT multiple^{1,2,3}



Source: S&P Capital IQ, Company financial statements, Kroll analysis.

Market capitalisation as percentage of FUM^{1,2,3}



Source: S&P Capital IQ, Company financial statements, Kroll analysis.

Notes:

1. the mean and median excludes Pinnacle as it is considered less comparable to Pandal given it invests in firms to which it also provides seed funding, global retail and institutional distribution, and middle office and infrastructure services
2. Market capitalisation is measured at each date, adjusted for seed investments. FUM corresponds to the latest full financial year FUM available at the date of measurement. The implied forecast NPAT multiple is derived by dividing the measured market capitalisation over the consensus three-year forecast NPAT available at the date of measurement. Forecast NPAT excludes exceptional items.
3. Selected dates in 2022 are 1 April 2022, the last trading day before the announcement of the Indicative Proposal, 2 November 2022 and a current date (16 November 2022).

In relation to the figures above we note:

- given Pandal's presence in Australia, Europe and the United States, the comparable companies include Australian funds management companies as well as global funds managers based in the United Kingdom and United States. The market capitalisations of each of the comparable companies has been volatile since 31 August 2019 and has declined over the past year, regardless of location, size or investment strategy;

- from 31 August 2021 to 2 November 2022,¹⁰¹ FUM multiples and NPAT multiples for the comparable companies decreased significantly. Trading in these companies was volatile in the first half of the 2022 calendar year, and showed a consistent downward trend in the second half. Since 2 November 2022, market capitalisations of United States based companies have increased, likely reflecting the conclusion of the mid-term elections. The increase in the market capitalisations of the Australian companies may reflect the outcome of the US elections as well as takeover activity in the industry;
- from 31 August 2021 until 2 November 2022, the median market capitalisation as percentage of FUM of the Australian companies decreased by 52.9% and that of the United Kingdom and United States companies has decreased by 32.9%. The median implied forecast P/E multiple of the Australian companies has decreased by 21.6% and that of the United Kingdom and the United States companies has decreased by 7.7%;
- FUM growth of the comparable companies was generally negative in 2022, with some companies experiencing significant declines (such as Ashmore Group plc (**Ashmore**), which saw strong outflows in 2022 after the escalation of geopolitical tensions);
- NPAT growth for the 2023 calendar year is expected to be generally negative, driven by further declines in FUM in some cases, or, more generally, lower investment return and lower margins;
- the magnitude of the decline in valuations is a reflection of the fast-deteriorating expectations in relation to near-term performance, due to the challenging conditions for equity markets that are widely expected in 2023 by governments and financial institutions.

The following table sets out the implied P/E multiples for the comparable companies for the last financial year and the first, second and third forecast years.

Sharemarket Evidence: Comparable Listed Funds Management Companies – Price to Earnings

Sharemarket Evidence: Comparable Listed Funds Management Companies - Price to Earnings					
Company Name	Adjusted ¹ Market Capitalisation (\$ millions)	P/E multiple (times) ¹			
		FY	FY+1	FY+2	FY+3
Australia					
Perpetual (Combined Group) ²	2,662	7.9x	12.8x	10.8x	9.6x
Janus Henderson Group plc	5,046	9.4x	10.7x	9.7x	na ³
GQG Partners	4,244	11.2x	11.0x	9.8x	7.5x
Insignia Financial Ltd.	2,049	9.2x	11.0x	9.5x	9.4x
Magellan Financial Group Limited	1,378	3.6x	7.8x	9.7x	9.4x
Pinnacle Investment Management Group Limited	1,548	18.7x	19.0x	15.9x	13.6x
Platinum Investment Management Limited	936	8.1x	11.1x	12.4x	14.8x
United Kingdom					
Man Group Limited	3,909	4.2x	6.3x	6.1x	5.6x
Ashmore Group plc	2,022	8.8x	11.5x	11.4x	10.9x
United States					
Invesco Ltd.	10,479	8.8x	8.6x	7.5x	7.9x
Hamilton Lane Incorporated	3,269	17.5x	10.9x	10.7x	9.0x
Mean⁴		8.9x	10.2x	9.8x	9.3x
Median⁴		8.8x	11.0x	9.8x	9.4x

Source: S&P Capital IQ, Company announcements, Kroll analysis.

Notes:

- P/E multiple is defined as market capitalisation as at 2 November 2022 adjusted for seed investments, divided by net profit after tax. Net profit after tax for the historical year has been adjusted to exclude any income from seed investments, non-operating items and non-recurring items (e.g. gains and losses on seed investments).
- The P/E multiples for Perpetual (combined group) are based on the share price of Perpetual as at 2 November 2022, the last trading day prior to the announcement of the Consortium Offer. The net income of the historical year excludes synergies, and the forecast net income include synergies assumed by brokers.
- na = not available
- The mean and median exclude Pinnacle, which is less comparable.

¹⁰¹ The last trading day before the announcement that Perpetual had received and rejected the Consortium Offer.

In relation to the table above, we note the following:

- the multiples are based on share market prices and do not typically include a control premium;
- the comparable companies have different year ends. In order to align the periods between companies, the multiples of companies with a 31 December year end have been shifted forward (e.g. the first forecast year is the 12 months ending 31 December 2023);
- Kroll has considered the forecast multiples over FY+1, FY+2 and FY+3 given the funds management industry in next three years will be subject to the impact of the cyclical downturn and the ongoing structural challenges. However, we have placed more reliance on FY+3 multiples, as these reflect more normalised conditions;
- the comparable companies include mainly funds management companies based or listed in Australia, and selected comparable companies based in the United States and the United Kingdom;
- the comparable companies were selected based on the comparability of their business model to Pental and on the size of their market capitalisation. Very large and diversified asset management companies (e.g. BlackRock, Macquarie Group) were excluded;
- while we have considered Pinnacle, its implied P/E multiples are not included in the mean and median as we are of the view that it is not as comparable as it invests in investment management firms to which it also provides seed funding, global retail and institutional distribution, and middle office and infrastructure services;
- in relation to the remaining selected comparable companies we note:
 - the median multiple for the last historical year is 8.8 times UPAT. The median multiple increases to 11.0 times in FY+1 as a result in the decline in earnings, then declines to 9.4 times FY+3 UPAT as earnings recover;
 - of the comparable companies, we consider those that are focused on active investment management, with global product distribution capabilities and servicing of both retail and institutional clients to be most comparable to Pental;
 - in our view, the most comparable company to Pental is Perpetual (Combined Group), although the FY+1 and FY+2, and to a lesser extent, the FY+3, multiples will be overstated to the extent that they do not include the full run rate synergies. As at 2 November 2022,¹⁰² Perpetual is trading at a multiple of 9.6 times FY+3 UPAT, although the Perpetual share price may have been adversely impacted by short selling.¹⁰³ The Perpetual multiple should benefit from the non-market linked segments which will comprise approximately 25% of revenue and UPAT for the Combined Group. It is also larger and more diversified than Pental;
 - other comparable companies include Janus Henderson, GQG, and Man Group Limited (**Man Group**) as they focus on active investment, are geographically diversified and are of a broadly similar scale (by FUM) to Pental. The multiples for GQG decline over time (from 11.2 in the last historical year to 7.5 in FY+3), as its growth momentum is expected to continue through to FY+3. Multiples for Janus Henderson increase over time (from 9.4 in the last historical year to 9.7 in FY+2), reflecting an expectation of continued earnings declines, while Man Group's multiples increase from the last historical year to FY+1 (from 4.2 to 6.3 times) as earnings are expected to decline, then decrease to 5.6 times FY+3 earnings as earnings gradually recover. Multiples for Janus Henderson and Man Group are below the medians;
 - companies which provide other services in addition to funds management, such as financial services advice or administrative services, or that actively hold interests in funds management businesses and other investments are less comparable to Pental;
 - financial advice services generally attract lower base fees than funds management services and are less exposed to the volatility of equity markets. Companies such as Magellan, Insignia and Hamilton Lane provide these services in addition to funds management. Their multiples are generally moderate (9.4, 9.4 and 9.0 times FY+3 earnings, respectively). Magellan's

¹⁰² The last trading day before the announcement that Perpetual had received and rejected the Consortium Offer.

¹⁰³ Source: ASIC Reported Daily Short Positions for 10/10/22.

multiples increase over time due to an expected decrease in profitability following the recent loss of a significant mandate. Insignia's earnings are expected to decline in FY+1, before recovering in FY+2, while Hamilton Lane is expected to achieve continued growth;

- Platinum derives approximately 96% of its revenue from Australia. Its relatively high multiple in part reflects its significant cash and term deposits;
- Ashmore is a specialist investment manager and is less comparable to Pandal as it is more exposed to emerging markets, which are more volatile during challenging global economic cycles but generally tend to have a higher growth profile. Its multiples are relatively high; and
- Invesco Ltd (**Invesco**) offers both active and passive investment management services and is less comparable to Pandal. Passive investment management services attract low fees and result in lower capitalisation multiples. Invesco's multiples are relatively low.

The following table sets out the market capitalisation as a percentage of FUM for the comparable companies for the last financial year and the first, second and third forecast years.

Sharemarket Evidence: Comparable Listed Funds Management Companies – Percentage of FUM

Onshore Market Evidence: Comparable Listed Funds Management Companies – Percentage of FUM					
Company Name	Adjusted ¹ Market Capitalisation (\$ millions)	Market Capitalisation as % of FUM ¹			
		FY	FY+1	FY+2	FY+3
Australia					
Perpetual (Combined Group) ²	2,662	1.4%	1.3%	1.2%	1.2%
Janus Henderson Group plc	5,046	1.1%	1.0%	1.2%	na ³
GQG Partners	4,244	3.0%	2.7%	2.4%	2.2%
Insignia Financial Ltd.	2,049	2.2%	2.1%	2.0%	1.9%
Magellan Financial Group Limited	1,378	2.2%	2.6%	2.6%	2.4%
Pinnacle Investment Management Group Limited	1,548	1.8%	1.6%	1.4%	1.3%
Platinum Investment Management Limited	936	5.1%	5.4%	5.6%	5.6%
United Kingdom					
Man Group Limited	3,909	1.7%	1.6%	1.5%	1.4%
Ashmore Group plc	2,022	2.2%	2.0%	1.8%	1.6%
United States					
Invesco Ltd.	10,479	0.5%	0.4%	0.4%	na
Hamilton Lane Incorporated	3,269	2.3%	1.8%	1.6%	na
Mean⁴		2.2%	2.1%	2.0%	2.3%
Median⁴		2.2%	1.9%	1.7%	1.9%

Source: S&P Capital IQ, Company announcements, Kroll analysis.

Notes:

1. Market capitalisation as percentage of FUM is defined as market capitalisation as at 2 November 2022 adjusted for seed investments, divided by the historical FUM (for FY) and consensus FUM available at 2 November 2022 for the first, second and third forecast years.
2. The market capitalisation as percentage of FUM for Perpetual (Combined Group) is based on the share price of Perpetual as at 2 November 2022, representing a non-controlling value. The net income of the historical year excludes synergies, and the forecast net income includes synergies that are assumed by brokers.
3. na = not available
4. the mean and median exclude Pinnacle, which is less comparable.

In relation to the table above, we note the following:

- multiples of FUM are mainly influenced by a company's margins and the degree of operations outside funds management;
- multiples of FUM are in a wide range of 0.4% to 5.6%. Magellan (2.4% in FY+3), Insignia (1.9% in FY+3) and Hamilton Lane (1.6% in FY+2) provide services outside funds management, which contributes to their higher multiples of FUM. Platinum's relatively high percentage of FUM of 5.4% in FY23 in part reflects its significant cash and term deposits. Pinnacle's multiple is moderate (1.3% in FY+3) although its margins are difficult to compare due to its investment structure; and
- of the remaining companies, the multiples of FUM are in the range of 0.4% to 3.0% and the median multiple decrease from 1.5% in the last historical year to 1.4% in FY+2. The high end of this range is

represented by GQG (2.2% in FY+3), which has relatively high UPAT margins (56.9% in FY+3) whilst the low end is represented by Invesco (0.4% in FY+2) and Janus (1.2% in FY+2), which have relatively low UPAT margins (19.5% and 16.5%, respectively). The middle of the range is represented by Ashmore Group (1.6% in FY+3), Man Group (1.4%) and Perpetual (Combined Group) (1.2%), which have moderate UPAT margins (48.4%, 27.6%, 19.2%, respectively).

Trading Multiples Summary

Perpetual (Combined Group) is the most directly comparable company, as a global funds management company with clients in Australia, Europe, the United Kingdom, the United States and Asia. As at 2 November 2022,¹⁰⁴ the company traded at a multiple of 7.9 times last historical year UPAT (excluding synergies) and 9.6 times FY+3 UPAT, inclusive of all of the synergies anticipated by the brokers. This multiple is lower than what we would anticipate for Pendal as it does not include a premium for control.

In addition, the median multiple for the comparable companies¹⁰⁵ is 8.8 times last historical year UPAT. The median multiple increases to 11.0 in FY+1 as a result in the decline in earnings, then declines to 9.4 times FY+3 UPAT as earnings stabilise.

Multiples of FUM for the most comparable companies¹⁰⁶ are in the range of 0.4% to 3.0%, with the key factor differentiating these multiples being the company's margin. The median multiple for the most comparable companies decreases from 1.5% in the last historical year to 1.4% in FY+2.

Multiples implied by recent transactions involving funds management companies

The following table sets out a summary of transactions involving businesses in the global funds management industry since 2016.

Transaction Evidence: Funds Management Companies

Date	Target	Adjusted Equity value (100%) (\$ millions) ¹	P/E Multiple (times) ²		Consideration/ FUM ³
			Historical	Forward	
25 Aug 2021	ASK Investment Managers	1,299.9	33.8	na ⁴	8.9%
9 May 2021	TSW	407.4	10.1 ⁵	na	1.4%
23 Feb 2021	Wells Fargo Asset Management	2,945.6	na	na	0.4%
1 Feb 2021	Westchester Capital Management	203.3	na	na	3.6%
3 Dec 2020	Waddell & Reed Financial	1,505.8	12.8	10.8	1.6%
7 Oct 2020	Eaton Vance	8,877.7	20.0	17.8	1.3%
27 Jul 2020	Barrow Hanley	561.0	9.6	na	0.9%
17 Feb 2020	Legg Mason	6,229.7	25.0	12.7	0.5%
30 Jan 2020	Trillium	75.0	na	na	1.3%
6 Nov 2018	USAA Asset Management	1,176.6	na	na	1.2%
4 Mar 2017	Aberdeen Asset Management	5,597.8	11.4	14.3	1.1%
3 Oct 2016	Janus Capital Group	2,733.0	10.0	10.3	0.8%
Mean			16.6	13.2	1.9%
Median			12.1	12.7	1.2%

Source: S&P Capital IQ, Company announcements, Kroll analysis.

¹⁰⁴ The last trading day before the announcement that Perpetual had received and rejected the Consortium Offer.

¹⁰⁵ Excludes Pinnacle given it invests in firms to which it also provides seed funding, global retail and institutional distribution, and middle office and infrastructure services.

¹⁰⁶ Excludes Pinnacle given it invests in firms to which it also provides seed funding, global retail and institutional distribution, and middle office and infrastructure services, and excludes companies that have substantial operations outside funds management (i.e. Magellan, Insignia and Hamilton Lane) and Platinum, which has excess cash and term deposits.

Notes:

1. Adjusted equity value if 100% of the company had been acquired, adjusted to exclude the value of seed investments and other investments in non-operating assets (excluding cash and cash equivalents).
2. P/E multiple is defined as gross consideration divided by normalised net profit after tax. Net profit after tax for the historical year has been adjusted to exclude any income from seed investments, non-operating items and non-recurring items (e.g. gains and losses on seed investments). Calculated on a last twelve months (LTM) basis for historical and forecast FY basis for forecast.
3. Value to FUM multiple is defined as gross consideration divided by FUM reported before each transaction.
4. na = not available
5. Calculated based on annualised UPAT for the six months to 31 March 2021.

Kroll notes the following in relation to the transaction evidence:

- a number of recent transactions are a response to the adverse structural trends the active funds management industry has been undergoing in mature markets, in particular the increase in the adoption of passive management strategies. Under such circumstances, transactions are a means to achieve growth and economies of scale as well as increase diversification;
- the multiples are heavily influenced by the time at which they occurred:
 - all of the transactions occurred prior to the material negative re-rating of the funds management sector as a result of negative structural and cyclical trends. As noted above, from 31 August 2021 to 2 November 2022,¹⁰⁷ the median FY+3 multiple for the comparable companies has declined significantly (from 12.0 times to 9.4 times, or by 21.6%, for Australian comparable companies and from 9.1 times to 8.4 times, or by 7.7%, for the United Kingdom and United States comparable companies). The FUM multiples have experienced a similar decline (from 4.8% to 2.2%, or by 52.9%, for Australian comparable companies and from 2.9% to 2.0%, or by 32.9%, for the United Kingdom and United States comparable companies). Consequently, none of these transactions are particularly relevant to the valuation of Pendal in the current environment. The median forecast multiple for the above transactions is 12.7 times. Kroll expects that a transaction in the current environment would occur at a significantly lower multiple that reflects the negative re-rating of the sector; and
 - most transactions involve fund managers that were located in the United States where fee compression had been occurring as far back as 2018 as a result of fee pressure from low cost passive managers. The exceptions are ASK Investment Managers in India and Aberdeen Asset Management in the United Kingdom;
 - other transactions (Wells Fargo Asset Management, Westchester Capital Management, Waddell & Reed Financial, Eton Vance and Barrow Hanley) occurred in the height of the COVID-19 pandemic, when market capitalisations declined significantly, although the FUM during that period was primarily impacted by market movements rather than investor redemptions;
- none of the transactions are directly comparable to Pendal's operations in terms of scale or geographical footprint:
 - scale is likely to be a key driver of value as a result of the ability to capture diversification benefits and economies of scale. Many of the target companies are substantially larger than Pendal. For transactions adjusted implied equity value above \$2 billion, the multiples are relatively high (a historical P/E multiple in the range of 10.0 to 25.0 times and a forecast P/E multiple in the range of 10.3 to 17.8 times). Other target companies are significantly smaller than Pendal (Pendal's acquisition of TSW and Perpetual's acquisition of Barrow Hanley) and the transactions occurred at relatively low historical P/E multiples of 10.1 and 9.6 times, respectively; and
 - as noted, most transactions involve fund managers that were located in the United States with a few exceptions (ASK Investment Managers in India and Aberdeen Asset Management in the United Kingdom). The growth outlook for the funds management industry in India was substantially higher than in developed countries and, in addition, Blackstone identified substantial cross-selling opportunities, resulting in an extremely high historical P/E multiple of 33.8 times for ASK Investment Managers.

¹⁰⁷ The last trading day before the announcement that Perpetual had received and rejected the Consortium Offer.

- the multiples are relatively high where the acquirer identified substantial synergies. In particular, significant potential synergies were anticipated in the acquisition of Waddell & Reed by Macquarie Asset Management and the acquisition of ASK Investment Managers by Blackstone. These transactions occurred at historical P/E multiples of 12.8 and 33.8 times, respectively;
- transactions involving companies with a specific advantage, such as an ESG focus (e.g. Trillium) or event-driven strategies (e.g., Westchester Capital Management) may attract higher multiples. Event-driven investment capitalises on mergers and acquisitions events where arbitrage opportunities may arise; and
- multiples of FUM are mainly influenced by the target company's margins, anticipated synergies and the degree of operations outside funds management. Multiples of FUM are in a wide range of 0.4% to 8.9%. The low end of the range is represented by Wells Fargo Asset Management Holding (0.4%) and Legg Mason (0.5%), which had a relatively low margin of 11.4%. The high end of the range is represented by ASK Investment Managers (8.9%), which operated in the high growth Indian market and for which substantial cross-selling opportunities had been identified, Westchester Capital Management (3.6%), which focused on event-driven strategies and Waddell & Reed (1.6%), which had significant operations outside of funds management. Excluding these transactions, the multiples are in the range of 0.8% to 1.4%, with a median of 1.2%.

Recent Transaction Multiple Summary

All of the transactions occurred prior to the material negative re-rating of the funds management sector as a result of negative structural and cyclical trends. Kroll expects that a transaction in the current environment would occur at a significantly lower multiple that reflects the negative re-rating of the sector. The most relevant transactions occurred at multiples of FUM in the range of 0.8% to 1.4%, with a median of 1.2%.

Specific considerations for Pental

Whilst multiples implied by recent transactions and trading on share markets provide a useful benchmark in determining an appropriate P/E multiple for Pental, it is also necessary to consider the specific attributes of Pental. These factors include:

- pure funds management business focused on active management;
- Pental's UPAT margins are expected to decline significantly from 30.8% in FY22 to 21.9% in FY25 based on broker consensus forecasts;
- a diversified and global client base that has been built since the acquisition of JOHCM;
- recently increased exposure to the United States market through the acquisition of TSW, in particular to the institutional market;
- complementary product offering between JOHCM and TSW with anticipated cross-selling 30.7% in FY22 opportunities;
- substantial synergies could be expected in Pental's US and UK operations, although less so in its Australian operations (other than for Perpetual);
- a dedicated sustainable and impact investment offering following the acquisition of Regnan in 2019;
- an investment program to expand its distribution network in Europe, with recently established offices in France and Germany; and
- a four-year investment program in systems and technology to build a more scalable platform.

However, exposure to the following factors may constrain multiples:

- elevated costs due to the ongoing investment programs may impact profitability in the current market;
- time required to reach scale overseas;
- the heightened risk of recession in 2023 in Europe and the United States, which account for more than two thirds of Pental revenue;
- lack of scale, particularly in overseas markets, which reduces its ability to spread costs across a larger platform;

- systems and technology to build a more scalable platform as still in development;
- the significant reliance of Pental on certain key personnel to derive revenue (key people risk); and
- the risk that the integration of TSW does not yield the expected benefits.

Based on all of these factors, in particular the substantial synergies that could be expected in Pental's US and UK operations, its moderate scale and the negative re-rating of the funds management industry, we consider the selected multiple of 12.0 to 13.0 times maintainable UPAT to be appropriate. The selected range of multiples implies a premium for control in the range of 27.7% to 38.3% relative to the median P/E multiple for the comparable companies¹⁰⁸ of 9.4 times FY25 UPAT and a premium of 25.0% to 35.4% relative to the P/E multiple for the Combined Group of 9.6 times FY25 UPAT. This premium is consistent with and slightly below the range of premiums typically observed of 25% to 40%.

11.3.4 Cross-check

The percentage of FUM implied by the value of Pental's business is set out in the following table.

Implied Percentage of FUM

	FUM ¹ (\$ millions)	Implied percentage of FUM	
		Low	High
Equity value of Pental (Excl. seed investments, controlling basis)		1,680.0	1,950.0
Equity value / FUM as at 30 September 2022	104,500	1.6%	1.9%
Equity value / FUM FY + 1	106,400	1.6%	1.8%
Equity value / FUM FY + 2	111,400	1.5%	1.8%
Equity value / FUM FY + 3	117,600	1.4%	1.7%

Source: S&P Capital IQ, Company announcements, Kroll analysis.

Notes:

1. FUM as at 30 September 2022 represents the actual FUM of Pental as at that date. FUM for FY + 1, FY + 2 and FY + 3 represents the broker's consensus average FUM.

The percentage of FUM observed in recent transactions (excluding outliers) are in the range of 0.8% to 1.4%, with a median of 1.2%. The FY+1 FUM implied by Kroll's valuation of Pental, in the range of 1.6% to 1.8%, is above this range. This is appropriate since Pental's margins are moderate (30.8% UPAT margin in FY22), although are expected to decline to 22.2% by FY25, whereas most of the transactions involved US target companies, where fee compression has been occurring for a number of years. The forecast median margin for the most relevant transactions is 20.7%

For the most comparable listed companies,¹⁰⁹ the median percentage of FUM declined from 1.5% of the last historical year FUM to 1.4% in FY+2. The multiple of FUM implied by Kroll's valuation of Pental is substantially above the median for the most comparable companies, which is reasonable as it includes a control premium. We note that although Pental's FY22 UPAT margin was relatively high at 30.8%, the brokers are expecting it to decline significantly to 22.2% in FY25, whereas the median margin for the most comparable companies is expected to remain relatively stable (29.7% in the last historical period and 27.6% in FY+3).

¹⁰⁸ Excludes Pinnacle given it invests in firms to which it also provides seed funding, global retail and institutional distribution, and middle office and infrastructure services.

¹⁰⁹ Excludes Pinnacle given it invests in firms to which it also provides seed funding, global retail and institutional distribution, and middle office and infrastructure services, and excludes companies that have substantial operations outside funds management (i.e. Magellan, Insignia and Hamilton Lane) and Platinum, which has excess cash and term deposits.

12 Valuation of the Scheme Consideration

12.1 Summary

Under the terms of the Scheme, Pental Shareholders are entitled to receive the Scheme Consideration in respect of each Pental Share held, comprising a cash amount equal to \$1.65 and 0.143 (rounded to three decimal places) New Perpetual Shares.

The Scheme Consideration will be reduced by the cash value of the Permitted Dividend Amount of 3.5 cents per Pental Share.¹¹⁰

Based on an assessed value range of \$24.00 to \$28.00 per Perpetual Share, the Scheme Consideration has been valued in the range of \$5.04 to \$5.62 per Pental Share.

Value of the Scheme Consideration

	Scheme Consideration	
	Low	High
Value per Perpetual Share	\$24.00	\$28.00
Exchange ratio	0.143	0.143
Value of scrip component	\$3.43	\$4.00
Add: cash component	\$1.62	\$1.62
Value of Scheme Consideration per Pental Share	\$5.04	\$5.62

Source: Kroll analysis

Note: The Scheme Consideration values depicted have been reduced by the cash value of the Permitted Dividend Amount of 3.5 cents per Pental Share. Figures in the table have been rounded.

Kroll's range of values for Perpetual Shares is lower than the closing Perpetual share price on 24 August 2022 (the last trading day prior to the announcement of the Scheme) of \$30.30 on which the Scheme Consideration of \$5.944 per Pental Share was based (being the announced Scheme Consideration of \$5.979 less the cash value of the Permitted Dividend Amount of 3.5 cents per Pental Share). This is not unexpected as subsequent to the announcement of the Transaction:

- global equity markets have been broadly flat or declined, with the ASX 200, S&P 500 and FTSE 100 having decreased by 0.2%, 9.2% and 4.4% respectively between 24 August 2022 and 2 November 2022¹¹¹, caused by, inter-alia, increasing geopolitical and economic uncertainties as a consequence of rising interest rates in the global economy, energy supply disruptions, slowing economic growth and heightened fears of a protracted global economic recession;
- the funds management industry has continued to be negatively re-rated following large declines in FUM resulting from institutional investor led fund outflows and adverse market movements. Since 24 August 2022, the Comparable Companies Index has declined by 9.5% (as at 2 November 2022);
- the share prices of listed Australian fund managers have continued to decline, with peers Magellan and Janus Henderson trading lower by 21.2% and 0.3% respectively between 24 August 2022 and 2 November 2022; and
- the Perpetual Shares have traded ex distribution (since 8 September 2022).

Consequently, we do not consider Perpetual's share price on 24 August 2022, nor over a longer period before the announcement of the Scheme to be representative of trading since the announcement of the Scheme.

¹¹⁰ The Scheme Consideration is comprised of 1 New Perpetual Share for every 7 Pental Shares, plus \$1.65 cash for each Pental Share held at the Scheme Record Date, less the cash value of the Permitted Dividend Amount of 3.5 cents per Pental Share for the financial year ended 30 September 2022. Based on a Perpetual Share price of \$30.30 on the last trading day before the announcement of the Scheme, the Ex-Dividend Implied Offer Value is therefore \$5.944 per Pental Share.

¹¹¹ 2 November 2022 being the day prior to the announcement of the Consortium Offer. The period following the Consortium Offer saw the Comparable Companies Index increase by 9.0%, potentially indicating a degree of contagion amongst fund managers with speculation that more offers may emerge.

Since the announcement of the Consortium Offer on 3 November 2022 and the Revised Consortium Offer on 10 November 2022, the Comparable Companies Index has increased by 9.0%, outperforming the ASX 200 which increased by 1.9%, however, this potentially reflects a degree of contagion amongst fund managers with movement of the index particularly evident following the Consortium Revised Offer. During this time, global equity markets were also broadly higher following the US mid-term elections.

Trading in Perpetual Shares between 3 November 2022 and 16 November 2022 reflected the terms of the Consortium Offer and Revised Consortium Offer, and speculation that an improved offer may emerge. Since the announcement after market close on 16 November 2022 by Perpetual confirming that the transaction with Pandal is continuing and that both parties had agreed to revised terms of the Implementation Deed, the Perpetual share price traded in a range of \$25.41 to \$29.00 at a VWAP of \$26.79 for that day (closing at \$27.59 on 17 November 2022). We note that trading on this day likely reflects the revised terms of the Scheme and an expectation that the Scheme would proceed.

The value of the Scheme Consideration will vary with movements in the Perpetual share price. It is possible that the Perpetual share price may be higher or lower than Kroll's assessed range of values. Therefore, until the New Perpetual Shares are issued under the Scheme, Pandal Shareholders are exposed to changes in overall equity market conditions, industry dynamics and company specific events that affect the Perpetual share price. Furthermore, as most of the Scheme Consideration is in the form of New Perpetual Shares, the value of the Scheme Consideration is particularly sensitive to movements in the Perpetual share price. The following table illustrates the sensitivity of the implied value of the Scheme Consideration to changes in the Perpetual share price.

Sensitivity of the Scheme Consideration¹ to Changes in the Perpetual Share Price (\$)

Illustrative Perpetual Share Price	Implied Value of Scheme Consideration¹
21.00	4.62
22.00	4.76
23.00	4.90
24.00²	5.04
25.00	5.19
26.00	5.33
27.00	5.47
28.00	5.62
29.00	5.76
30.00	5.90
30.30³	5.94
31.00	6.04

Source: Kroll analysis.

Note:

1. Deducts Permitted Dividend Amount of 3.5 cents per Pandal Share.
2. Bold indicates Kroll's selected value range for Perpetual Shares (i.e. \$24.00 to \$28.00).
3. \$30.30 is based on the closing Perpetual share price on 24 August 2022, the last trading day prior to the announcement of the Scheme.

12.2 Approach

The Scheme Consideration comprises both cash and scrip components with the scrip component being in the form of New Perpetual Shares. In determining our valuation range for the Scheme Consideration it is, therefore, necessary to estimate the trading price for Perpetual Shares after the scrip component of the Scheme Consideration is distributed to Pandal Shareholders (rather than a pre-bid price) as it represents the value at which Pandal Shareholders can realise their interest post implementation of the Scheme.

The scrip component of the Scheme Consideration received by Pandal Shareholders will represent minority interests in Perpetual Shares. Therefore, it is a requirement under RG 111.31 that the value of the scrip component of the Scheme Consideration is assessed on a minority interest basis. In a transaction with a scrip component, it is common practice to utilise the post announcement market price as a basis for

estimating the value of the scrip component. We consider this approach to be appropriate for determining our valuation range for the scrip component of the Scheme Consideration due to the following:

- Perpetual Shares are liquid. Perpetual is a constituent of the ASX 200 index and a member of a number of other indices, including the ASX 200 Industrial Index and ASX 200 Diversified Financials (Industry Group) Index. There is sufficient liquidity in the market for Perpetual Shares to suggest that recent performance and expectations are reflected in current trading prices;
- other than the period from 3 November 2022 to 16 November 2022, where the Perpetual share price was influenced by the Consortium Offer and Revised Consortium Offer which included a premium for control, the trading price of Perpetual Shares has reflected the value of portfolio interests (i.e. a minority interest) and is commonly assumed to exclude a premium for control;
- the disclosure requirements associated with being publicly listed imply that any information in relation to Perpetual's business that would have a material impact on its share price should have been disclosed to the market;
- both Perpetual and Pandal are transparent entities and are followed by several brokers. There has been sufficient time and information available for the market to assess the Scheme (noting that its revised terms are not materially different from its original terms) and its expected implications for Perpetual, including anticipated synergies. Therefore, the current trading in Perpetual Shares post the announcement of the revised terms of the Scheme after market close on 16 November 2022 (recognising that this has only been for one day), as well as trading in Perpetual Shares prior to 3 November 2022 (the day of the announcement of the Consortium Offer) should reflect the estimated impacts associated with the Scheme, albeit the market may also consider the implementation risks associated with the Scheme. The period between 3 November 2022 and 16 November 2022 reflected the terms of the Consortium Offer and Revised Consortium Offer, and speculation that an improved offer may emerge; and
- an alternative approach is to undertake a fundamental valuation of the Combined Group and then apply a discount to reflect a portfolio interest. However, Kroll has not had access to non-public information for Perpetual that would be required to support a fundamental analysis. Regardless, the consensus view of a liquid market is likely to be a more reliable indication of value than a Pandal Shareholder can obtain than a valuation undertaken by a single valuer, particularly given the minority nature of the scrip component of the Scheme Consideration being offered.

To cross-check the valuation range derived from our analysis of trading in Perpetual Shares, we have:

- compared the forecast P/E multiples and Price to FUM implied by our selected value range for Perpetual Shares to market evidence derived from listed fund management companies and transactions involving funds managers; and
- compared our selected value range for Perpetual Shares to brokers' target prices.

12.3 Analysis of trading in Perpetual Shares

In utilising the post announcement market price of Perpetual Shares as a basis for estimating the value of the scrip component of the Scheme Consideration we have considered the following:

- trading in Perpetual Shares both before and after the announcement of the Indicative Proposal on 4 April 2022 and Scheme on 25 August 2022;
- the performance of Perpetual Shares relative to the market;
- the liquidity of Perpetual Shares;
- publicly available information in relation to Perpetual and the Scheme; and
- the impact on Perpetual of implementing the Scheme.

Our analysis of these factors is outlined in the following sections.

12.3.1 Recent trading in Perpetual Shares

The period from March 2020 until the beginning of 31 August 2021 saw a general recovery in the Perpetual share price from the COVID-19 pandemic induced sharemarket decline, alongside a recovery of both the market and ASX 200 Financials sector.

Trading in Perpetual Shares since 4 January 2021

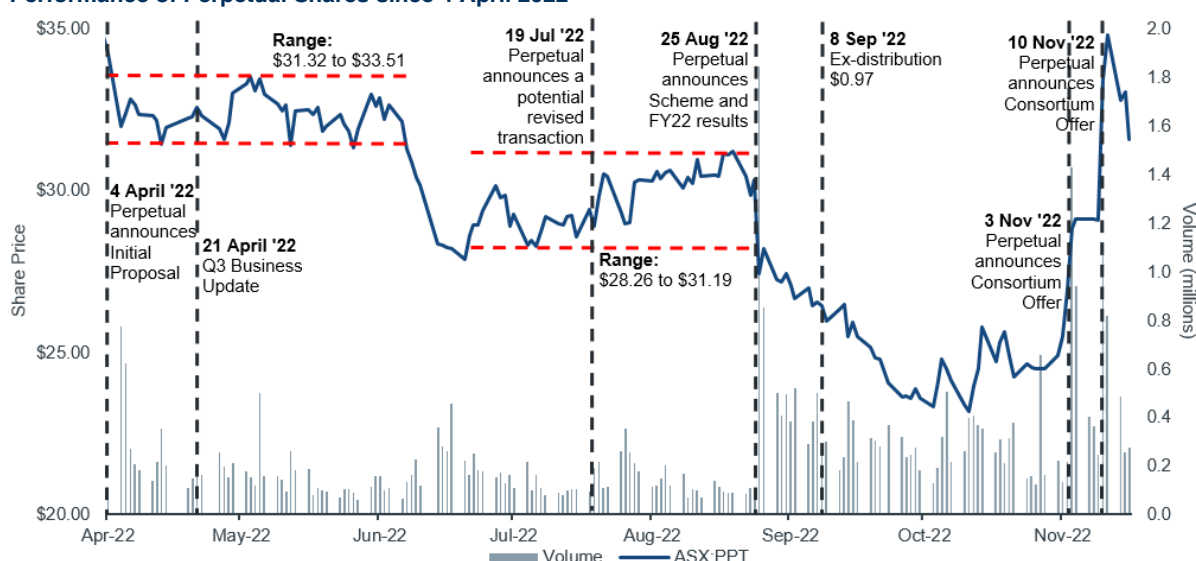


Source: S&P Capital IQ, Kroll analysis.

From the closing high of \$42.27 on 31 August 2021, the Perpetual share price declined by 19.0% to close at \$34.23 on 1 April 2022, the last trading day before the announcement of the Indicative Proposal of 0.133 New Perpetual Shares and \$1.67 cash per Pendal Share (an indicative value of consideration of \$6.32 based on the closing price of Perpetual Shares on 1 April 2022 of \$34.23).

The trading price and volume of Perpetual Shares since Perpetual announced the Indicative Proposal on 4 April 2022 is illustrated as follows.

Performance of Perpetual Shares since 4 April 2022



Source: S&P Capital IQ, Kroll analysis.

On the announcement of the Indicative Proposal on 4 April 2022, the Perpetual share price declined by 6.6% to close at \$31.97 then traded broadly in the range of \$31.32 to \$33.51 until 6 June 2022, when the Perpetual share price commenced a decline from this range to close at \$27.87 on 20 June 2022, coinciding with a decline in the ASX 200 of approximately 10.7%.

The Perpetual share price then recovered to trade broadly in the range of \$28.26 to \$31.19 until the announcement of the Scheme and FY22 financial results on 25 August 2022, which indicated a reduction in FUM of 2.1% from 1H22 and underperformance in revenue growth and expenses growth compared to broker consensus forecasts. On 25 August 2022, the Perpetual share price declined by 9.4% to close at \$27.44. Since these announcements, the Perpetual share price continued to decline to close at a low of \$23.19 on 11 October 2022. This period coincided with a report showing short positions in Perpetual reached 8.79% of shares on issue as at 10 October 2022, making it the seventh most shorted stock on the ASX.¹¹² Between 11 October 2022 and 2 November 2022 Perpetual shares recovered consistent with the broader equity market to close at \$26.90.

On 3 November 2022, Perpetual confirmed it had received and rejected the Consortium Offer to acquire 100% of the ordinary shares in Perpetual for a price of \$30.00 per Perpetual Share. Any transaction would be conditional on the termination of the Implementation Deed with Pandal. Perpetual Shares have traded higher since the Consortium Offer was announced, closing at a price of \$31.58 on 16 November 2022, and have traded above the \$30.00 level since 10 November 2022 following the announcement that Perpetual had received and rejected the Revised Consortium Offer of \$33.00 per Perpetual Share.

Trading on 17 November 2022, post the announcement of the revised terms of the Scheme, was in a range of \$25.41 to \$29.00 at a VWAP of \$26.79 for that day (closing at \$27.59). We note that trading on this day likely reflects the revised terms of the Scheme and an expectation that the Scheme would proceed.

12.3.2 Performance of Perpetual Shares relative to the market

The performance of Perpetual Shares relative to the ASX 200 Index and Comparable Companies Index¹¹³ since 4 January 2022 is illustrated as follows.

Performance of Perpetual Shares Relative to Indices since 1 January 2022



Source: S&P Capital IQ, Kroll analysis.

From January 2021, the Perpetual share price initially underperformed the ASX 200 Index, declining alongside the Comparable Companies Index until March 2021, before recovering to track broadly in line with the index until the release of the FY21 results on 19 August 2021, which saw a strong uplift in earnings and FUM. Following release of these results, the share price outperformed both the ASX 200 Index and the Comparable Companies Index, before commencing a decline, consistent with the negative re-rating of comparable companies in the funds management sector as a result of adverse cyclical and structural trends in the funds management industry as set out in Section 7.2.2 of this report.

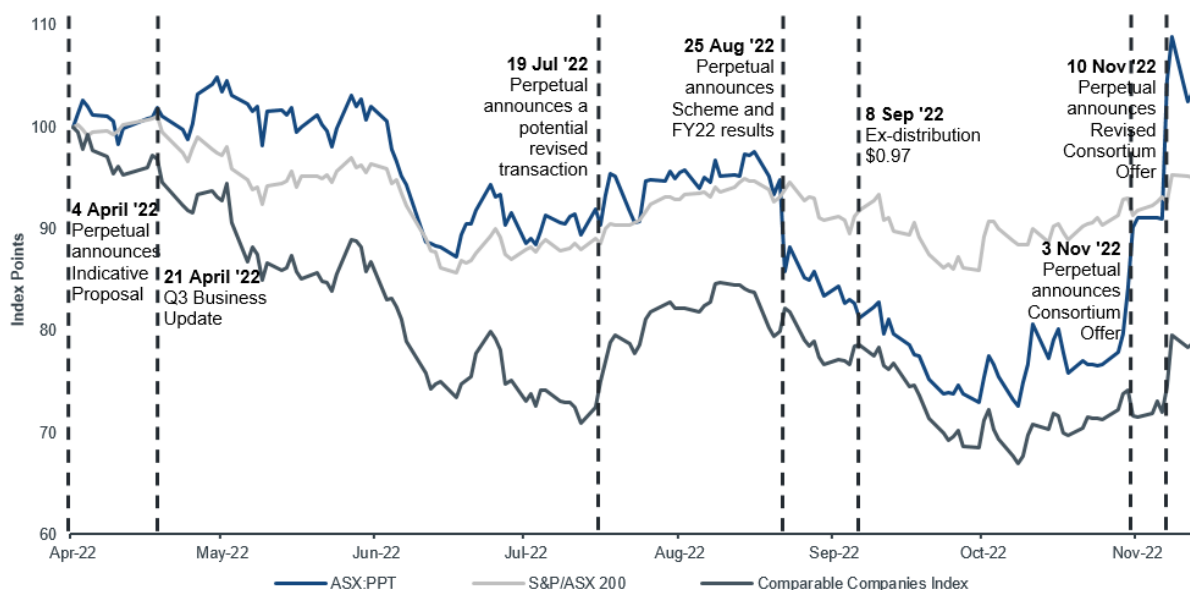
¹¹² Source: ASIC Reported Daily Short Positions for 10/10/22.

¹¹³ Includes Pandal, Perpetual, Magellan, Platinum, Insignia and Janus Henderson. Excludes GQG, which was listed on 26 October 2022 and Pinnacle, which has a different business model.

The Perpetual share price broadly tracked the ASX 200 Index and outperformed the Comparable Companies Index from 14 December 2021 up until 30 March 2022. Along with the Comparable Companies Index, it then slightly underperformed the ASX 200 Index in the lead up to the announcement of the Indicative Proposal on 4 April 2022, when the Perpetual share price underperformed the indices.

The performance of Perpetual Shares relative to the ASX 200 Index and Comparable Companies Index since 4 April 2022 is illustrated as follows.

Performance of Perpetual Shares Relative to Indices since 4 April 2022



Source: S&P Capital IQ, Kroll analysis.

From 4 April 2022, the Perpetual share price once again broadly tracked the ASX 200 Index and outperformed the Comparable Companies Index which was driven by the underperformance of constituents Magellan, Platinum, and Janus Henderson (refer to commentary in Section 8.14.2 of this report for further detail).

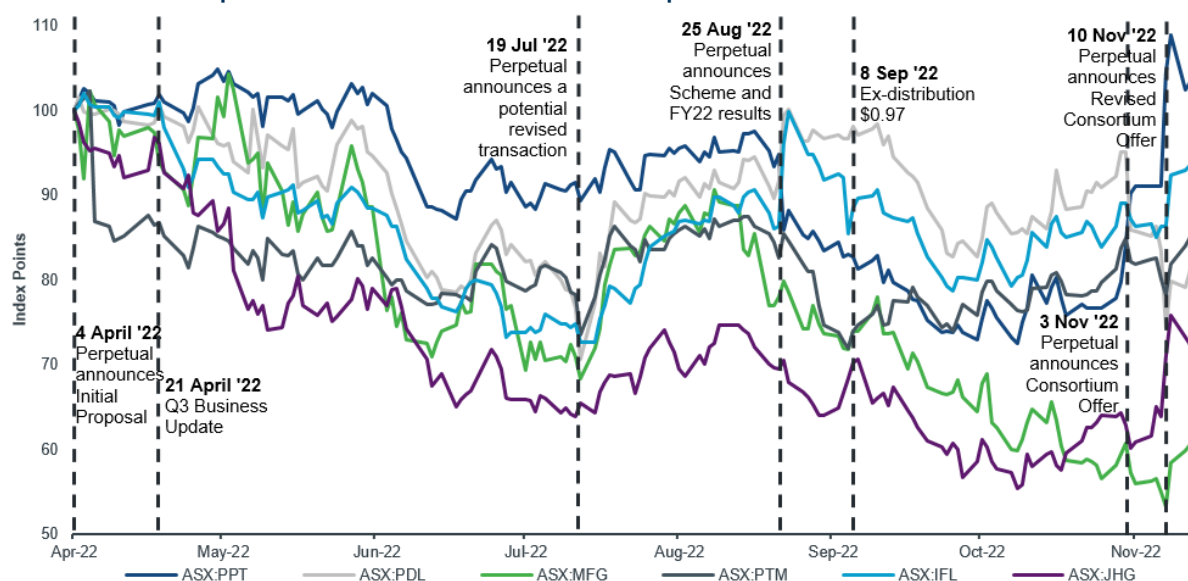
The Perpetual share price and the indices declined in May and June 2022 on concerns regarding the impact of rising interest rates on the economy, the escalating Russia-Ukraine conflict, energy supply disruptions, and slowing economic growth, which heightened fears of a protracted global economic recession.

On the announcement of the Scheme and release of FY22 financial results on 25 August 2022, Perpetual's share price considerably underperformed both the ASX 200 Index and the Comparable Companies Index. From 24 August 2022 (the last trading day prior to the announcement of the Scheme) until 2 November 2022, the last trading day before the announcement of the Consortium Offer, both the Perpetual share price and the Comparable Companies Index have underperformed the ASX 200 Index as they have continued to be negatively re-rated, declining by 11.2% and 13.8%, respectively against the ASX 200's decline of 1.5%. The ASX 200 Index declined moderately over concerns regarding the impact of rising interest rates on the economy, the escalating Russia-Ukraine conflict, energy supply disruptions, and slowing economic growth, which heightened fears of a protracted global economic recession.

Following the announcement of the Consortium Offer on 3 November 2022, and subsequently the Revised Consortium Offer on 10 November 2022, the Perpetual share price significantly outperformed both the ASX 200 Index and the Comparable Companies Index. It should be noted, however, that the ASX 200 Index has moved modestly higher during this time (up by 1.9%), while the Comparable Companies Index has increased by 9.0%, potentially indicating a degree of contagion amongst fund managers with movement of the index particularly evident following the Consortium Revised Offer. During this time, global equity markets were broadly higher following the US mid-term elections.

The performance of the Perpetual share price relative to Australian funds management companies since 4 April 2022 is illustrated as follows.

Performance of Perpetual Shares Relative to Peers since 4 April 2022



Source: S&P Capital IQ, Kroll analysis.

Since 4 April 2022, there has been a continued negative re-rating of Australian funds management companies. Over the period from 4 April 2022 to 24 August 2022, the day prior to the announcement of the Scheme and FY22 results, the Perpetual share price had outperformed peers, declining by 5.3%, while larger peers Janus Henderson, Magellan and Insignia declined by 30.5%, 22.1% and 13.7% respectively.

On the day of the announcements of the Scheme and FY22 results on 25 August 2022, the Perpetual share price declined 9.4%, while peers traded marginally higher. From the announcement of the Scheme until 2 November 2022, the last trading day prior to the Consortium Offer, Perpetual Shares had declined by 11.2%, a greater decline than its peers with the exception of Magellan which had declined by 21.2%. Perpetual has outperformed its peers since the announcement of the Consortium Offer and Revised Consortium Offer, but all peers are trading modestly higher following these announcements.

12.3.3 Perpetual liquidity

An analysis of the volume of trading in Perpetual Shares for various periods pre- and post- the announcement of the Indicative Proposal on 4 April 2022 and the announcement of the Consortium Offer on 3 November 2022 are summarised as follows.

Perpetual Liquidity for Various Periods to 4 November 2022

Period	Price (\$) Low	High	VWAP	Cumulative value (\$ millions)	Cumulative volume (millions)	Percentage of issued capital
<i>Ending 16 November 2022 (post- Consortium Offer)</i>						
3 November 2022	27.95	34.80	30.72	187.4	6.1	10.8%
<i>Ending 2 November 2022 (post- Indicative Proposal, pre- Consortium Offer)</i>						
1 week	24.05	26.90	24.94	28.8	1.2	2.1%
1 month	23.07	26.90	24.48	151.7	6.2	11.0%
8 September '22	23.07	26.90	24.66	265.5	10.8	19.0%
25 August '22	23.07	30.44	25.73	434.9	16.9	29.9%
3 months	23.07	31.22	26.13	489.2	18.7	33.0%
4 April '22	23.07	33.76	28.25	954.9	33.8	59.7%
<i>Ending 24 August 2022 (post- Indicative Proposal, pre- Scheme announcement)</i>						
4 April '22	27.32	33.76	30.85	520.0	16.9	29.8%
<i>Ending 1 April 2022 (pre- Indicative Proposal)</i>						
1 week	34.03	35.48	34.63	25.9	0.7	1.3%
1 month	33.53	35.74	34.62	126.7	3.7	6.5%
3 months	31.96	37.42	35.03	340.5	9.7	17.2%
6 months	31.96	41.37	35.84	754.2	21.0	37.1%
12 months	31.96	42.45	37.05	1,462.4	44.6	78.7%

Source: S&P Capital IQ, Refinitiv, Kroll analysis.

Regarding the preceding analysis, we note:

- from the announcement of the Indicative Proposal on 4 April 2022 until 2 November 2022 (the last trading day immediately prior to the receipt of the Consortium Offer), 59.7% of Perpetual Shares have traded (64.0% of the free float). On an annualised basis, this represents 109.0% of the free float.¹¹⁴ This indicates that there is sufficient liquidity in Perpetual Shares to determine that recent performance and expectations are reflected in current trading prices;
- the volume of Perpetual Shares traded was immediately higher following the announcement of the Scheme, with 1.8 million shares traded on the day of the announcement of the Scheme (representing 3.2% of issued capital). This is to be expected as the market reacts to new information. Trading volumes have remained higher post the announcement of the Scheme, reflecting investors selling and merger arbitrage funds buying prior to implementation of the Scheme, and also reflecting heightened market volatility alongside the broader equity market decline;
- in the six months to 1 April 2022, Perpetual Shares traded in the range of \$31.96 to \$41.37, at a VWAP of \$35.84. From the announcement of the Indicative Proposal until the announcement of the Scheme, shares traded in a lower range of \$27.32 to \$33.76 and a VWAP of \$30.85 (13.9% lower than the pre-Indicative Proposal VWAP);
- since the announcement of the Scheme on 25 August 2022 until 2 November 2022, the last trading day prior to the announcement of the Consortium Offer, Perpetual Shares traded in a range of \$23.07 to \$30.44, and a VWAP of \$25.73 (28.2% lower than the pre-Indicative Proposal VWAP). Since Perpetual Shares traded ex-dividend on 8 September 2022, trading until 2 November 2022 has occurred in a lower range of \$23.07 to \$26.90, and a VWAP of \$24.66;
- following the announcement of the Consortium Offer on 3 November 2022 until 16 November 2022, Perpetual Shares traded in the range of \$27.95 to \$34.80, at a VWAP of \$30.72. Perpetual Shares commenced trading above \$30.00 on 10 November 2022 following the announcement that Perpetual had received and rejected the Revised Consortium Offer of \$33.00 per Perpetual Share; and
- on 17 November 2022, following the announcement of the revised terms of the Scheme and the Court Decision, Perpetual Shares traded in a range of \$25.41 to \$29.00 at a VWAP of \$26.79 and closed at \$27.59. Trading on this day reflects the revised terms of the Scheme and an expectation that the Scheme would proceed.

12.4 Publicly available information in relation to Perpetual and the Scheme

Under ASX Listing Rules, Perpetual is required to keep the market informed of events and developments in a timely manner as they occur. Once Perpetual becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of its shares, it must inform the market of that information.

Perpetual released its FY22 results on 25 August 2022, the same day of the announcement of the Scheme. It has also provided a Q1 Business Update on 19 October 2022. Consequently, there is no reason to consider that any information relating to Perpetual's existing business that would have a material impact on its share price has not been publicly disclosed.

In relation to the Scheme, Perpetual released an explanatory presentation and Implementation Deed to the market on 25 August 2022, outlining the profile of the Combined Group and the potential synergies arising from the acquisition. The majority of brokers have also updated their forecasts to reflect the impact of the Transaction. As such, we consider it reasonable to assume that the current trading in Perpetual Shares reflects the estimated impacts of the Scheme and associated synergies.

After market close on 16 November 2022, Pental announced the revised terms for the Scheme under which Pental Shareholders will receive the Scheme Consideration of \$1.650 cash and 1 New Perpetual Share¹¹⁵ for every 7 Pental Shares (noting that the cash component of the Scheme Consideration would be reduced by the Permitted Dividend Amount of 3.5 cents per Pental Share).

¹¹⁴ Based on 252 trading days in the 12 Months to 16 November 2022.

¹¹⁵ New Perpetual Share means a Perpetual Share to be provided to Scheme Shareholders under the Scheme.

12.5 Impact of the Scheme on Perpetual

The profile of the Combined Group is set out in detail in Section 10 of this report and Section 7 of the Scheme Booklet. It is summarised as follows.

Impact of the Scheme on Perpetual

	Perpetual Stand-alone	Combined Group Pro Forma
Assets under Management		
Total FUM (\$ billions)	89.8	194.3
Asset management brands	3	7
FUM by Asset Class (%)		
Australian equities	13%	14%
Global equities	19%	34%
EUKA equities	0%	5%
US equities	48%	26%
Cash and Fixed income	19%	17%
Other	1%	4%
FUM by Client Domicile (%)		
Australia	24%	31%
EUKA	14%	17%
North America	62%	52%
Earnings Guidance		
Revenue (\$ millions) ¹¹⁶	757.5	1,415.0
UPAT (\$ millions) ¹¹⁶	148.2	335.1
UPAT margin (%)	19.6%	23.7%
Financial Position		
Total assets (\$ millions)	1,746.5	4,017.4
Total liabilities (\$ millions)	820.7	1,483.2
Net assets (\$ millions)	925.8	2,534.2
Net tangible assets (\$ millions)	(25.9)	(308.9)

Source: Scheme, Kroll analysis.

The Scheme has a material, but not transformative, impact in that it expands but does not fundamentally change Perpetual's operations. The Scheme strengthens Perpetual's position as a leading, global multi-boutique asset manager and provides a number of strategic benefits, including:

- combining the businesses under a multi-boutique model, which combines the best elements of a pure boutique model and the traditional institutional model. The Combined Group will benefit from the autonomy of investment talent that exists across the Group, amplified by an enlarged distribution capability, greater scale and deeper capital resources;
- acceleration of the global build out and growth strategy, with a significant and immediate acceleration of both Perpetual and Pandal's plans to continue to build their distribution teams and deliver optimal products to each client base. The Combined Group's enlarged global distribution team of is expected to create growth opportunities for both investment teams, including improved geographical reach and opening of new distribution channels, including digital capabilities;
- the combination of both Perpetual and Pandal's strong ESG and sustainable investing brands (Trillium and Regnan), capabilities, resources and focus, creates a global leader in ESG investing, which will benefit from the combined distribution capabilities, expertise, and enlarged client base;
- the Combined Group will have a diversified set of investment capabilities, which are highly complementary, differentiated by investment style, by asset sector and specialist capabilities within each asset sector;
- contributes an estimated \$60 million in net pre-tax full run rate synergies per annum, to be achieved within two years post completion;
- on a per share basis, including full run rate synergies, results in double digit EPS accretion; and

¹¹⁶ Revenue and UPAT refers to the last 12 months ending 30 June 2022.

- increases Perpetual's free float and liquidity.

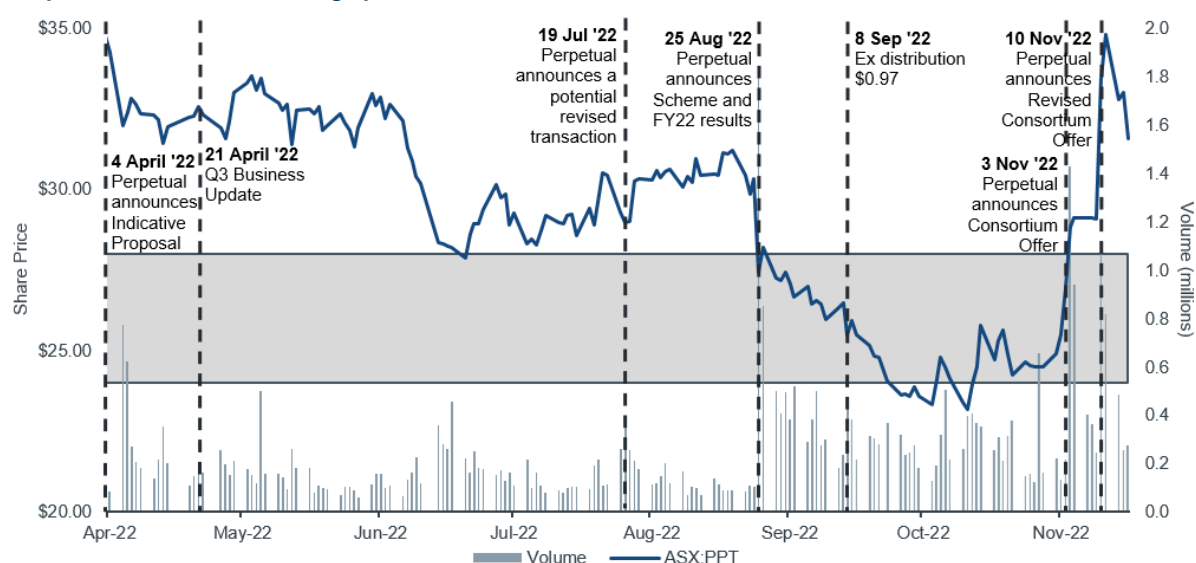
12.6 Conclusion on value of a Perpetual Share

Kroll has assessed that a Perpetual share price of \$24.00 to \$28.00 is an appropriate estimate in current market conditions. This range takes into account the performance of Perpetual Shares since announcement of the Scheme and the financial impact of the Scheme.

In considering our range we note that other than the period from 3 November 2022 to 16 November 2022, where the Perpetual share price was influenced by the Consortium Offer and Revised Consortium Offer which included a premium for control, the trading price of Perpetual Shares has reflected the value of portfolio interests (i.e. a minority interest) and is commonly assumed to exclude a premium for control;

The selected value range relative to recent Perpetual share prices is illustrated in the following chart.

Perpetual Selected Value Range per Share



Source: S&P Capital IQ, Kroll analysis.

In Kroll's opinion, the value range of \$24.00 to \$28.00 is appropriate as it reflects the range of trading prices since the announcement of the Scheme and, in particular, the majority of trading from the ex-distribution date of 8 September 2022 until 2 November 2022, the day prior to the announcement of the Consortium Offer, which occurred between a range of \$23.07 to \$26.90, at a VWAP of \$24.66. It is worth noting that this period coincided with a report showing short positions in Perpetual reached 8.79% of shares on issue as at 10 October 2022, making it the seventh most shorted stock on the ASX.¹¹⁷

We note that while Perpetual Shares had previously traded above this range, trading during this period included the 2H22 final distribution of 97 cents. Furthermore, the selected range is below the assumed share price of \$30.30 referenced in the announcement of the Scheme on 25 August 2022. This is not unexpected as since these announcements, Perpetual Shares are trading ex-distribution (from 8 September 2022), global equity markets have declined (with the S&P 500 Index down approximately 3.6% over the period), and the funds management industry has continued to be negatively re-rated following declines in FUM with the Comparable Companies Index 5.1% lower since 25 August 2022.

On 3 November 2022, Perpetual announced that it had rejected the Consortium Offer, an all cash proposal to acquire 100% of the Shares in Perpetual for \$30.00. Kroll notes that from this announcement until 16 November 2022, the last trading day before the announcement of the Court Decision, Perpetual Shares traded above our selected value range, in the range of \$27.95 to \$34.80, at a VWAP of \$30.72 and closing at \$31.58 on 16 November 2022, and traded above \$30.00 from 10 November 2022 until 16 November 2022 following the announcement that Perpetual had received and rejected the Revised Consortium Offer.

¹¹⁷ Source: ASIC Reported Daily Short Positions for 10/10/22.

This potentially reflected speculation of a renewed or improved offer and/or speculation that the Scheme would not proceed.

However, we do not consider this range of trading to be appropriate in determining our valuation range for New Perpetual Shares for the following reasons:

- the Perpetual Board rejected the Consortium Offer and Revised Consortium Offer, noting that they materially undervalued Perpetual (on a control basis);
- the offers are conditional, non-binding and indicative and are not capable of acceptance. They are highly uncertain, contingent on several factors including the satisfactory completion of due diligence, the BPEA EQT Fund's final internal approvals, and final Regal Board approval. There is no certainty that a binding proposal that is capable of acceptance will emerge;
- Regal has stated that any future transaction will be conditional on the termination of the Implementation Deed between Pendal and Perpetual. As the two proposals cannot co-exist, the range of trading post announcement of the Consortium Offer is not an appropriate determinant in the valuation range for New Perpetual Shares;
- the New Perpetual Shares to be received by Pendal Shareholders will represent minority interests in Perpetual and, therefore, as required by RG 111.31, the value of the scrip component of the Scheme Consideration must be assessed on a minority interest basis. In contrast, the Consortium Offer, Revised Consortium Offer and any potential binding transaction, is a control transaction and, consequently, the Perpetual share price during this period likely included a control premium;
- given the market speculation that the Scheme would not proceed, trading in Perpetual Shares potentially did not reflect the impact of the Scheme; and
- Perpetual Shares did not trade above \$26.90 since Perpetual traded ex-dividend on 8 September 2022 until 2 November 2022, the day prior to the Consortium Offer. Consequently, it is likely that the market priced in expectations for a renewed or improved offer for Perpetual, and/or speculating that the Scheme may not proceed.

We note that since Pendal's announcement of the revised terms of the Scheme and Court Decision (refer to Section 3.1.1 of this report for further details), on 17 November 2022, Perpetual Shares traded in a range of \$25.41 to \$29.00 at a VWAP of \$26.79 for that day and closed at \$27.59. We note that trading on this day likely reflects the revised terms of the Scheme and an increased expectation that the Scheme would proceed.

12.7 Valuation cross-check

12.7.1 Comparison to listed funds management companies

Overview

In order to cross-check our selected valuation range for Perpetual Shares, we have compared the implied valuation metrics (in terms of P/E multiples and Price to FUM) to market evidence derived from listed funds management companies.

Combined Group implied multiples

The implied valuation metrics for the Combined Group are presented as follows.

Perpetual Implied Multiples Cross-check

Parameter (\$ millions)	Combined Group	
	Low	High
Value per Combined Group share (\$)	24.00	28.00
Diluted number of Combined Group shares (millions) ¹	110.2	112.0
Value of Combined Group equity excl. seed investments (\$ millions)	2,644.5	3,137.2
Less: seed investments ²	(351.1)	(351.1)
Value of Combined Group equity (\$ millions)	2,293.4	2,786.1
Multiple of pro forma FY22 UPAT – Combined Group ³	335.1	6.8x
Multiple of FY+1 UPAT – broker consensus ⁴	208.7	11.0x
Multiple of FY+2 UPAT – broker consensus ⁴	246.0	9.3x
Multiple of FY+3 UPAT – broker consensus ⁴	278.5	8.2x
Price / FUM – Combined Group (\$ billions) ⁵	194.3	1.2%
Price / FUM FY+1 – Combined Group (\$ billions) ⁶	203.1	1.1%
Price / FUM FY+2 – Combined Group (\$ billions) ⁶	214.7	1.1%
Price / FUM FY+3 – Combined Group (\$ billions) ⁶	229.9	1.0%

Source: Broker reports, Kroll analysis.

Notes:

- The high end of the range is calculated as 57,346,980 Perpetual Shares plus 54,735,642 New Perpetual Shares. The low end of the range excludes 9,246,311 Pandal treasury shares that Perpetual will acquire as part of the Transaction, converted to Perpetual Shares at 0.201 Perpetual Shares for each Pandal Share.
- Investments calculated as Perpetual Financial Assets at FVTPL 30 June 2022 of \$152.0 million plus Pandal Financial Assets at FVTPL 30 September of \$199.1 million.
- Calculated as Perpetual FY22 UPAT of \$148.2 million plus Pandal unaudited UPAT for the 12 months to 30 June 2022 of \$210.8 million less \$24.5 million adjustment and excludes synergies.
- It appears that brokers have included the annual net pre-tax synergies advised by Perpetual management, being \$60 million per annum (excluding integration and other one-off costs), expected to be achieved in full by the end of the second-year post-implementation, with 50% expected to be achieved by the end of year one.
- Calculated as the value of Combined Group equity divided by the Combined Group FUM of \$194.3 billion as at 30 September 2022, expressed as a percentage.
- Calculated as the value of Combined Group equity divided by broker forecast average FUM per FY for the Combined Group, expressed as a percentage.

The implied multiples for the Combined Group are considered to be reasonable, taking account the multiples at which listed funds management companies are trading, since:

- the implied multiples for Perpetual and the multiples at which listed funds management companies are trading do not include a control premium;
- brokers assume the Combined Group will realise all of the synergies by FY25 (or FY+3). Therefore, we would expect FY22, FY23 and FY24 P/E multiples for the Combined Group to be consistent with or above the median multiple for comparable companies;
- the range of P/E multiples for the Combined Group of 8.2 to 9.10.0 times FY25 UPAT is consistent with the median multiple for the comparable companies of 9.4 times;¹¹⁸
- the range of multiples of FUM for the Combined Group of 1.2% to 1.4% as at 30 September 2022 and 1.0% to 1.2% in FY+3 is slightly below the median for the most comparable companies,¹¹⁹ with the

¹¹⁸ Median multiple calculated as at 2 November 2022. Since this date, the market capitalisations of United States based companies have increased, likely reflecting the conclusion of the mid-term elections. There has also been an increase in the market capitalisations of Australian peers which may reflect the outcome of the US elections or be influenced by takeover activity in the industry, specifically, as a result of the Consortium Offer and Revised Consortium Offer.

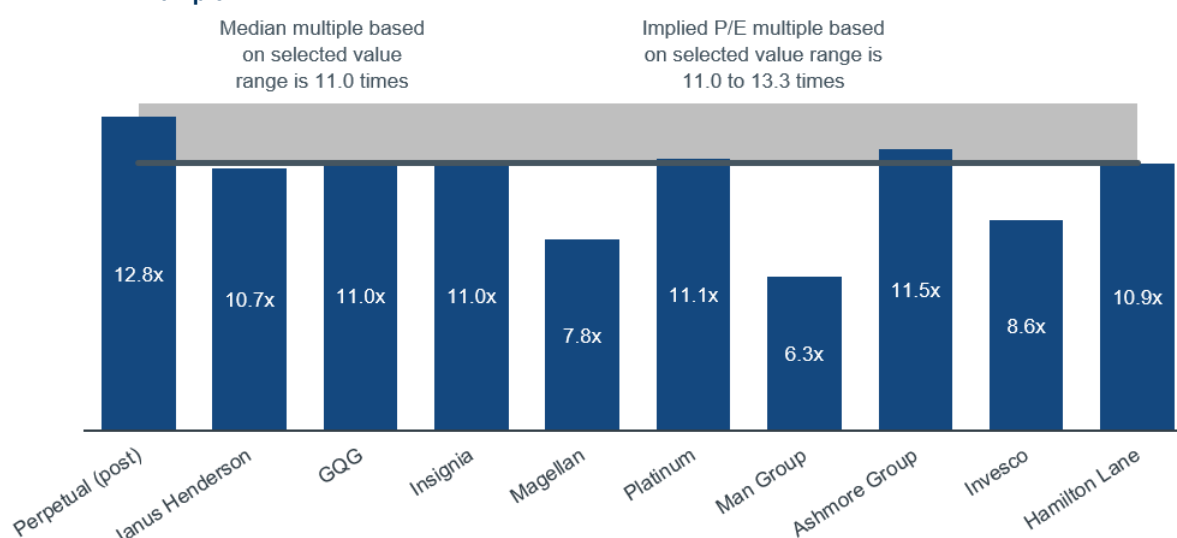
¹¹⁹ Excludes Pinnacle given it invests in firms to which it also provides seed funding, global retail and institutional distribution, and middle office and infrastructure services, and excludes companies that have substantial operations outside funds management (i.e. Magellan, Insignia and Hamilton Lane) and Platinum, which has excess cash and term deposits.

median decreasing from 1.4% in the last historical year to 1.3% in FY+2.¹²⁰ This is reasonable since although the Combined Group will have slightly greater FUM (\$194 billion at 30 September 2022) than the median for the comparable companies (\$141 billion) and will have non-market linked revenue from Perpetual Corporate Trust and Perpetual Private, providing greater diversification and stability of earnings, it will have relatively low and declining UPAT margins, with FY22 pro forma UPAT margin (excluding synergies) of 23.7% and declining slightly to 19.2% in FY25 despite brokers assuming the realisation of all synergies, compared to a median UPAT margin for the comparable companies (29.4% in the last historical period and 27.6% in FY+3).

Market evidence

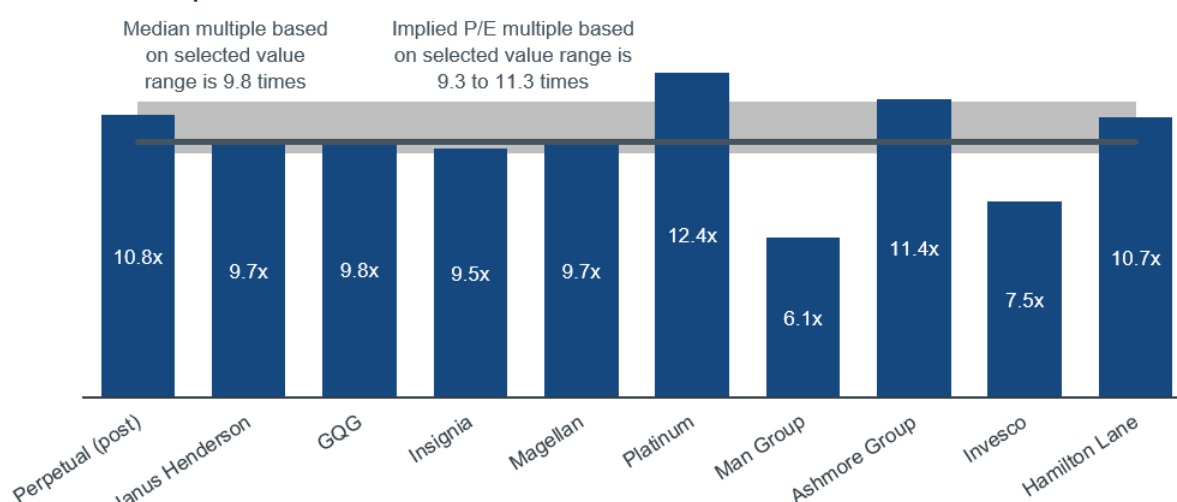
The valuation metrics implied by our selected valuation range for Perpetual Shares are consistent with (or below for price to FUM) the range of multiples observed for listed funds management companies and are illustrated as follows:

FY+1 NPAT Multiple



Source: S&P Capital IQ, Kroll analysis.

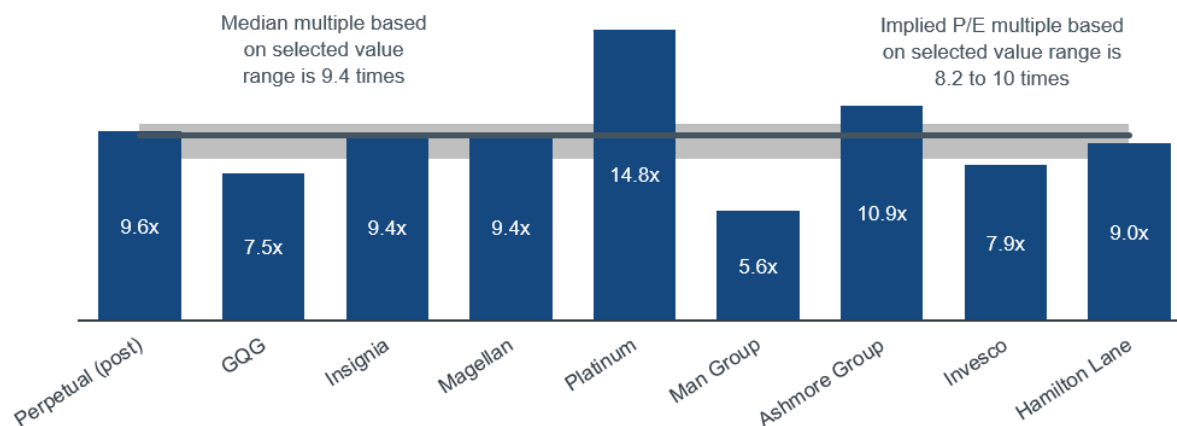
FY+2 NPAT Multiple



Source: S&P Capital IQ, Kroll analysis.

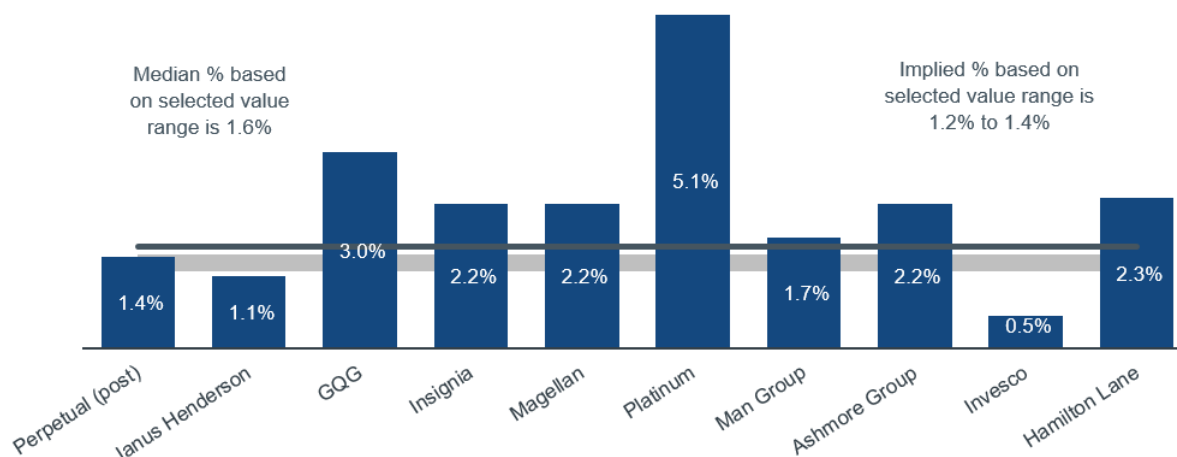
¹²⁰ Median excludes Insignia, Magellan, and Hamilton Lane as a substantial portion of earnings is derived outside of funds management for these companies. Platinum has also been excluded from the median as it has substantial excess cash and deposits relative to its size.

FY+3 NPAT Multiple



Source: S&P Capital IQ, Kroll analysis.

Price to FUM (%)



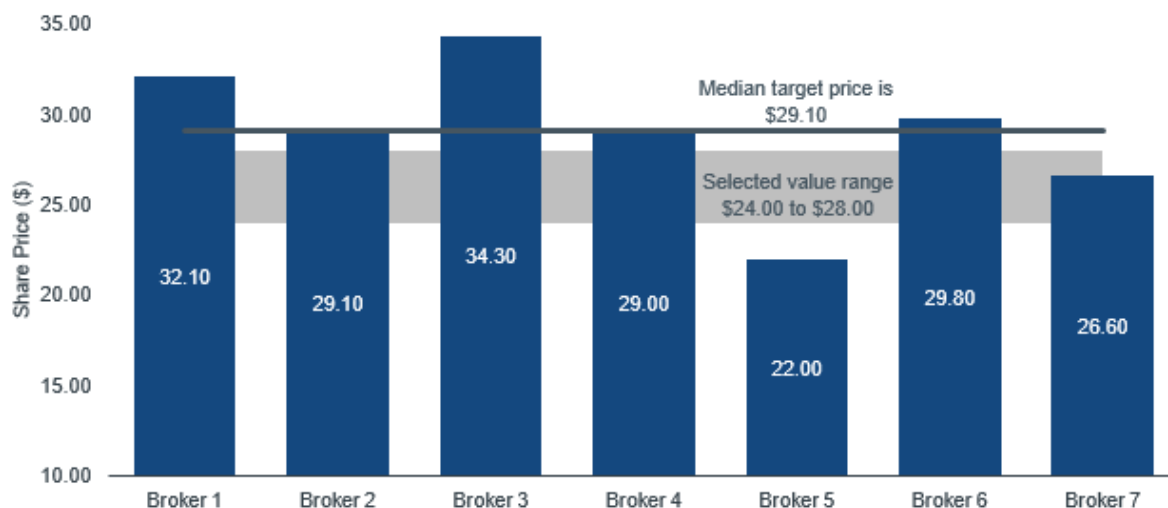
Source: S&P Capital IQ, Kroll analysis.

Note: Calculated as the value of equity divided by latest reported FUM, expressed as a percentage. Median excludes Insignia, Magellan, and Hamilton Lane as a substantial portion of earnings is derived outside of funds management for these companies. Platinum has also been excluded from the median as it has substantial excess cash and deposits relative to its size.

12.7.2 Comparison to broker target prices

As a final valuation cross-check, we have compared our selected valuation range for Perpetual Shares to current broker target prices.

Perpetual Broker Target Prices



Source: Broker reports, Kroll analysis.

With regard to this comparison, we note:

- as far as Kroll is aware, Perpetual is followed by 13 brokers, seven of which have published reports following the announcement of the 30 September 2022 FUM and explicitly include forecasts for the Combined Group in their target prices (excluding advisors to the transaction). Therefore, we consider that these target prices would reflect the most recent publicly available information for Perpetual;
- the broker target prices range from \$22.00 to \$34.30. Our selected valuation range of \$24.00 to \$28.00 per Perpetual Share falls below median broker target price of \$29.10, which is appropriate given that target prices represent forward looking 12-month targets; and
- it appears that brokers have reflected the estimated impacts of the Transaction in their target prices.

Appendix 1 – Kroll disclosures

Qualifications

The individuals with overall responsibility for preparing this report on behalf of Kroll are Ian Jedlin and Celeste Oakley. Ian is an Associate and Accredited Business Valuation Specialist of the Institute of Chartered Accountants Australia and New Zealand, a Senior Fellow of the Financial Shares Institute of Australia and holds a Master of Commerce from the University of New South Wales. He is also a member of the Standards Review Board of the International Valuation Standards Council. Celeste holds a Bachelor of Economics and Bachelor of Laws and a CFA designation. Both Ian and Celeste have extensive experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of independent expert's reports. Michel Brun, Kate Nieland and James Wheatley assisted in the preparation of this report.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Kroll's opinion as to whether the Scheme is in the best interests of Pendal Shareholders. Kroll expressly disclaims any liability to any Pendal Shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, Kroll has had no involvement in the preparation of the Scheme Booklet or any other document prepared in respect of the Transaction. As such, Kroll takes no responsibility for the content of the Scheme Booklet as a whole or other documents prepared in respect of the Transaction (other than this report).

Independence

Kroll considers itself to be independent in accordance with the requirements of Regulatory Guide 112 issued by the ASIC on 30 March 2011. In considering independence, it is noted that Kroll does not have, and has not had within the previous two years, any business or professional relationship with Pendal or Perpetual or any financial or other interest that could reasonably be regarded as capable of affecting our ability to provide an unbiased opinion for Pendal Shareholders. Kroll's only role with respect to the Transaction has been the preparation of this report.

Kroll will receive a fixed fee of \$700,000 (excluding GST and out of pocket expenses) for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Meetings. Kroll will receive no other benefit for the preparation of this report.

Declarations

Pendal has provided an indemnity to us for any claims arising out of any misstatement or omission in any material or information provided to us in the preparation of this report.

During the course of this engagement, Kroll provided draft copies of this report to management of Pendal for comment as to factual accuracy, as opposed to opinions, which are the responsibility of Kroll alone. Changes made to this report as a result of those reviews have not altered the methodology or opinions of Kroll as stated in this report.

The engagement has been conducted in accordance with professional standard APES 225 "Valuation Service" issued by the Accounting Professional & Ethical Standards Board (**APESB**).

Kroll is authorised by Millinium Capital Managers Limited, Australian Financial Services License no. 284336, to provide the following financial services as their Corporate Authorised Representative: provide financial product advice in respect of the following classes of financial products; interests in managed investment schemes including investor directed portfolio services; and shares with respect to retail clients and wholesale clients.

Consents

Kroll consents to the inclusion of this report in the form and context in which it is included in the Scheme Booklet to be issued to Pendal Shareholders. Neither the whole nor any part of this report or its attachments or any reference thereto may be included or attached to any other document without the prior written consent of Kroll as to the form and context in which it appears.

Appendix 2 – Limitations and reliance on information

Limitations and Reliance on Information

Kroll's opinion is based on prevailing economic, market, business and other conditions at the date of this report and corresponds with a period of continued uncertainty associated with the COVID-19 pandemic and escalating geopolitical tensions and corresponding unfolding global energy crisis and broader market volatility. To the extent possible, we have reflected these conditions in our opinion. However, the factors impacting these conditions continue to evolve and can change over relatively short periods of time. The impact of any subsequent changes in these conditions on the global economy and financial markets generally, and the assets being valued specifically, could impact upon value in the future, either positively or negatively. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

Our report (other than the Perpetual Information in Sections 9 and 10 of this report) is also based on financial and other information provided by Pental and its advisers. Pental has been responsible for ensuring that information provided by it and its representatives is not false or misleading or incomplete. Pental has represented in writing to Kroll that to its knowledge, the information provided is complete and not incorrect or misleading in any material respect. Complete information is deemed to be information which at the time of completing this report should have been made available to Kroll and would have reasonably been expected to have been made available to Kroll to enable us to form our opinion. We have no reason to believe that any material facts have been withheld from us.

In forming our opinion, we have relied upon the truth, accuracy and completeness of any information provided or made available to us without independently verifying such information. Nothing in this report should be taken to imply that Kroll has in any way carried out an audit of the books of account or other records of Pental or Perpetual for the purposes of this report. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles including the Australian equivalents to International Financial Reporting Standards, as applicable.

In addition, we have also had discussions with Pental in relation to the nature of the business operations, specific risks and opportunities, historical results of Pental and prospects for the foreseeable future of Pental. This type of information has been evaluated through analysis, inquiry and review to the extent considered necessary or practical as part of the information used in forming our opinion is comprised of the opinions and judgements of management. Kroll does not warrant that its procedures and inquiries have identified all matters that a more extensive analysis might disclose as they did not include verification work nor an audit or review engagement in accordance with standards issued by the Auditing and Assurance Standards Board or equivalent body.

An important part of the information used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. Such information is often not capable of external verification or validation.

The statements and opinions included in this report are given in good faith and in the belief that such statements and opinions are not false or misleading.

Disclosure of information

In preparing this report, Kroll has had access to all financial information considered necessary in order to provide the required opinion. Pental has requested Kroll limit the disclosure of certain information relating to Pental. This request has been made on the basis of the commercially sensitive and confidential nature of the operational and financial information of the operating entities comprising Pental. As such the information in this report, unless otherwise indicated, has been limited to the type of information that is regularly placed into the public domain by Pental.

Subsequent events

Kroll has made changes to the valuation of the Scheme Consideration to reflect the revised terms of the Scheme announced after market close on 16 November 2022.

Sources of Information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information:

- Scheme Booklet
- Implementation Deed
- results presentations and annual reports for Pendal for FY18, FY19, FY20, FY21 and 1H22
- ASX announcements, press releases, media and analyst presentations and other public filings by Pendal including information available on its website
- broker reports and recent press articles regarding Pendal
- results presentations, annual reports, press releases and other public filings relating to comparable companies and comparable transactions
- broker reports and press articles relating to comparable companies and comparable transactions
- information sourced from S&P Capital IQ
- data sourced from the Australia Bureau of Statistics
- global asset management industry reports by Boston Consulting Group
- Investment Company Institute. "Worldwide Regulated Open-End Fund Assets and Flows, First Quarter 2022"
- Morningstar. "Morningstar Global Sustainable Fund Flows: Q4 2021 in review"
- PwC. "AWM: Asset and wealth management revolution: the power to shape the future" (December 2020)
- Willis Tower Watson. "Thinking Ahead Institute: Global Pension Assets Study 2021" (February 2021)
- Investment Company Institute. "2022 Investment Company Fact Book".

Perpetual publicly available information including:

- results presentations and annual reports for Perpetual for 2018, 2019, 2020 and 2021
- ASX announcements, press releases, media and analyst presentations and other public filings by Perpetual including information available on its website
- broker reports and recent press articles regarding Perpetual
- ASIC reported daily short positions
- information sourced from S&P Capital IQ.

Non-public information:

- Pendal Board papers and other internal briefing papers prepared by Pendal in relation to the Transaction
- other confidential documents, presentations and workpapers.

In addition, we have had discussions with, and obtained information from, senior management of Pendal.

Appendix 3 – Broker Consensus

Pendal

Pendal has also not released earnings guidance for FY23 and beyond. In order to provide an indication of the expected future financial performance of Pendal, Kroll has also considered broker forecasts. As far as Kroll is aware, Pendal is followed by 13 brokers. Two of the brokers are financial advisors to the Transaction and have therefore been excluded from our analysis. Of the remaining brokers, 10 have published reports following the release of Pendal's FY22 Profit Announcement on 4 November 2022.

Of the 10 brokers that have published forecasts since the release of Pendal's FY22 Profit Announcement, nine brokers have provided forecasts beyond FY24. Where only closing FUM was forecast, the average forecast was estimated by taking the average FUM over two years.

A summary of the most recent broker forecasts for Pendal following the release of Pendal's FY22 Profit Announcement on 4 November 2022 is provided as follows.

Pendal Broker Forecast Performance Fees, Operating Revenue, Operating Profit, UPAT (\$ millions)

	Date of report	Performance Fees			Operating Revenue			Operating Profit			UPAT		
		FY22	FY23	FY24	FY25	FY22	FY23	FY24	FY25	FY22	FY23	FY24	FY25
Broker 1	10-Nov-22	51.9	na	na	na	629.7	505.4	551.3	593.2	226.5	126.3	137.9	178.0
Broker 2	4-Nov-22	51.9	17.6	20.3	na	629.7	548.5	581.5	621.0	226.5	157.2	169.3	184.0
Broker 3	4-Nov-22	51.9	13.0	13.8	14.7	629.7	474.5	490.3	516.1	226.5	128.1	133.7	143.8
Broker 4	4-Nov-22	51.9	15.8	16.8	15.8	629.7	495.6	534.2	575.9	226.5	131.9	151.5	174.0
Broker 5	3-Nov-22	51.9	31.1	31.0	na	629.7	511.8	517.7	na	226.5	144.8	144.7	na
Broker 6	4-Nov-22	51.9	20.0	34.8	31.6	629.7	499.5	547.3	585.5	226.5	144.2	182.1	204.5
Broker 7	6-Nov-22	51.9	16.0	35.4	40.8	629.7	513.3	556.3	589.6	226.5	140.8	158.4	163.3
Broker 8	7-Nov-22	51.9	14.3	20.4	26.4	629.7	486.4	496.5	512.8	226.5	128.6	129.5	131.8
Broker 9	4-Nov-22	51.9	19.7	19.7	20.6	629.7	482.4	496.1	525.5	226.5	136.3	137.6	148.9
Broker 10	4-Nov-22	51.9	51.9	51.9	51.9	629.7	501.6	514.1	558.3	226.5	146.4	133.0	151.2
Low		51.9	13.0	13.8	14.7	629.7	474.5	490.3	512.8	226.5	126.3	129.5	131.8
High		51.9	51.9	51.9	51.9	629.7	548.5	581.5	621.0	226.5	157.2	182.1	204.5
Median		51.9	17.6	20.4	26.4	629.7	500.6	526.0	575.9	226.5	138.5	141.3	163.3
Mean		51.9	22.2	27.1	28.8	629.7	501.9	528.5	564.2	226.5	138.5	147.8	164.4

Source: Brokers' reports, Kroll analysis.

Pendal Broker Forecast NPAT (\$ millions), Underlying EPS, Average FUM (\$ billions)

Date of report	NPAT		Underlying EPS (cents per share)		Average FUM (\$billion)	
	FY22	FY23	FY24	FY25	FY22	FY25
Broker 1	112.8	70.5	81.1	111.8	124.3	116.1
Broker 2	112.8	78.2	83.4	90.2	124.3	na
Broker 3	112.8	94.8	114.2	122.3	124.3	119.1
Broker 4	112.8	88.9	100.1	117.1	124.3	125.3
Broker 5	112.8	101.2	103.9	na	124.3	na
Broker 6	112.8	97.4	125.5	143.9	124.3	123.4
Broker 7	112.8	113.9	128.2	132.2	124.3	113.7
Broker 8	112.8	65.8	64.7	64.5	124.3	107.0
Broker 9	112.8	103.0	105.8	116.6	124.3	na
Broker 10	112.8	76.9	71.6	90.1	124.3	na
Low	112.8	65.8	64.7	64.5	124.3	107.0
High	112.8	113.9	128.2	143.9	124.3	125.3
Median	112.8	91.9	102.0	116.6	124.3	117.6
Mean	112.8	89.1	97.9	109.9	124.3	117.4

Source: Brokers' reports, Kroll analysis.

Combined Group

Perpetual has not released earnings guidance for the merged entity. In order to provide an indication of the expected future financial performance of Perpetual (including the impact of the Scheme and associated synergies), Kroll has considered broker forecasts. As far as Kroll is aware, Perpetual is followed by 13 brokers. Two of the brokers are financial advisors to the Transaction and have therefore been excluded from our analysis. Of the remaining brokers, four have published reports with pro forma merged entity financials either separately in detail or as part of EPS accretion estimates following the announcement of 30 September 2022 FUM in the 19 October 2022 Perpetual Q1 Business Update.

The level of disclosure differs between brokers. Of the four brokers:

- three brokers have included earnings from Pendal in pro forma Operating revenue, Operating profit and UPAT forecasts to FY25, and one to FY24;
- four brokers have assumed some revenue attrition will occur, with estimates of up to \$15 billion in FUM;
- all of the brokers include up to \$60 million in net pre-tax synergies, with incremental achievement of the synergies typically in line with Perpetual's guidance, and all brokers guiding to achievement of full synergies in FY25 estimates;
- all brokers have included additional funding costs associated with the Transaction; and
- where a broker has not provided forecasts for the weight average number of diluted shares, Kroll has applied the median of all broker share estimates to calculate the implied forecast EPS.

A summary of the broker forecasts for Perpetual as at 21 October 2022 is provided as follows.

Perpetual Broker Forecast Proforma Operating Revenue, Proforma Operating Profit, Proforma UPAT (\$ millions)

Date of report	FY22 ¹	FY23	FY24	FY25	FY22 ¹	FY23	FY24	FY25	FY22 ¹	FY23	FY24	FY25
Broker 1	767.7	1,334.1	1,415.7	1,524.0	201.2	366.7	428.2	490.6	148.2	258.6	310.1	358.5
Broker 2	767.7	1,024.0	1,364.0	1,454.0	201.2	249.0	373.0	421.0	148.2	165.0	246.0	282.6
Broker 3	767.7	1,221.4	1,262.1	1,332.3	201.2	315.5	355.7	400.7	148.2	208.7	238.5	272.6
Broker 4	767.7	1,262.8	1,334.5	na	201.2	256.2	303.8	na	148.2	184.8	201.2	na
Broker 5	767.7	na	na	na	201.2	na	na	na	148.2	213.8	251.6	274.3
Low	767.7	1,024.0	1,262.1	1,332.3	201.2	249.0	303.8	400.7	148.2	165.0	201.2	272.6
High	767.7	1,334.1	1,415.7	1,524.0	201.2	366.7	428.2	490.6	148.2	258.6	310.1	358.5
Median	767.7	1,242.1	1,349.3	1,454.0	201.2	285.9	364.4	421.0	148.2	208.7	246.0	278.5
Mean	767.7	1,210.6	1,344.1	1,436.8	201.2	296.9	365.2	437.4	148.2	206.2	249.5	297.0

Source: Brokers' reports, Kroll analysis.

Note: FY22 figures represent Perpetual on an actual and standalone basis and do not represent pro forma figures.

Perpetual Broker Forecast Proforma EPS, Proforma FUM

Date of report	FY22 ¹	FY23	FY24	FY25	FY22 ¹	FY23	FY24	FY25
Broker 1	1.77	2.39	2.86	3.31	107.2	na	na	na
Broker 2	1.77	2.00	2.27	2.60	107.2	210.1	224.3	239.7
Broker 3	1.77	1.93	2.21	2.52	107.2	196.0	205.0	220.0
Broker 4	1.77	1.71	1.85	na	107.2	na	na	na
Broker 5	1.77	1.97	2.32	2.52	107.2	na	na	na
Low	1.77	1.71	1.85	2.52	107.2	196.0	205.0	220.0
High	1.77	2.39	2.86	3.31	107.2	210.1	224.3	239.7
Median	1.77	1.97	2.27	2.56	107.2	203.1	214.7	229.9
Mean	1.77	2.00	2.30	2.74	107.2	203.1	214.7	229.9

Source: Brokers' reports, Kroll analysis.

Note: FY22 figures represent Perpetual on an actual and standalone basis and do not represent pro forma figures.

Appendix 4 – Valuation methodologies

The purpose of the valuation methodology adopted is, in the absence of direct market evidence, to provide an estimate of value using methodologies that rely on other sources of evidence. Consistent with International Valuation Standards, valuation methodologies applicable to assets or businesses can be categorised under three approaches: market approach, income approach and cost approach.

These approaches have application in different circumstances. The decision as to which approach to adopt will depend on various factors including the availability and quality of information, the maturity of the business and the actual practice adopted by purchasers of the type of asset or business involved.

Market approach

The market approach is based on comparing the asset or business to identical or comparable assets or businesses for which there is available price information. It is commonly adopted where:

- the asset or business or similar assets or businesses are actively publicly traded (**market comparable methodology**);
- there are frequent and/or observable transactions in comparable assets or businesses (**comparable transactions methodology**); and
- there is substantial operating history and a consistent earnings trend.

The market comparable methodology indicates the value of a business by comparing it to publicly traded companies in similar lines of business. An analysis of the trading multiples of comparable companies yields insight into investor perceptions and, therefore, the value of the subject company. The multiples are evaluated and compared based on the relative growth potential and risk profile of the subject company vis-a-vis the publicly traded comparable companies. The multiples derived for comparable quoted companies are generally based on security prices reflective of the trades of small parcels of securities. As such, multiples are generally reflective of the prices at which portfolio interests change hands.

The comparable transaction methodology indicates value based on exchange prices in actual transactions. This process essentially involves the comparison and correlation of the subject company with other similar businesses recently sold or currently offered for sale. Considerations such as timeframe of transaction, premiums, and conditions of sale are analysed, and the observed transaction multiples are subjectively adjusted to indicate a value for the subject company.

A key step in both methods is determining the appropriate unit of comparison. In a business valuation common units of comparison include, revenue, EBITDA, EBIT, net profit after tax and book values. The choice will typically depend on the industry and characteristics of the subject asset.

Rule-of-thumb valuation benchmarks are sometimes considered to be an application of the market approach. They generally should not be given substantial weight unless market participants place particular reliance on them.

Income approach

Under an income approach the value of an asset is determined by converting future cash flows to a current value. It is commonly adopted when:

- the income producing ability is the critical element affecting value from a market participant perspective;
- future cash flows can be estimated on a reasonable basis; and
- there is not a substantial operating history or there is a variable pattern of cash flow or the asset has a finite life.

The most common methodology adopted is the DCF methodology. It has a strong theoretical basis and benefits by explicitly estimating future cash flows, allowing it to be used in a variety of circumstances, whether that be a start-up or an established business. It also allows for various scenarios and/or sensitivities to be modelled. Under a DCF methodology, forecast cash flows are discounted back to the valuation date resulting in a present value for the asset. Where there is an explicit forecast period a terminal value will typically be included, representing the value of the asset at the end of this period, which is also discounted

back to the valuation date to give an overall value for the business. The rate at which the future cash flows are discounted (the discount rate) should reflect not only the time value of money, but also the risk associated with the asset or business' future operations. Whilst discount rates are generally determined from observable data, substantial judgement is required in their determination. Further, the cash flows themselves also require considerable judgement in their preparation, placing significant importance on the quality of the underlying cash flow forecasts and the determination of an appropriate discount rate in order for a DCF methodology to produce a sensible valuation figure.

DCF's can also be extremely sensitive to what may be considered small changes in various assumptions and the longer the forecast period the more difficult it is in general to forecast cash flows with sufficient reliability. As such, it is important to adequately understand the basis and risks associated with the various assumptions used to derive the cash flow forecasts and recognise the impact it can have on resulting values including the value range. Notwithstanding, DCF methodologies are widely used and benefit from the rigour associated with the preparation of future cash flows.

Cost approach

Under a cost approach the value of an asset is determined having regard to the cost to replace or reproduce the asset. The most common methodologies include:

- the replacement cost;
- the reproduction cost method; and
- the summation method.

A cost based approach is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies).

A premium is added, if appropriate, to the marked-to-market net asset value, reflecting the profitability, market position and the overall attractiveness of the business. The net asset value, including any premium, can be matched to the 'book' net asset value, to give a price to net assets, which can then be compared to that of similar transactions or quoted companies.

A net asset approach is also useful as a cross-check to assess the relative riskiness of the business (e.g. through measures such as levels of tangible asset backing).

Appendix 5 – Market Evidence

Comparable companies

The following table sets out the trading multiples for the comparable companies to Pendal and Perpetual, as at 2 November 2022.

Comparable Investment Management Companies

Comparative Investment Management Companies		Adjusted Market Capitalisation (\$ millions)	Market Capitalisation as % of FUM ¹			P/E multiple (times) ²			
Company Name	FY		FY+1	FY+2	FY+3	FY	FY+1	FY+2	FY+3
Australia									
Perpetual (Combined Group) ²	2,662	1.4%	1.3%	1.2%	1.2%	7.9x	12.8x	10.8x	9.6x
Janus Henderson Group plc	5,046	1.1%	1.0%	1.2%	na ³	9.4x	10.7x	9.7x	na ³
GQG Partners	4,244	3.0%	2.7%	2.4%	2.2%	11.2x	11.0x	9.8x	7.5x
Insignia Financial Ltd.	2,049	2.2%	2.1%	2.0%	1.9%	9.2x	11.0x	9.5x	9.4x
Magellan Financial Group Limited	1,378	2.2%	2.6%	2.6%	2.4%	3.6x	7.8x	9.7x	9.4x
Pinnacle Investment Management Group Limited	1,548	1.8%	1.6%	1.4%	1.3%	18.7x	19.0x	15.9x	13.6x
Platinum Investment Management Limited	936	5.1%	5.4%	5.6%	5.6%	8.1x	11.1x	12.4x	14.8x
United Kingdom									
Man Group Limited	3,909	1.7%	1.6%	1.5%	1.4%	4.2x	6.3x	6.1x	5.6x
Ashmore Group plc	2,022	2.2%	2.0%	1.8%	1.6%	8.8x	11.5x	11.4x	10.9x
United States									
Invesco Ltd.	10,479	0.5%	0.4%	0.4%	na	8.8x	8.6x	7.5x	7.9x
Hamilton Lane Incorporated	3,269	2.3%	1.8%	1.6%	na	17.5x	10.9x	10.7x	9.0x
Mean ⁴		2.2%	2.1%	2.0%	2.3%	8.9x	10.2x	9.8x	9.3x
Median ⁴		2.2%	1.9%	1.7%	1.9%	8.8x	11.0x	9.8x	9.4x

1. Market capitalisation as percentage of FUM is defined as capitalisation as at 2 November 2022 adjusted for seed investments divided by the historical FUM (for FY) and consensus FUM available at 2 November 2022 for the first, second and third forecast years.
2. P/E multiples and percentage of FUM are defined as market capitalisation as at 2 November 2022 adjusted for seed investments divided by the historical and consensus net profit after tax. Net profit after tax has been adjusted to exclude any income from seed investments, non-operating items and non-recurring items (e.g. gains and losses on seed investments).
3. The P/E multiples for Perpetual (combined group) are based on the share price of Perpetual as at 2 November 2022, representing a non-controlling value. The net income of the historical year excludes synergies, and the forecast net income include synergies.
4. na = not available
5. the mean and median exclude Macquarie Group, AMP and Pinnacle as indicated earlier. They are considered less comparable to Pendal given they have diversified businesses such as banking or have different business models.

Australia

Janus Henderson Group plc

Janus Henderson is a global asset manager specialising in active investment across all major asset classes. Janus Henderson had FUM of US\$274.6 billion as at 30 September 2022, a decrease of 36.5% compared to FUM of US\$432.3 billion as at 31 December 2021 due to significant market volatility and underperformance in key strategies. At 30 June 2022 Janus Henderson's clients were located in North America (58.8% of FUM), EMEA and Latin America (30.0% of FUM) and Asia Pacific (11.2% of FUM).

GQG Partners Inc.

GQG is a global boutique asset management firm headquartered in the United States, but listed in the ASX. GQG is focused on active equity portfolios. As at 31 October 2022 it had US\$83.8 billion FUM. GQG completed its IPO on 28 October 2021 and raised \$865 million and currently has 19.9% of free-floating shares. Revenue is earned primarily from management fees, which account for 99.6% of total revenue. At 30 June 2022, GQG had FUM in the Americas (8.1%), Europe, the Middle East and Africa (EMEA) (14.9%) and Asia Pacific (77.0%).

Magellan Financial Group Limited

The principal activity of Magellan is funds management for high net worth and retail investors in Australia and New Zealand and for institutional investors globally. Magellan's funds management business includes providing investment research and administrative services, providing investment management and sub-advisory services, and acting as Responsible Entity or Investment Manager for a number of Australian and international funds. Magellan also holds investments in certain Magellan Funds and in selected business in which it owns a strategic interest. Magellan derives most of its revenue in Australia and New Zealand (67.0%), followed by the United Kingdom and Europe (16.2%), North America (13.3%) and Asia (3.5%). In FY22 FUM decreased by 46.0%, mainly due to the loss of the St. James Place mandate which represented 12% of revenues in FY21 and approximately \$23 billion in FUM. As at 31 October 2022 FUM was \$51.0 billion.

Insignia Financial Ltd

Insignia provides financial services and advice, and asset management services. In May 2021 Insignia completed the acquisition of MLC Wealth, significantly increasing the size of its FUM from \$107.6 billion as at 30 June 2020 to \$318.7 billion as at 30 June 2021. As at 30 June 2022 FUM decreased to \$297.5 billion representing a decline of 6.7% percent from 30 June 2021 FUM. This decline was mainly driven by deteriorating market performance. Insignia operates three segments, being Platforms (offering financial services on superannuation and investments), Advice (providing financial advice to retail clients) and Asset Management. As at 30 June 2022, revenue for the segments was \$1,158.1 million (56.4%) for the Platforms segment, \$585.9 million (28.5%) for the Advice segment and \$310.6 million (15.1%) for the Asset Management segment. As at 30 September 2022 FUM was \$292.2 billion.

Pinnacle Investment Management Group Limited

Pinnacle is a multi-affiliate investment management firm headquartered in Australia. As at 30 June 2022 Pinnacle comprised 15 affiliates and has FUM of \$83.7 billion. Pinnacle's affiliates are engaged in several asset classes including Australian equities (41.0% of FUM), Real estate (19.0% of FUM), Global equities (17.0% of FUM), credit (19.0% of FUM) and real assets (4.0% of FUM). While FUM decreased by 6.0% relative to FY21 due to market volatility and poor investment performance, total revenue and operating profit increased 42.0% and 14.0%, respectively due to increasing base fee rates. As at 30 June 2022 Pinnacle had unused tax losses of \$25.1 million, and had nil income tax expense. As at 30 September 2022 FUM decreased to \$80.5 billion.

Platinum Investment Management Limited

Platinum is a funds management services provider with FUM of \$18.2 billion as at 30 June 2022, a decrease of 22.6% from 30 June 2021. Platinum also holds investments in listed and unlisted entities with a book value of \$275.5 million at 30 June 2022. While Platinum is a global fund manager it derives approximately 96% of its revenue in Australia. In FY22 Platinum financial performance was impacted by volatile markets, with the above mentioned decrease in FUM driven by negative investment performance, net fund outflows and distributions paid to investors. As at 31 October 2022 FUM decreased to \$17.2 billion.

International

Man Group Limited

Man Group is an active investment management firm with FUM of US\$148.6 billion as at 31 December 2021. As at 30 June 2022, FUM had decreased to US\$142.3 billion due to a combination of mixed investment performance and positive net flows. Man Group's clients are located in the Americas (29.0%), EMEA (53.0%) and Asia Pacific (18.0%). Man Group focuses on generating return through their in-house technology platform which provides alpha generation, portfolio management, trade execution, compliance and operations. Although Man Group has delivered strong results in the half-year ending 30 June 2022, brokers expect elevated near-term redemptions given client portfolio pressures and given the company's products are liquid and have performed strongly. As at 30 September 2022 FUM was US\$138.4 billion.

Ashmore Group plc

Ashmore is a specialist emerging market investment manager established in the United Kingdom for more than 30 years. Ashmore focuses on delivering actively-managed strategies and covers liquid and illiquid asset classes in emerging markets. Ashmore's portfolio covers investments in 77 countries and it has operations in six emerging countries. As at 30 June 2022 Ashmore FUM of US\$64.0 billion, a decline of 32.2% from the 30 June 2021 FUM of US\$94.4 billion. The majority of the movement is attributable to negative investment performance and net outflows. According to management, investor appetite was markedly lower in the year ended 30 June 2022, which led to redemptions in the fixed income and equities asset classes. Ashmore's FUM by investor location is as follows: 19.0% in the Americas, 32.0% in Europe, 6.0% in the United Kingdom, 17.0% in the Middle East and Africa and 26.0% in Asia Pacific. As at 30 September 2022 FUM was US\$56.0 billion.

Hamilton Lane Incorporated

Hamilton Lane is a global private markets investment solutions provider with US\$106.0 billion FUM as at 31 March 2022. Hamilton Lane structures, manages and monitors portfolios of private market funds and direct investments. In addition to investment services, Hamilton Lane offers investment advisory services to assist clients in developing and implementing their own private markets investment programs. The investment advisory services include asset allocation, monitoring and reporting on investments and investment manager review and due diligence. Hamilton Lane had US\$795 billion in assets under advice as at 31 March 2022 corresponding to advisory services. Other services include distribution management, which seeks to enhance the value of publicly traded stock client receive as in-kind distributions, and reporting, monitoring and data analytics. For the year ended 31 March 2022 revenue for the different services was: US\$253.3 million (80.6%) for investment management, \$25.0 million (8.0%) for advisory and US\$35.9 (11.4%) million for other revenue, including distribution management, reporting, monitoring and data analytics. As at 30 September 2022 FUM was US\$107.0 billion.

Invesco Ltd.

Invesco is an independent investment management firm that offers active, passive and alternative investment capabilities. Invesco had US\$1,610.9 billion in FUM as at 31 December 2021, allocated to clients in the Americas (70.3% of FUM), EMEA (14.4% of FUM) and Asia Pacific (15.3% of FUM). Invesco's FUM allocation between active and passive strategies is 67.2% and 32.8%, respectively. As at 30 September 2022 FUM was US\$1,323.3 billion.

Comparable Transactions

The following tables set out the key comparable funds management transactions.

Comparable Funds Management Transactions

Announcement Date	Target	Acquirer	Percentage Acquired (%)	Adjusted Implied Equity value (\$A millions) ¹	Premium to 1 Week VWAP	Equity value/ Normalised NPAT ²			Profit Margin ³			Equity value/FUM
						Historical (times)	Forecast (times)	Historical (%)	Forecast (%)	Historical (%)	Forecast (%)	
25/8/2021	ASK Investment Managers	Blackstone	71.3%	1,299.9	na	33.8	na	31.1%	na	na	na	8.9%
9/5/2021	TSW	Pendal	100.0%	407.4	na	10.1 ⁴	na	28.6%	na	na	na	1.4%
23/2/2021	Wells Fargo Asset Management	GTCR and Reverence Capital Partners	90.1%	2,945.6	na	na	na	na	na	na	na	0.4%
1/2/2021	Westchester Capital Management	Virtus Investment Partners	100.0%	203.3	na	na	na	na	na	na	na	3.6%
3/12/2020	Waddell & Reed Financial	Macquarie Asset Management	100.0%	1,505.8	48%	12.8	10.8	8.2%	10.0%	10.0%	10.0%	1.6%
7/10/2020	Eaton Vance	Morgan Stanley	100.0%	8,877.7	47%	20.0	17.8	18.5%	20.7%	20.7%	20.7%	1.3%
27/7/2020	Barrow Hanley	Perpetual	75.1%	561.0	na	9.6	na	na	na	na	na	0.9%
17/2/2020	Legg Mason	Franklin Resources	100.0%	6,229.7	22%	25.0	12.7	5.8%	11.3%	11.3%	11.3%	0.5%
30/1/2020	Trillium	Perpetual	100.0%	75.0	na	na	na	na	na	na	na	1.3%
6/11/2018	USAA Asset Management	Victory Capital Holdings	100.0%	1,176.6	na	na	na	na	na	na	na	1.2%
4/3/2017	Aberdeen Asset Management	Standard Life	100.0%	5,597.8	8%	11.4	14.3	28.6%	23.4%	23.4%	23.4%	1.1%
3/10/2016	Janus Capital Group	Henderson Group	100.0%	2,733.0	2%	10.0	10.3	15.8%	15.4%	15.4%	15.4%	0.8%

Source: S&P Capital IQ, Company announcements, Kroll analysis.

Notes:

1. Equity value adjusted to exclude the value of seed investments and other investments in non-operating assets (excluding cash and cash equivalents).
2. Net profit after tax for the historical year has been adjusted to exclude any income from seed investments, non-operating items and non-recurring items (e.g. gains and losses on seed investments). Calculated on a LTM basis for historical and forecast FY basis for forecast.
3. Profit margin is normalised net profit after tax divided by total revenue (excluding market gains from investments).
4. Calculated based on annualised UPAT for the six months to 31 March 2021.

ASK Investment Managers Limited / Blackstone Inc.

On 25 August 2021, Blackstone Inc. (**Blackstone**) agreed to acquire 71.25% of ASK Investment Managers Limited (**ASK**) for an adjusted implied equity value of approximately \$1.3 billion. ASK is a Mumbai-based investment manager catering primarily to Indian high-net-worth individuals, family offices and institutional investors which solely invests in listed Indian equities.

In relation to the acquisition, Blackstone noted that the asset management in India is benefiting from tailwinds including *“the financialisation of household savings and an emerging wealthy population seeking personalised financial advice and products”*. ASK also noted that ASK intended to leverage Blackstone's global network to scale ASK's business lines. The high implied price multiple of 33.8 likely reflects the high growth rate of India's asset management industry, which ASK benefits from, and revenue synergies available to Blackstone by using its global network to distribute ASK products.

TSW / Pental

On 9 May 2021, Pental agreed to acquire 100% of TSW for an adjusted implied equity value of \$407 million. TSW is a US investment manager which offers a broad range of primarily long-only investment strategies, including International Value, US Mid Cap and International Small Cap Value, primarily to institutional clients. Pental's strategic rationale for the acquisition included enhancing Pental's diversification by asset class, geography and distribution channel and accelerating the growth of Pental's existing US operations. The relatively low implied price multiple of annualised underlying UPAT for the six months to 31 March 2021 of 10.1 times and historical multiple of 7.6 annualised 1H21 EBITDA may reflect TSW's focus on the US market and sub-advisory clients, which due to the relative maturity of the market, are relatively strongly impacted by negative industry trends including the internalisation of investment management and fee compression.

Wells Fargo Asset Management Holdings, LLC / GTCR LLC, Reverence Capital Partners LLC

On 23 February 2021, funds managed by GTCR Holdings (**GTCR**) and Reverence Capital Partners LLC (**Reverence**) agreed to acquire 90.1% of Wells Fargo Asset Management Holdings, LLC (**WFAM**) (nka Allspring Global Investments Holdings) from Wells Fargo (**Wells Fargo**) for an adjusted implied equity value of approximately \$2.9 billion. WFAM was an asset management firm owned by Wells Fargo which operated globally in 24 offices. Although WFAM offered a range of investment products, a significant proportion of its FUM was comprised of money market funds (which invest in extremely low risk assets including cash and cash equivalent securities). Wells Fargo saw the sale as supporting its strategy of focusing businesses that support its core consumer and corporate clients. The low implied equity value to FUM multiple of 0.4% likely reflects that WFAM product offering primarily comprised low margin money market funds and possibly buyer perceptions that WFAM lacked a strong franchise.

Westchester Capital Management, LLC / Virtus Investment Partners, Inc

On 1 February 2021, Virtus Investment Partners, Inc (**Virtus**) agreed to acquire 100% of Westchester Capital Management, LLC (**Westchester**) for an adjusted implied equity value of \$203.3 million. Westchester is a US based investment manager specialised in event-driven strategies which allow for more idiosyncratic investment returns that are less correlated to movements in broader equity markets. The relatively implied high equity value to FUM multiple of 3.6% likely reflects the specialised nature of Westchester's investment operations.

Waddell & Reed Financial, Inc. / Macquarie Asset Management Inc.

On 3 December 2020, Macquarie Asset Management Inc. (**MAM**) agreed to acquire 100% of Waddell & Reed Financial, Inc. (**Waddell & Reed**) for an adjusted implied equity value of approximately \$1.5 billion. Waddell & Reed provides investment management and wealth management services to US clients. The acquisition included Waddell & Reed's wealth management platform which MAM agreed to sell to LPL Financial Holdings Inc. (**LPL**) on completion of the transaction for US\$300 million (A\$403.1 million). MAM and LPL agreed that they would then enter into a long-term partnership, with MAM becoming one of LPL's top-tier strategic asset management partners. At the time of acquisition, Waddell and Reed had a strong growth outlook (consensus forecast net income for the next FY was 18.5% higher than historical LTM normalised NPAT). The implied equity to FUM multiple of 1.6% is relatively high, however, it excludes the value of Waddell & Reed's wealth management business.

Eaton Vance Corp. / Morgan Stanley

On 7 October 2020, Morgan Stanley agreed to acquire 100% of Eaton Vance Corp. (**Eaton Vance**) for an adjusted implied equity value of approximately \$8.9 billion, with the consideration consisting of approximately 50% in cash and 50% in shares of Morgan Stanley. Eaton Vance is a US based investment manager with exposure to a diversified range of investment strategies including custom separately managed accounts and ESG investing through its Parametric and Calvert brands, respectively. Morgan Stanley saw the acquisition as complementary to its investment management business Morgan Stanley Investment Management (**MSIM**) as it could combine the distribution franchises of the respective businesses and fill-in gaps in MSIM's product set by adding separately managed accounts, ESG investing and municipal income products. The relatively high implied price multiple of 20.0 times NPAT likely reflects Eaton Vance's relatively fast historical growth (cumulative long-term net flows from 2Q 2017 to 3Q 2020 of 19%) and Morgan Stanley's view that the Parametric and Calvert brands were aligned to investing themes benefiting from structural growth (separately managed accounts and ESG investing). High growth expectations for Eaton Vance were reflected in consensus forecasts at the time, which implied earnings growth of 12.4% in the next FY following the transaction.

Barrow Hanley / Perpetual

On 27 July 2020, Perpetual agreed to acquire 75% of Barrow Hanley for an adjusted implied equity value of approximately \$500 million. Barrow Hanley is a US based investment manager with exposure to a diversified range of strategies covering US and global equities and US fixed income. Perpetual's strategic rationale for the acquisition was to add significant scale to its business (more than tripling Perpetual's FUM from \$28.4 billion to \$92.3 billion), add new investment capabilities and increase Perpetual's global distribution capabilities, particularly to Barrow Hanley's US institutional client base.

Legg Mason, Inc. / Franklin Resources, Inc.

On 17 February 2020, Franklin Resources, Inc. (**Franklin Resources**) agreed to acquire Legg Mason, Inc. (**Legg Mason**) for an adjusted implied equity value of approximately \$6.2 billion. Legg Mason provides investment management and related services to a range of institutional and retail clients and covers a diverse range of strategies provided through subsidiary specialist investment managers. Franklin Resources strategic rationale for the acquisition was to add greater scale to its businesses and increase diversity and balance across investment strategies, distribution channels and geographies. The relatively high implied price multiple of 25.0 times NPAT may reflect Legg Mason's sizeable FUM of US\$803.5 billion (A\$1,196.0 billion), which implies a comparatively low equity value to FUM multiple of 0.5%, and high expectations for NPAT growth (with consensus estimates implying 92.9% growth over historical LTM normalised net income in the next FY).

Trillium / Perpetual

On 31 January 2020, Perpetual agreed to acquire Trillium for an adjusted implied equity value of \$75 million (including an earnout based on Trillium's future growth), representing an equity value to FUM multiple of 1.3%. Trillium is an investment manager specialising in ESG investing and offering a variety of ESG focused products including US and global equity and US fixed income. Perpetual's strategic rationale included increasing its exposure to ESG investing, which Perpetual believed was experiencing strong growth tailwinds. Following the acquisition, Perpetual intended to distribute Trillium's products to clients in Australia and further build-out its US based distribution team.

USAA Asset Management Company / Victory Capital Holdings, Inc.

On 6 November 2018, Victory Capital Holdings, Inc. (**Victory Capital**) agreed to acquire USAA Asset Management Company, the owner of the Mutual Fund and ETF businesses of USAA Investment Corporation, for an adjusted implied equity value of approximately \$1.2 billion. Victory Capital's strategic rationale for the acquisition was to diversify its investment capabilities and increase its size and scale. Victory Capital estimated significant cost synergies from the acquisition of US\$110 million to US\$120 million.

Aberdeen Asset Management plc / Standard Life plc

On 4 March 2017, Standard Life plc (**Standard Life**) agreed to acquire Aberdeen Asset Management plc (**Aberdeen**) for an adjusted implied equity value of approximately \$5.6 billion. The payment consideration was in Standard Life shares and following the acquisition Aberdeen shareholders would own 33.3% of the

combined business and Standard Life shareholders would own 66.6% of the combined business. Aberdeen was a UK based investment manager which managed equity, fixed income and balanced portfolios for a range of UK and International clients. The strategic rationale for the acquisition was to increase scale and give the combined business greater ability to invest for growth and innovate. At the time of the acquisition Aberdeen was challenged by continuing net outflows (which historically occurred between 2014 to 2016), which was reflected in poor consensus growth estimates which implied an earnings decline of 19.9% in the next FY.

Janus Capital Group, Inc. / Henderson Group plc

On 3 October 2016 Henderson Group plc (**Henderson**) agreed to acquire Janus Capital Group, Inc. (**Janus**) in a merger of equals transaction for an adjusted implied equity value of approximately \$2.7 billion for Henderson. Janus was a US based asset manager which provided a range of investment products covering equity, fixed income, alternative and multi-asset class strategies. Compared to Henderson which had larger presence the UK and European markets, Janus had particularly strong presence in the US and Japanese markets. The strategic rationale of the merger was to create a combined firm with increased distribution strength and coverage in major international markets. At the time of the acquisition, consensus forecasts implied a small earnings decline of 2.8% in the next FY.

Part Two – Financial Services Guide

What is an FSG?

This Financial Services Guide ("FSG") is an important document that provides you with information to help you decide whether to use our financial services.

This FSG contains information on:

- who we are;
- who our authorised representatives are;
- how we can be contacted;
- certain financial services that we can offer you;

how we, our authorised representatives and other parties involved in providing the financial services are paid in relation to the financial services we offer; and

details of how you can make a complaint about us or the financial services we provide.

Who we are?

Kroll Australia Pty Ltd. (ACN 116 738 535) ("We", "us" and "Kroll") is authorised to provide retail financial services on behalf of Millinium Capital Managers Limited (ACN 111 283 357) ("Millinium"), Australian Financial Services License ("AFSL") no. 284336, as a Corporate Authorised Representative ("CAR"). We have also appointed Mr. Ian Jedlin as an authorised representative to Millinium's AFSL (our "Authorised Representative"). All authorised representatives of Kroll are authorised representatives of Millinium. We aim to provide quality financial products and services to investors. Kroll acts on its own behalf when providing financial services.

Kroll has been engaged by Pental Group Limited ("Client") to prepare an independent expert's report ("Report") in connection with the proposed sale of Client's business to Perpetual Limited. Pental Group Limited will provide our Report to you.

Our details

Kroll Australia Pty Ltd
Level 32, 85 Castlereagh St
SYDNEY
NSW 2000
www.kroll.com
Ph: 02 8286 7200

Our Authorised Representative

Ian Jedlin
ASIC authorised representative: No. 000404117
Level 32, 85 Castlereagh St
SYDNEY
NSW 2000

Authorised Financial Services

Kroll is authorised by Millinium to provide the following financial services as their CAR:

- provide financial product advice in respect of the following classes of financial products:
 - interests in managed investment schemes including investor directed portfolio services; and
 - shares,
 - with respect to retail clients and wholesale clients.

This FSG only relates to the provision of general advice by Kroll.

Personal Advice

Neither we nor our authorised representatives can provide you with personal advice. Personal advice is advice that takes into account your objectives, financial situation and needs. Where you are referred to a financial planner for personal advice, they will make reasonable enquiries to understand your personal objectives, financial situation and needs. Their personal advice, and any relevant warnings, will be provided to you in their Statement of Advice ("SOA").

Remuneration

Kroll charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay Kroll \$700,000 (excluding GST and out of pocket expenses) for preparing the Report. Kroll and its officers, representatives, related entities and associates ("Personnel") will not receive any other fee or benefit in connection with the provision of the Report. All Personnel that provide general advice on our behalf in providing services are on contract to us and receive a salary or payments in accordance with their respective contracts. They may also receive a bonus, but it is not related to the general advice provided in the Report.

Kroll may provide professional services, including consultancy, business intelligence, transfer pricing and financial advisory services, to the person who engaged us and receive fees for those services Kroll and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial

creditor of, the Client or has other material financial interests in the transaction.

Complaint Redressal

If you have a complaint, please let either Kroll or the Authorised Representative know. Formal complaints should be sent in writing to Complaints Officer, Kroll, Level 32, 85 Castlereagh St, SYDNEY, NSW 2000. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 8286 7227 and they will assist you in documenting your complaint. If the complaint cannot be settled in the first instance by Kroll, you should contact Millinium via the contact details set out below:

In writing:

Dispute Resolution Officer
Millinium Capital Managers Limited
GPO Box 615
Sydney, NSW, 2000

When your complaint is received by Millinium it will be entered onto Millinium's complaints register. All details of the complaint will be sent to the Disputes Resolution Officer who will investigate the circumstances of the complaint. If the Disputes Resolution Officer is unable to reach a satisfactory resolution of the complaint within thirty (30) business days of receipt, you should contact Australian Financial Complaints Authority ("AFCA"). The details are:

In writing:

<https://www.afca.org.au/make-a-complaint>
Telephone
1300 56 55 62 (local call rate)
Email
info@afca.org.au
Website
www.afca.org.au

Please note that AFCA can currently only deal with claims for compensation up to \$1,085,000. Monetary limits and the AFCA terms of reference do change from time to time. Current details can be obtained from the AFCA website listed above.

Annexure B

Investigating Accountant's Report

**KPMG Transaction Services**

A division of KPMG Financial Advisory Services
(Australia) Pty Ltd
Australian Financial Services Licence No. 246901
Level 38 Tower Three
300 Barangaroo Avenue
Sydney NSW 2000

P O Box H67 Australia Square
Sydney NSW 1213
Australia

ABN: 43 007 363 215
Telephone: +61 2 9335 7000
Facsimile: +61 2 9335 7001
DX: 1056 Sydney
www.kpmg.com.au

The Directors
Pendal Group Limited
Level 15, Chifley Tower 2 Chifley Square,
Sydney NSW 2000

21 November 2022

Dear Directors

Limited Assurance Investigating Accountant's Report**Introduction**

KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Transaction Services is a division) ("KPMG Transaction Services") has been engaged by Pendal Group Limited ("Pendal") to prepare this report for inclusion in the Scheme Booklet to be dated 21 November 2022 ("Scheme Booklet"), and to be issued by Pendal, in respect of the proposed acquisition of all shares in Pendal by Perpetual Limited (together the "Combined Group") via a scheme of arrangement ("the Transaction").

Expressions defined in the Scheme Booklet have the same meaning in this report.

Scope

You have requested KPMG Transaction Services to perform a limited assurance engagement in relation to the Combined Group pro forma historical financial information described below and disclosed in the Scheme Booklet.

The Combined Group pro forma historical financial information is presented in the Scheme Booklet in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Compilation of Combined Group Pro Forma Historical Financial Information

You have requested KPMG Transaction Services to perform limited assurance procedures in relation to the compilation of the Combined Group pro forma historical

financial information of Pendal and Perpetual (the responsible parties) included in the Scheme Booklet

The Combined Group pro forma historical financial information has been derived from the historical financial information of Pendal and Perpetual, after adjusting for the effects of pro forma adjustments described in Section 7.9 of the Scheme Booklet. The Combined Group pro forma historical financial information consists of:

- the Combined Group Pro Forma historical consolidated statement of profit or loss for the year ended 30 June 2022;
- the Combined Group Pro Forma historical consolidated statement of Cash Flows for the year ended 30 June 2022; and
- the Combined Group Pro Forma historical consolidated statement of Financial Position as at 30 June 2022 for Pendal, shown with pro forma adjustments to show the effect of events and transactions related to the Transaction,

as set out in Section 7.9 of the Scheme Booklet (together, the "Combined Group Pro Forma Historical Financial Information").

The Combined Group pro forma historical consolidated statement of financial position as at 30 June 2022 consists of the Perpetual historical consolidated statement of financial position as at 30 June 2022, Pendal historical consolidated statement of financial position as at 30 June 2022 as well as certain pro forma adjustments as described in Section 7.9 of the Scheme Booklet.

The Combined Group pro forma historical consolidated statement of profit or loss for the year ended 30 June 2022 consists of the aggregation of Perpetual historical consolidated statement of profit or loss for the year ended 30 June 2022 and Pendal historical consolidated statement of profit or loss for the year ended 30 June 2022, as well as certain pro forma adjustments as described in Section 7.9 of the Scheme Booklet.

The Combined Group pro forma historical consolidated statement of cash flows for the year ended 30 June 2022 consists of the aggregation of the Perpetual historical consolidated statement of cash flows for the year ended 30 June 2022 and Pendal historical consolidated statement of cash flows for the year ended 30 June 2022, as well as certain pro forma adjustments as described in Section 7.9 of the Scheme Booklet.

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Historical Financial Information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in Section 7.9 of the Scheme Booklet. Due to its nature, the Combined Group Pro Forma Historical Financial Information does not represent the companies' actual or prospective financial position, profit or loss, or cash flows.

The Combined Group Pro Forma Historical Financial Information has been compiled by Perpetual to illustrate the impact of the Transaction on Pendal's and Perpetual's historical consolidated financial position as at 30 June 2022, Pendal's and Perpetual's financial performance for the year ended 30 June 2022 and Pendal's and Perpetual's historical consolidated cash flows for the year ended 30 June 2022.

As part of this process, information about Pendal's and Perpetual's historical consolidated statement of financial position, historical consolidated statement of profit or loss and historical consolidated statements of cash flows has been extracted by Pendal and Perpetual from Perpetual's financial statements for the year ended 30 June 2022 and from Pendal's financial statements for the year ended 30 June 2022.

The financial statements of Pendal for the year ended 30 June 2022 were reviewed by Pendal's auditor in accordance with Australian Auditing Standards. The financial statements of Perpetual for the year ended 30 June 2022 were audited by KPMG in accordance with Australian Auditing Standards. The audit opinion issued to the members of Perpetual relating to those financial statements was unqualified.

For the purposes of preparing this report we have performed limited assurance procedures in relation to the Combined Group Pro Forma Historical Financial Information in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the Combined Group Pro Forma Historical Financial Information has not been properly compiled on the basis stated in Section 7.9 of the Scheme Booklet.

We have conducted our procedures in accordance with the Standard on Assurance Engagements ASAE 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Historical Financial Information included in a Prospectus or other Document* (ASAE 3420).

Our limited assurance engagement has involved performing procedures to assess whether the applicable criteria used by the Combined Group in the compilation of the Combined Group Pro Forma Historical Financial Information provides a reasonable basis for presenting the significant effects directly attributable to the event(s) or transaction(s), and that the:

- related pro forma adjustments give appropriate effect to those criteria; and
- resultant Combined Group Pro Forma Historical Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The engagement has also involved evaluating the overall presentation of the Combined Group Pro Forma Historical Financial Information.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an

audit opinion about whether the Combined Group Pro Forma Historical Financial Information has been properly compiled on the basis stated in Section 7.9 of the Scheme Booklet.

We have not performed an audit or review of the historical financial information used in compiling the Combined Group Pro Forma Historical Financial Information, or of the Combined Group Pro Forma Historical Financial Information itself. Also, our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used in compiling the Combined Group Pro Forma Historical Financial Information.

Directors' responsibilities

The directors of Perpetual are responsible for the preparation of the preparation of the Combined Group Pro Forma Historical Financial Information, including the selection and determination of the pro forma transactions and/or adjustments made to the Historical Financial Information and included in the Combined Group Pro Forma Historical Information (save to the extent it relates to the Pendal historical consolidated statement of profit or loss and historical consolidated statement of cash flows for the year ended 30 June 2022, or the Pendal historical consolidated statement of financial positions as at 30 June 2022).

The directors of Pendal are responsible for the Pendal historical consolidated statement of profit or loss and historical consolidated statement of cash flows for the year ended 30 June 2022, and the historical statement of financial position as at 30 June 2022 (the "Pendal Historical Financial Information"), and for properly compiling the Combined Group Pro Forma Historical Financial Information (to the extent it relates to Pendal historical financial information).

The directors' responsibility includes establishing and maintaining such internal controls as the directors determine are necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Conclusions

Compilation of the Combined Group Pro Forma Historical Financial Information

Based on our procedures, which are not an audit, nothing has come to our attention that causes us to believe that the Combined Group Pro Forma Historical Financial Information, as set out in Section 7.9 of the Scheme Booklet, comprising:

- the Combined Group pro forma historical consolidated statement of profit or loss for the year ended 30 June 2022;
- the Combined Group pro forma historical consolidated statement of cash flows for the year ended 30 June 2022; and
- the Combined Group pro forma historical consolidated statement of financial positions as at 30 June 2022.

is not prepared or presented fairly, in all material respects, on the basis of the pro forma adjustments described in Section 7.9 of the Scheme Booklet, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, and Perpetual's accounting policies.

We have not audited or reviewed the historical financial information extracted from the financial statements of Pendal or Perpetual for the years ended 30 June 2022, and we do not express any opinion, or make any statement of negative assurance, as to whether the Combined Group Pro Forma Historical Financial Information is prepared or presented fairly, in all material respects, in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, and Pendal's or Perpetual's accounting policies.

Independence

KPMG Transaction Services does not have any interest in the outcome of the proposed transaction, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received. KPMG is the auditor of Perpetual and from time to time, KPMG also provides Pendal and Perpetual with certain other professional services for which normal professional fees are received.

General advice warning

This report has been prepared and included in the Scheme Booklet, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Design and Distribution Obligations ("DDO")

KPMG has made reasonable enquiries of Pendal and Perpetual as to whether the underlying financial product pursuant to the Transaction is captured by Design and Distribution Obligations ("DDO") regulations. Where a Target Market Determination ("TMD") is required KPMG has reviewed the TMD to ensure the content of the IAR is consistent with the TMD.

Restriction on use

Without modifying our conclusions, we draw attention to Section 7.9 of the Scheme Booklet, which describes the purpose of the financial information, being for inclusion in the scheme booklet. As a result, the financial information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this report, or on the financial information to which it relates, for any purpose other than that for which it was prepared.

KPMG Transaction Services has consented to the inclusion of this Investigating Accountant's Report in the Scheme Booklet in the form and context in which it is so included, but has not authorised the issue of the Scheme Booklet. Accordingly, KPMG Transaction Services makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Scheme Booklet.

Yours faithfully



Craig Mennie
Authorised Representative

Annexure C

Scheme Implementation Deed

Note: As described in section 4.1 of the Scheme Booklet, on 16 November 2022, Pental and Perpetual agreed (by way of the Implementation Deed Amendment Letter) to amend the terms of the Implementation Deed to reflect the Revised Consideration Mix and to remove the “mix and match” option, whereby Pental Shareholders would be able to elect to receive maximum cash or maximum scrip as Scheme Consideration (subject to applicable caps and a scale back process), which was originally provided for under the terms of the Implementation Deed. Under the terms of the Implementation Deed Amendment Letter, the mechanical provisions of the Implementation Deed relating to the Election mechanism (including certain definitions and the provisions of clause 4) were removed or amended. The Scheme included as Annexure D to this Scheme Booklet reflects both the Revised Consideration Mix and removal of the Election mechanism.

Scheme Implementation Deed

Dated 25 August 2022

Pental Group Limited ABN 28 126 385 822 (“**Pental**”)

Perpetual Limited ABN 86 000 431 827 (“**Perpetual**”)

King & Wood Mallesons

Level 27

Collins Arch

447 Collins Street

Melbourne VIC 3000

Australia

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DX 101 Melbourne

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Scheme Implementation Deed

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Scheme Implementation Deed

Details

Parties	Perpetual and Pental	
Perpetual	Name	Perpetual Limited
	ABN	86 000 431 827
	Address	Level 18 123 Pitt Street Sydney NSW 2000
	Email	CompanySecretary@Perpetual.com.au
	Attention	Company Secretary
	Copy to	Rebecca Maslen-Stannage (Rebecca.Maslen-Stannage@hsf.com) Malika Chandrasegaran (Malika.Chandrasegaran@hsf.com)
Pental	Name	Pental Group Limited
	ABN	28 126 385 822
	Address	Level 14 2 Chifley Square Sydney NSW 2000
	Email	joanne.hawkins@pentalgroup.com
	Attention	Joanne Hawkins, Group Company Secretary
	Copy to	Robert Kelly (robert.kelly@au.kwm.com)
Recitals	A	Pental and Perpetual have agreed to undertake the Transaction by means of a members' scheme of arrangement under Part 5.1 of the Corporations Act.
	B	At the request of Perpetual, Pental intends to propose the Scheme and issue the Scheme Booklet.
	C	Pental and Perpetual have agreed to implement the Scheme on the terms and conditions of this document.
Governing law	New South Wales	
Date of document	See Signing page	

Scheme Implementation Deed

General terms

1 Definitions and interpretation

1.1 Definitions

These meanings apply unless the contrary intention appears:

Active Client Consent Contract means a form of investment management agreement, investment advisory agreement or investment sub-advisory agreement or other similar agreement (however described) the terms of which provide for automatic termination of the agreement if the consent, agreement or waiver of the relevant client counterparty to the change of control contemplated by the Transaction is not obtained or deemed to be obtained in accordance with the contract or applicable law.

Active Client Consent Process End Date means the date on which the final client to an Active Client Consent Contract has provided (or is deemed to have provided) a response that the required consent, agreement and/or waiver either has or has not been obtained in accordance with the terms of the relevant Active Client Consent Contract or relevant law (as applicable).

Adjusted Pandal Reference FUM means, at the end of each calendar month, 8.00am on the day after the Active Client Consent Process End Date or as at 5:00pm on the day before the Second Court Date, the Pandal Reference FUM adjusted for all net cash flows (including all additions, redemptions, withdrawals, or deposits of additional funds, or written notices of any of the same) occurring after the Reference Date up to the date of determination as historically defined and accounted for by Pandal Group in disclosures of FUM made to the ASX. For the avoidance of doubt, the calculation of Adjusted Pandal Reference FUM (and any resulting calculation of Pandal Client Consent Management Fee Revenue Run Rate or Pandal Management Fee Revenue Run Rate) will exclude any increase or decrease in assets under management to the extent resulting from market appreciation or depreciation or any fluctuations in the value of any currency (and the Exchange Rate used to calculate the Pandal Reference FUM should be used to calculate Adjusted Pandal Reference FUM), in each case, that occurred after the date of the Pandal Reference FUM and net cash flows will be added or subtracted based on the amount of such flows.

Adjusted Perpetual Reference FUM means, at the end of each calendar month or as at 5:00pm on the day before the Second Court Date, the Perpetual Reference FUM adjusted for all net cash flows (including all additions, redemptions, withdrawals or deposits of additional funds, or written notices of any of the same) occurring after the Reference Date up to the date of determination. For the avoidance of doubt, the calculation of Adjusted Perpetual Reference FUM (and any resulting calculation of Perpetual Management Fee Revenue Run Rate) will exclude any increase or decrease in assets under management to the extent resulting from market appreciation or depreciation or any fluctuations in the value of any currency (and the Exchange Rate used to calculate the Perpetual Reference FUM should be used to calculate Adjusted Perpetual Reference FUM), in each case, that occurred after the date of the Perpetual Reference FUM and net cash flows will be added or subtracted based on the amount of such flows.

ASIC means the Australian Securities & Investments Commission.

Associate has the meaning set out in section 12 of the Corporations Act, as if section 12(1) of the Corporations Act included a reference to this document.

ASX means ASX Limited or Australian Securities Exchange, as appropriate.

ASX Operating Rules means the market operating rules of ASX as amended, varied or waived from time to time.

Authorised Officer means, in respect of a party, a director or secretary of the party or any other person appointed by a party to act as an Authorised Officer under this document.

Business Day means a business day as defined in the Listing Rules.

Client Consent Percentage means the fraction, expressed as a percentage, given by the following formula:

$$\text{(Pental Consenting Client Management Fee Revenue Run Rate / Pental Management Fee Reference Revenue Run Rate)}$$

Claim means any claim, demand, legal proceedings or cause of action, including any claim, demand, legal proceedings or cause of action:

- (a) based in contract (including breach of warranty);
- (b) based in tort (including misrepresentation or negligence);
- (c) under common law or equity; or
- (d) under statute (including the Australian Consumer Law (being Schedule 2 of the *Competition and Consumer Act 2010* (Cth) (**CCA**)) or Part VI of the CCA, or like provision in any state or territory legislation),

in any way relating to this document or the Transaction, and includes a claim, demand, legal proceedings or cause of action arising under an indemnity in this document.

Competing Transaction means any proposal, agreement, arrangement, transaction or expression of interest which, if completed, would:

- (a) mean a person (other than Perpetual or its Related Bodies Corporate or Representatives) would (alone or together with its Associates):
 - (i) directly or indirectly acquire an interest or Relevant Interest in or become the holder of 20% or more of the shares in Pental (other than as a custodian, nominee or bare trustee); or
 - (ii) otherwise acquire (whether directly or indirectly) or have a right to acquire or have an economic interest in all or a substantial part of the business conducted by, or assets of, the Pental Group, including by way of sale of assets, sale of shares or joint venture, dual listed company structure or otherwise;
 - (iii) acquire Control of Pental; or
 - (iv) otherwise acquire or merge (including by a reverse takeover bid, dual listed company structure, scheme of arrangement, capital reduction or other synthetic merger) with Pental; or
- (b) have the effect that Pental would, or would be required to abandon, or otherwise fail to proceed with, the Transaction,

For the avoidance of doubt, each successive material modification or variation of any proposal, agreement, arrangement or transaction in relation to a Competing Transaction will constitute a new Competing Transaction.

Conditions Precedent means the conditions precedent set out in Schedule 3.

Confidentiality Agreement means the mutual confidentiality deed between Pendal and Perpetual dated 13 May 2022 (as amended and restated on 4 July 2022 and subsequently amended).

Consenting Client means each client that:

- (a) in respect of the Active Client Consent Contracts, has provided the required consent, agreement and/or waiver (or has been deemed to have given as such) in accordance with the terms of the Pendal Client Consent Contract or relevant law (as applicable); or
- (b) in respect of the Passive Client Consent Contracts and any other client contract where the client is not required to provide a consent, agreement and/or waiver under its investment management agreement, investment advisory agreement or investment sub-advisory agreement or other similar agreement with the Pendal Group, has not provided notice to the Pendal Group terminating the Passive Client Consent Contract.

Control has the meaning given in section 50AA of the Corporations Act.

Controller has the meaning it has in the Corporations Act.

Corporations Act means the Corporations Act 2001 (Cwlth).

Corporations Regulations means the Corporations Regulations 2001 (Cwlth).

Court means a court of competent jurisdiction under the Corporations Act.

Deed Poll means a deed poll substantially in the form of Annexure C to this document.

Details means the section of this document headed "Details".

Disclosure Letter means the letter between the parties dated on or around the date of this document.

Disclosure Materials means:

- (a) any information contained in the Disclosure Letter;
- (b) in respect of Pendal, the materials contained in the electronic data room hosted by Intralinks provided by Pendal to Perpetual for the purposes of due diligence as at 4pm on 24 August 2022.
- (c) in respect of Perpetual, the materials contained in the electronic data room hosted by Ansarada provided by Perpetual to Pendal for the purposes of due diligence as at 4pm on 24 August 2022.

Effective, when used in relation to the Scheme, means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC.

Effective Date means the date on which the Scheme becomes Effective.

Election Form has the meaning set out in clause 4.2(a).

Election Time means the date which is five Business Days prior to the Scheme Meeting (unless ASIC requires an earlier date, in which case such earlier date shall apply) or any other date agreed between the parties.

Encumbrance means any mortgage, lien, charge, pledge, assignment by way of security, security interest, title retention, preferential right or trust arrangement, Claim, covenant, profit a prendre, easement or any other security arrangement or any other arrangement having the same effect.

End Date means 13 June 2023 or such other date as is agreed by Perpetual and Pandal.

Exchange Rate means the Australian dollar currency exchange rate applicable to such other currency, as quoted by Bloomberg, that applied at the Reference Date.

Excluded Claims has the meaning agreed by Pandal and Perpetual.

Exclusivity Period means the period from and including the date of this document to the earlier of:

- (a) the termination of this document in accordance with its terms; and
- (b) the End Date.

Fairly Disclosed means, in relation to a matter, disclosed in sufficient detail so as to enable a reasonable person experienced in transactions similar to the Transaction and experienced in a business similar to any business conducted by the Pandal Group or Perpetual Group (as appropriate), to identify the nature and scope of the relevant matter, event or circumstances.

Financial Advisor means any financial advisor retained by a party in relation to the Transaction or a Competing Transaction from time to time.

First Court Date means the first day on which an application made to the Court, in accordance with paragraph 11 of Schedule 4, for orders under section 411(1) of the Corporations Act convening the Scheme Meeting to consider the Scheme is heard.

FLE Share means a notional share in J O Hambro Capital Management Limited allocated under any fund linked equity scheme operated under the Pandal Group Limited & J O Hambro Capital Management Limited Fund Linked Equity Scheme Plan Rules dated 28 July 2021 (and as amended from time to time).

FUA means funds under advice.

FUM means funds or assets under management.

Government Agency means any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, including a stock or other securities exchange, or any minister of the Crown in right of the Commonwealth of Australia or any State, and any other federal, state, provincial, or local government, whether foreign or Australian.

Implementation Date means the fifth Business Day following the Scheme Record Date.

Incoming Pandal Directors means the persons nominated by Perpetual to the Pandal Board.

Independent Expert means the independent expert appointed by Pandal under paragraph 3 of Schedule 4.

Independent Expert's Report means the report from the Independent Expert for inclusion in the Scheme Booklet, including any update or supplementary report, stating whether in the Independent Expert's opinion the Scheme is in the best interests of Pandal Shareholders.

A person is **Insolvent** if:

- (a) it is (or states that it is) an insolvent under administration or insolvent (each as defined in the Corporations Act); or
- (b) it is in liquidation, in provisional liquidation, under administration or wound up or has had a Controller appointed to any part of its property (other than in its capacity as professional custodian for property in which it does not have an ultimate beneficial title); or
- (c) it is subject to any arrangement, assignment, moratorium or composition, protected from creditors under any statute or dissolved (in each case, other than to carry out a reconstruction or amalgamation while solvent on terms approved by the other parties to this document); or
- (d) an application or order has been made (and in the case of an application, it is not stayed, withdrawn or dismissed within 30 days), resolution passed, proposal put forward, or any other action taken, in each case in connection with that person, which is preparatory to or could result in any of (a), (b) or (c) above; or
- (e) it is taken (under section 459F(1) of the Corporations Act) to have failed to comply with a statutory demand; or
- (f) it is the subject of an event described in section 459C(2)(b) or section 585 of the Corporations Act (or it makes a statement from which another party to this document reasonably deduces it is so subject); or
- (g) it is otherwise unable to pay its debts when they fall due; or
- (h) something having a substantially similar effect to (a) to (g) happens in connection with that person under the law of any jurisdiction.

Key Management Personnel has the meaning given to that term in the Corporations Act.

Liquidated Damages Amount means the sum of \$23,000,000.

Listing Rules means the Listing Rules of ASX Limited.

Losses means all claims, demands, damages, losses, costs, expenses and liabilities.

Maximum Cash Consideration has the meaning given in the Scheme.

Maximum Scrip Consideration has the meaning given in the Scheme.

Merged Group means the combination of the Pandal Group and the Perpetual Group, as comprised by Perpetual and its Subsidiaries following implementation of the Scheme.

Merged Group Facility means the debt facility arranged by Perpetual for the Merged Group which will continue on foot post implementation of the Scheme.

New Perpetual Directors means up to 3 persons nominated by Pandal and approved by Perpetual to join the existing Perpetual Board.

New Perpetual Shares means fully paid ordinary shares in the capital of Perpetual to be issued under the Scheme.

Outgoing Directors means all directors on the Pandal Board other than the Incoming Pandal Directors.

Passive Client Consent Contract means a form of investment management agreement, investment advisory agreement or investment sub-advisory agreement or other similar agreement (however described) the terms of which provides the client counterparty with an express discretionary right to terminate the contract upon, or otherwise with an express right to receive notification of (but not an associated right of termination), or which otherwise expressly contemplates an adverse consequence upon, the change of control contemplated by the Transaction (including where a change of control is a technical breach of the contract).

Pandal Board means the board of directors of Pandal.

Pandal Consenting Client Management Fee Revenue Run Rate means the calculated annualised gross revenue of the Pandal Group derived from management and equivalent fees (excluding, for avoidance of doubt, performance and equivalent fees, and net of rebates, discounts and similar arrangements) under any form of management or services agreement by Pandal Group members with a Consenting Client as at 8.00am on the day after the Active Client Consent Process End Date or as at 5:00pm on the day before the Second Court Date (as applicable), calculated as follows:

- (a) the Adjusted Pandal Reference FUM (as applicable) only to the extent referable to Consenting Clients as at 8.00am on the day after the Active Client Consent Process End Date or as at 5:00pm on the day before the Second Court Date (as applicable); *multiplied by*
- (b) applicable annual fee rate or fee schedules in the relevant agreement (or, in the case of pooled funds, its effective annualised fee margin for the immediately prior calendar quarter) referable to the components of the underlying FUM or FUA comprising the Adjusted Pandal Reference FUM (as applicable) as of the determination time.

Pandal Client Consent Contract means the Active Client Consent Contracts and the Passive Client Consent Contracts.

Pandal Employee Rights means:

- (a) an instrument or right, including any performance share right, deferred share right or nil-cost option, or any similar right, which upon vesting or conversion or satisfaction of any condition (as applicable) entitles the holder to have a Pandal Share transferred or issued to them;
- (b) any registered, beneficial or other interest held in Pandal Shares which is restricted (including as to transferability), potentially subject to forfeiture (including as a result of its holder ceasing to be any employee of the Pandal Group during a vesting period) or deferred under the terms of any incentive plan or scheme operated by any member of the Pandal Group or any other agreement or arrangement between any member of the Pandal Group and any other person;

- (c) any other right, interest, entitlement or claim to the issue or transfer of a Pendal Share (or other security or instrument issued by any member of the Pendal Group), or to have a Pendal Share (or any other security or instrument issued by any other member of the Pendal Group) registered in a person's name, or to the grant of any instrument, right or interest referred to in paragraphs (a) or (b) above, whether under any incentive plan or scheme operated by any member of the Pendal Group or any other actual or purported agreement or arrangement between any member of the Pendal Group and any person (regardless of whether such agreement or arrangement is documented),

excluding:

- (d) any FLE Share;
- (e) TS&W Investment Consideration and TS&W Investment Consideration Performance; and
- (f) any unit or other interest in a Pendal Group fund (that does not give or result in any right or entitlement to a Pendal Share) that may be a Pendal Employee Right pursuant to paragraph (c), but that has been agreed in writing by Perpetual and Pendal in any offer made pursuant to and in accordance with the Pendal Employee Rights Rollover Proposal, whether before or after the date of this document, to vest, be granted, awarded or remain in place following Implementation of the Transaction.

Pendal Employee Rights Rollover Proposal means the proposal for certain Pendal Employee Rights (as agreed between the parties), conditional on the Scheme becoming Effective, to on or prior to the Effective Date be:

- (a) vested such that they are or become Pendal Shares that are not subject to vesting requirements or related restrictions; or
- (b) otherwise forfeited, lapsed, cancelled or waived (as applicable) and (where agreed between the parties) upon implementation of the Scheme exchanged for rights to unvested and restricted Perpetual Shares or other unvested equity incentive instruments,

with such proposal to be offered in the manner and in accordance with the steps that have been or may be agreed between the parties.

Pendal FUM means, at any time, all FUM (whether held in funds, client portfolios, mutual funds, investment companies, UCITS or otherwise) and all FUA, managed under any form of management or services agreement by any Pendal Group member, as historically defined and accounted for by Pendal Group in disclosures of FUM made to the ASX. It does not include:

- (a) performance and management fees and any accruals made in respect of those fees;
- (b) FUM or FUA in respect of which no Pendal Group member received fees in connection with an associated services or management arrangement;
- (c) for the avoidance of doubt:
 - (i) any FUM or FUA attributable to inter-funding arrangements between Pendal Group members; and
 - (ii) any other FUM or FUA that, if included within the calculation together with other FUM or FUA, would result in the double counting of FUM or FUA within the Pendal Group,

each of which are typically excluded by the Pandal Group in calculations and disclosures of FUM made by it to the ASX.

Pandal Group means Pandal and its Subsidiaries.

Pandal Indemnified Parties means Pandal, its officers, employees, and advisers and its Related Bodies Corporate and the officers, employees and advisers of each of its Related Bodies Corporate.

Pandal Information means all information contained in the Scheme Booklet other than the Perpetual Information, the Independent Expert's Report and any report or opinion prepared by an investigating accountant appointed in respect of the preparation of the Scheme Booklet.

Pandal Management Fee Reference Revenue Run Rate means the Pandal Management Fee Revenue Run Rate as at the Reference Date, calculated by reference to the Pandal Reference FUM.

Pandal Management Fee Revenue Run Rate means the calculated annualised gross revenue of the Pandal Group derived from management and equivalent fees (excluding, for avoidance of doubt, performance and equivalent fees, and net of rebates, discounts and similar arrangements) under any form of management or services agreement by Pandal Group members in any given calendar month or as at 8:00am on the Second Court Date, calculated as follows:

- (d) the Pandal Reference FUM or Adjusted Pandal Reference FUM (as applicable) as at the end of the calendar month or as at 8:00am on the Second Court Date; *multiplied by*
- (e) the applicable annual fee rate or fee schedules in the relevant agreement (or, in the case of pooled funds, its effective annualised fee margin for the immediately prior calendar quarter) referable to the components of the underlying FUM or FUA comprising the Pandal Reference FUM or Adjusted Pandal Reference FUM (as applicable) as of the determination time.

Pandal Material Adverse Change means an event, change, condition, matter, circumstance or thing occurring before, on or after the date of this document (each a **Specified Event**) which, whether individually or when aggregated with all other Specified Events that have occurred, has caused a reduction in the Pandal Management Fee Revenue Run Rate by at least 17.5% compared to the Pandal Management Fee Reference Revenue Run Rate.

Pandal Permitted Dividend means any dividend for the financial year ending 30 September 2022 (whether fully franked or otherwise) which is declared or determined or paid by Pandal consistent with its disclosed dividend payout ratio.

Pandal Prescribed Event means, except to the extent:

- (a) expressly required or permitted by this document or the Scheme or the transactions contemplated by either;
- (b) Fairly Disclosed in Pandal's Disclosure Materials or in any announcement it has made to the ASX on or after 1 January 2021 but before the date of this document;
- (c) agreed to in writing by Perpetual (such agreement not to be unreasonably withheld or delayed); or

- (d) undertaken in the ordinary course of Pandal's fiduciary capacity as trustee, responsible entity or manager or otherwise on behalf of a third party trust, client portfolio or fund,

any of the events listed in Schedule 2.

Pandal Reference FUM means the amount of Pandal FUM (expressed in AUD based on the Exchange Rate) as at the Reference Date.

Pandal Shareholder means each person registered in the Register as a holder of shares in Pandal.

Pandal Shares means an ordinary fully paid share in the capital of Pandal.

Perpetual Asset Management Business means the Perpetual Group business units titled Perpetual Asset Management Australia and Perpetual Asset Management International, collectively.

Perpetual Board means the board of directors of Perpetual.

Perpetual FUM means, at any time, all FUM (whether held in funds, client portfolios, mutual funds, investment companies, UCITS or otherwise) and all FUA, managed under any form of management or services agreement by any Perpetual Group member, as historically defined and accounted for by Perpetual Group in disclosures of FUM made to the ASX. It does not include:

- (e) performance and management fees and any accruals made in respect of those fees;
- (f) FUM or FUA in respect of which no Perpetual Group member received fees in connection with an associated services or management arrangement;
- (g) for the avoidance of doubt:
 - (i) any FUM or FUA attributable to inter-funding arrangements between Perpetual Group members; and
 - (ii) any other FUM or FUA that, if included within the calculation together with other FUM or FUA, would result in the double counting of FUM or FUA within the Perpetual Group,

each of which are typically excluded by the Perpetual Group in calculations and disclosures of FUM made by it to the ASX.

Perpetual Group means Perpetual and its Subsidiaries.

Perpetual Indemnified Parties means Perpetual, its officers, employees and advisers, its Related Bodies Corporate and the officers, employees and advisers of each of its Related Bodies Corporate.

Perpetual Information means the information regarding Perpetual provided by Perpetual to Pandal for inclusion in the Scheme Booklet, being:

- (a) any letter from the chair of the Perpetual Board;
- (b) any information about Perpetual or the Perpetual Group, the businesses of the Perpetual Group, Perpetual's interests and dealings in Pandal Shares, and funding for the Scheme;

- (c) any information regarding the Merged Group, other than any information regarding the Pental Group provided by Pental; and
- (d) any other Perpetual information required to be included in the Scheme Booklet under the Corporations Act, Corporations Regulations or ASIC Regulatory Guide 60. For the avoidance of doubt, the Perpetual Information does not include information about Pental (except to the extent it relates to any statement of intention relating to Pental following the Effective Date).

Perpetual Major Transaction means a transaction which, if completed, would mean a Third Party would (alone or together with its Associates):

- (a) directly or indirectly acquire an interest or Relevant Interest in or become the holder of 20% or more of the shares in Perpetual (other than as a custodian, nominee or bare trustee); or
- (b) otherwise acquire (whether directly or indirectly) or have a right to acquire or have an economic interest in all or a substantial part of the business conducted by the Perpetual Group (which for the avoidance of doubt includes, individually, the Perpetual PCT Business, either of the business units which comprise the Perpetual Asset Management Business or the Perpetual Private Business), including by way of sale of assets, sale of shares or joint venture, dual listed company structure or otherwise; or
- (c) acquire Control of Perpetual; or
- (d) otherwise acquire or merge (including by a reverse takeover bid, dual listed company structure, scheme of arrangement, capital reduction or other synthetic merger) with Perpetual; or
- (e) enter into any agreement, arrangement or understanding requiring Perpetual to abandon, or otherwise fail to proceed with, the Transaction.

Perpetual Reference Revenue Run Rate means:

- (a) the Perpetual Management Fee Reference Revenue Run Rate; plus
- (b) annualised revenue referable to the Perpetual PCT Business as at the Reference Date; plus
- (c) annualised revenue referable to the Perpetual Private Business (to the extent not already included in (a) above as at the Reference Date).

Perpetual Revenue Run Rate means:

- (a) the Perpetual Management Fee Revenue Run Rate; plus
- (b) annualised revenue referable to the Perpetual PCT Business as at the relevant determination time; plus
- (c) annualised revenue referable to the Perpetual Private Business (to the extent not already included in (a) above) as at the relevant determination time.

Perpetual Management Fee Revenue Run Rate means the calculated annualised gross revenue of the Perpetual Group derived from management and equivalent fees (excluding, for avoidance of doubt, performance and equivalent fees, and net of rebates, discounts and similar arrangements) under any form of management or services agreement by Perpetual Group members in any given

calendar month or as at 8:00am on the Second Court Date, calculated by multiplying the Perpetual Reference FUM or Adjusted Perpetual Reference FUM (as applicable) as at the end of the calendar month or as at 8:00am on the Second Court Date by applicable annual fee rate or fee schedules in the relevant agreement (or, in the case of pooled funds, its effective annualised fee margin for the immediately prior calendar quarter) referable to the components of the underlying FUM or FUA comprising the Perpetual Reference FUM or Adjusted Perpetual Reference FUM (as applicable) as of the determination time.

Perpetual Management Fee Reference Revenue Run Rate means the Perpetual Management Fee Revenue Run Rate as at the Reference Date, calculated by reference to the Perpetual Reference FUM.

Perpetual Material Adverse Change means an event, change, condition, matter, circumstance or thing occurring before, on or after the date of this document (each a **Specified Event**) which, whether individually or when aggregated with all other Specified Events that have occurred, has caused a reduction in the Perpetual Revenue Run Rate by at least 17.5% compared to the Perpetual Reference Revenue Run Rate.

Perpetual PCT Business means the Perpetual Group business unit titled Perpetual Corporate Trust.

Perpetual Permitted Dividends means:

- (a) any dividend for the financial year ending 30 June 2022 (whether fully franked or otherwise) which is declared or determined or paid by Perpetual consistent with its disclosed dividend payout ratio; and
- (b) if Pandal declares, determines or pays the Pandal Permitted Dividend, any dividend in respect of the period from 1 July 2022 to 30 September 2022 which is declared or determined or paid by Perpetual consistent with its disclosed dividend payout ratio.

Perpetual Prescribed Event means, except to the extent:

- (c) required or permitted by this document, the Scheme or the transactions contemplated by either;
- (d) Fairly Disclosed in Perpetual's Disclosure Materials or in any announcement it has made to the ASX on or after 1 January 2021 but before the date of this document;
- (e) agreed to in writing by Pandal (such agreement not to be unreasonably withheld or delayed); or
- (f) undertaken in Perpetual's fiduciary capacity as trustee, responsible entity or manager or otherwise on behalf of a third party trust, client portfolio or fund,

any of the events listed in Schedule 1.

Perpetual Private Business means the Perpetual Group business unit titled Perpetual Private.

Perpetual Reference FUM means the amount of Perpetual FUM (expressed in AUD based on the Exchange Rate) as at the Reference Date.

Perpetual Shares means fully paid ordinary shares in the capital of Perpetual.

Perpetual Sub means Perpetual Acquisition Company Limited (ACN 163 620 362), a wholly owned direct Subsidiary of Perpetual.

Protocols means the competition compliance protocols agreed between Perpetual and Pental.

Reference Date means 31 July 2022.

Register means the share register of Pental and **Registry** has a corresponding meaning.

Regulator's Draft means the draft of the Scheme Booklet in a form acceptable to both parties which is provided to ASIC for approval pursuant to section 411(2) of the Corporations Act.

Regulatory Approval means approval of a Regulatory Authority to the Transaction or any aspect of it which Perpetual and Pental agree, acting reasonably, is necessary or desirable to implement the Transaction.

Regulatory Authority includes:

- (a) ASX, ASIC and the Takeovers Panel in Australia, the Financial Conduct Authority of the United Kingdom, the Central Bank of Ireland, the Federal Trade Commission in the United States and the Monetary Authority of Singapore and regulatory bodies performing similar functions in other countries;
- (b) a Government Agency;
- (c) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and
- (d) any regulatory organisation established under statute.

Regulatory Review Period means the period from the date on which the Regulator's Draft is submitted to ASIC to the date on which ASIC confirms that it does not intend to make any submissions at the Court hearing on the First Court Date or otherwise object to the Scheme.

Reimbursement Fee means \$23,000,000.

Related Body Corporate has the meaning it has in the Corporations Act.

Related Person means in respect of a party or its Related Bodies Corporate, each director, officer, employee, advisor, agent or Representative of that party or Related Body Corporate.

Relevant Interest has the same meaning as given by sections 608 and 609 of the Corporations Act.

Representative of a person, means any person acting for or on behalf of that person, including any director, officer, employee, agent, contractor or professional advisor of the person.

Reverse Reimbursement Fee means \$23,000,000.

Scheme means the scheme of arrangement under part 5.1 of the Corporations Act under which all shares in Pental will be transferred to Perpetual Sub substantially in the form of Annexure B together with any amendment or modification made pursuant to section 411(6) of the Corporations Act and agreed to by Perpetual and Pental.

Scheme Booklet means, in respect of the Scheme, the information booklet to be approved by the Court and despatched to Pental Shareholders which must:

- (a) include the Scheme, an explanatory statement complying with the requirements of the Corporations Act and notice(s) of meeting and proxy form(s); and
- (b) comply with the Corporations Act, Corporations Regulations, ASIC Regulatory Guide 60 and the Listing Rules.

Scheme Meeting means the meeting to be convened by the Court at which Pental Shareholders will vote on the Scheme.

Scheme Participants means in the case of the Scheme, each person who is a Pental Shareholder at the Scheme Record Date.

Second Court Date means the day on which the Court makes an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme.

Scheme Consideration has the meaning given in the Scheme.

Scheme Record Date means 7:00pm on the second Business Day following the Effective Date or such other date as Pental and Perpetual agree.

Standard Consideration has the meaning given in the Scheme.

Subsidiaries has the meaning it has in the Corporations Act.

Superior Proposal means a bona fide Competing Transaction:

- (a) of the kind listed in paragraphs (a)(ii), (a)(iii), (a)(iv) or (b) of the definition of Competing Transaction; and
- (b) not resulting from a breach by Pental of any of its obligations under clause 11,

which the Pental Board, acting in good faith, and after receiving written advice from its legal and Financial Advisors, determines is:

- (c) reasonably capable of being completed taking into account all aspects of the Competing Transaction; and
- (d) more favourable to Pental Shareholders than the Transaction (and, if applicable, than the Transaction as amended or varied following application of the matching right set out in clause 11.6), taking into account all terms and conditions and other aspects of the Competing Transaction (including any timing considerations, any conditions precedent, the identity and reputation of the person proposing the Competing Transaction, funding and other matters affecting the probability of the Competing Transaction being completed).

Term Debt Facility means the term loan facility provided in accordance with the syndicated facility agreement between Pental, HSBC Bank Australia Limited, the Northern Trust Company and Westpac Banking Corporation amended and restated on 29 September 2021.

Third Party means a person other than Perpetual or its Related Bodies Corporate.

Timetable means the timetable for implementation of the Transaction as agreed between the parties.

Transaction means the acquisition of the shares in Pendal by Perpetual Sub through the implementation of the Scheme.

Transaction Implementation Committee means a committee to be made up of an equal number of representatives from each of Pendal and Perpetual, as agreed between the chief executive officers of each of Pendal and Perpetual from time to time.

TS&W Investment Consideration has the meaning given in the TSW LPA.

TS&W Investment Consideration Performance has the meaning given in the TSW LPA.

TSW LPA means fourth amended and restated agreement of limited partnership of TS&W Investment Holdings LP dated 20 July 2021 between WS&T Investment Holdings GP LLC, Pendal USA Inc. and the Limited Partners (as defined therein), as amended from time to time.

Working Capital Facility means the revolving loan facility provided in accordance with the syndicated facility agreement between Pendal, HSBC Bank Australia Limited, the Northern Trust Company and Westpac Banking Corporation amended and restated on 29 September 2021.

1.2 References to certain general terms

Unless the contrary intention appears, a reference in this document to:

- (a) **(variations or replacement)** a document (including this document) includes any variation or replacement of it;
- (b) **(clauses, annexures and schedules)** a clause, annexure or schedule is a reference to a clause in or annexure or schedule to this document;
- (c) **(reference to statutes)** a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (d) **(law)** law means common law, principles of equity, and laws made by parliament (and laws made by parliament include State, Territory and Commonwealth laws and regulations and other instruments under them, and consolidations, amendments, re-enactments or replacements of any of them);
- (e) **(singular includes plural)** the singular includes the plural and vice versa;
- (f) **(person)** the word “person” includes an individual, a firm, a body corporate, a partnership, a joint venture, an unincorporated body or association, or any Regulatory Authority;
- (g) **(executors, administrators, successors)** a particular person includes a reference to the person’s executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (h) **(reference to a group of persons)** a group of persons or things is a reference to any two or more of them jointly and to each of them individually;
- (i) **(dollars)** Australian dollars, dollars, A\$ or \$ is a reference to the lawful currency of Australia;

- (j) **(calculation of time)** a period of time dating from a given day or the day of an act or event, is to be calculated exclusive of that day;
- (k) **(reference to a day)** a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (l) **(accounting terms)** an accounting term is a reference to that term as it is used in accounting standards under the Corporations Act, or, if not inconsistent with those standards, in accounting principles and practices generally accepted in Australia;
- (m) **(meaning not limited)** the words “include”, “including”, “for example” or “such as” when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind;
- (n) **(time of day)** time is a reference to Sydney time; and
- (o) **(reasonably likely)** a reference to something being “reasonably likely” (or to a similar expression) is a reference to that thing being more likely than not to occur when assessed objectively.

1.3 Next day

If an act under this document to be done by a party on or by a given day is done after 5:30pm on that day, it is taken to be done on the next day.

1.4 Next Business Day

If an event must occur on a stipulated day which is not a Business Day then the stipulated day will be taken to be the next Business Day.

1.5 Headings

Headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of this document.

2 Agreement to propose and implement Scheme

2.1 Pandal to propose Scheme

Pandal agrees to propose the Scheme on and subject to the terms and conditions of this document.

2.2 Agreement to implement Transaction

The parties agree to implement the Transaction on the terms and conditions of this document.

3 Conditions precedent

3.1 Conditions precedent

Subject to this clause 3, the Scheme will not become Effective, and the obligations of Perpetual under clause 4 are not binding, until each of the Conditions Precedent contained in Schedule 3 are satisfied or waived to the extent and in the manner set out in this clause 3.

3.2 Benefit of certain Conditions Precedent

- (a) A Condition Precedent may only be waived in writing by a party entitled to the benefit of that Condition Precedent as noted in the table set out in Schedule 3 and may only be waived by both parties together where it is

expressed to apply for the benefit of both parties. A waiver will be effective only to the extent specifically set out in that waiver.

- (b) A party entitled to waive the breach or non-fulfilment of a Condition Precedent under this clause 3.2 may do so in its absolute discretion.

3.3 Waiver of Conditions Precedent

- (a) If either Pendal or Perpetual waives the breach or non-fulfilment of a Condition Precedent in accordance with this clause, then, subject to subclause 3.3(b), that waiver does not preclude that party from suing the other for any breach of this document arising as a result of the breach or non-fulfilment of that Condition Precedent or arising from the same event which gave rise to the breach or non-fulfilment of that Condition Precedent.
- (b) If the waiver of the Condition Precedent is itself conditional and the other party:
 - (i) accepts the condition, the terms of that condition apply notwithstanding any inconsistency with subclause 3.3(a); or
 - (ii) does not accept the condition, the Condition Precedent has not been waived.
- (c) A waiver of a breach or non-fulfilment in respect of a Condition Precedent does not constitute:
 - (i) a waiver of a breach or non-fulfilment of any other Condition Precedent arising from the same event; or
 - (ii) a waiver of a breach or non-fulfilment of that Condition Precedent resulting from any other event.

3.4 Reasonable endeavours

Each of Pendal and Perpetual agrees to use reasonable endeavours to procure that each of the Conditions Precedent for which it is a party responsible (as noted in Schedule 3):

- (a) is satisfied as soon as practicable after the date of this document; and
- (b) continues to be satisfied at all times until the last time it is to be satisfied (as the case may require); and
- (c) there is no occurrence that would prevent the Condition Precedent for which it is a party responsible being satisfied.

3.5 Regulatory matters

Without limiting clause 3.4, each party:

- (a) **(Regulatory Approvals and notifications)** must promptly apply for all relevant Regulatory Approvals and make all other notifications to Regulatory Authorities for which they are responsible and take all steps it is responsible for as part of the approval process, including responding to requests for information at the earliest practicable time;
- (b) **(Updates)** must keep the other party informed in a timely manner of progress in relation to each Regulatory Approval (including in relation to any material matters raised by, or conditions or other arrangements

proposed by, or to, any Regulatory Authority in relation to the Regulatory Approval);

- (c) **(Regulatory Authority)** must use reasonable endeavours to seek to obtain the relevant Regulatory Approvals on an unconditional basis or subject only to conditions which each of Perpetual and Pandal agree to accept (acting reasonably);
- (d) **(representation)** has the right to be represented and make submissions at any proposed meeting with any Regulatory Authority relating to any Regulatory Approval; and
- (e) **(consultation)** must consult with the other party in advance in relation to all material communications (whether written or oral, and whether direct or via a Representative) with any Regulatory Authority relating to any Regulatory Approval **(Communications)** and, without limitation:
 - (i) provide the other party with such information and inputs required to complete any Communications to be sent to a Regulatory Authority as the other party reasonably requires;
 - (ii) provide the other party with drafts of any material written Communications to be sent to a Regulatory Authority, provide the other party or its representatives a reasonable opportunity to comment and make such amendments as the other party reasonably requires; and
 - (iii) provide copies of the final applications and any Communications sent to or received from a Regulatory Authority to the other party promptly upon despatch or receipt (as the case may be),

in each case to the extent it is reasonable to do so.

For the avoidance of doubt:

- (i) neither party is required to disclose commercially sensitive information in relation to the application for a Regulatory Approval to the other party and the party applying for a Regulatory Approval may withhold or redact information or documents from the other party if and to the extent that they are either confidential to a Third Party or commercially sensitive and confidential to the applicant; and
- (ii) the party applying for a Regulatory Approval is not prevented from taking any step (including communicating with a Regulatory Authority) in respect of a Regulatory Approval if the other party has not promptly responded under clause 3.5(e).

3.6 Notices in relation to Conditions Precedent

Each party must:

- (a) **(notice of satisfaction)** promptly notify the other of satisfaction of a Condition Precedent and must keep the other informed of any material development of which it becomes aware that may lead to the satisfaction, or breach or non-fulfilment of a Condition Precedent which it is responsible for satisfying;
- (b) **(notice of failure)** immediately give written notice to the other of a breach or non-fulfilment of a Condition Precedent which it is responsible

for satisfying, or of any event which will prevent a Condition Precedent being satisfied;

- (c) **(scheme meeting or second court date)** where it considers that a Condition Precedent (for which the other party is responsible for satisfying) may not be satisfied by the Scheme Meeting or the Second Court Date, promptly give the other party notice.

3.7 Applications to Court

- (a) If the Condition Precedent in paragraph 2 (Scheme approval) of Schedule 3 is not satisfied only because of a failure to obtain the majority required by section 411(4)(a)(ii)(A) of the Corporations Act, then either party may by written notice to the other within 3 Business Days after the date of the conclusion of the Scheme Meeting require the approval of the Court to be sought, pursuant to the Court's discretion in that section, provided the party has in good faith formed the view that the prospect of the Court exercising its discretion in that way is reasonable. If approval is given, the Condition Precedent in paragraph 2 (Scheme approval) of Schedule 3 is deemed to be satisfied for all purposes.

3.8 Consultation on failure of Condition Precedents

If:

- (a) subject to clause 3.7, there is a breach or non-fulfilment of a Condition Precedent which is not waived in accordance with this document by the time or date specified in this document for the satisfaction of the Condition Precedent;
- (b) there is an act, failure to act or occurrence which will prevent a Condition Precedent being satisfied by the time or date specified in this document for the satisfaction of the Condition Precedent (and the breach or non-fulfilment which would otherwise occur has not already been waived in accordance with this document); or
- (c) if the Scheme has not become Effective by the End Date,

then either party may give the other party written notice (**Consultation Notice**) within 5 Business Days after either (i) a relevant notice being given under clause 3.6(b) or, if the Scheme has not become Effective by the End Date, (ii) the End Date, and the parties must consult in good faith to consider and if agreed:

- (d) determine whether the Transaction may proceed by way of alternative means or methods;
- (e) defer the Second Court Date, and, if thought desirable, the Scheme Meeting, until such time (being not later than the Business Day before the End Date in respect of the Second Court Date) as reasonably required to enable the relevant Condition Precedent to be satisfied;
- (f) determine to proceed with the Second Court Date on the basis that one or more of the outstanding Condition Precedent may form a condition subsequent to the Scheme (along with any associated amendments required to this document); or
- (g) extend the End Date.

3.9 Failure to agree

If the parties are unable to reach agreement under clause 3.8 within 5 Business Days after the date on which the Consultation Notice is given (or any shorter period ending at 5:00pm on the day before the Second Court Date):

- (a) subject to subclause 3.9(b), either party may terminate this document (and such termination will be in accordance with clause 16.1(f)(i)); or
- (b) if a Condition Precedent may be waived and exists for the benefit of one party only, that party only may waive that Condition Precedent or terminate this document (and such termination will be in accordance with clause 16.1(f)(ii)),

in each case before 8.00am on the Second Court Date. For the avoidance of doubt, nothing in this clause 3.9 affects the obligation of Pendal to pay the Reimbursement Fee, or the obligation of Perpetual to pay the Reverse Reimbursement Fee, if it is required to do so under clause 12 or clause 13 (as applicable). A party will not be entitled to terminate this document pursuant to this clause 3.9 if the relevant Condition Precedent has not been satisfied or agreement cannot be reached as a result of a breach of this document by that party (although in such circumstances the other party may still terminate this document).

3.10 Regulatory Approval

A Regulatory Approval will be regarded as having been obtained notwithstanding that a condition or conditions may have been attached to that Regulatory Approval if that condition is agreed by Pendal and Perpetual (acting reasonably) in accordance with clause 3.5(c).

4 Transaction steps

4.1 Scheme Consideration

- (a) The Scheme Consideration to be provided in respect of each Pendal Share is as described in the Scheme.
- (b) Each Scheme Participant is entitled to receive the Scheme Consideration in respect of each Pendal Share held by that Scheme Participant, in accordance with the terms of this document, the Scheme and the Deed Poll. Such Scheme Consideration will be received in the form of either the Maximum Cash Consideration, the Maximum Scrip Consideration or the Standard Consideration, in accordance with the election process outlined in clauses 4.2 and 4.3 and in the Scheme.
- (c) Subject to clauses 3.1 and 16 and the terms of the Scheme, Perpetual undertakes and warrants to Pendal that, in consideration for the transfer to Perpetual Sub of each Pendal Share held by a Scheme Participant under the terms of the Scheme, on the Implementation Date Perpetual will:
 - (i) procure that Perpetual Sub will accept that transfer; and
 - (ii) provide to each Scheme Participant the Scheme Consideration for each Pendal Share in accordance with the terms of this document, the Scheme and the Deed Poll.

4.2 Scheme Consideration election mechanism

- (a) Pendal must ensure that the Scheme Booklet sent to Pendal Shareholders is accompanied by a form of election (**Election Form**) under which each Pendal Shareholder is requested to elect to receive

either Maximum Cash Consideration, Maximum Scrip Consideration or Standard Consideration in respect of all of their Pental Shares, and which sets out the election process, including that if no election is made the Pental Shareholder will be taken to have elected to receive Standard Consideration.

- (b) The Election Form must include the relevant matters set out in the Scheme and must otherwise be in a form agreed by the parties in writing.
- (c) Pental must procure that, to the extent practicable, Pental Shareholders who acquire Pental Shares after the date of the despatch of the Scheme Booklet and Election Form receive an Election Form on request to Pental.

4.3 Provision of election updates and Pental Share information

- (a) In order to facilitate the provision of the Scheme Consideration, Pental must provide, or procure the provision of, to Perpetual:
 - (i) reasonable written updates of the elections that have been received in the period up to the Election Time;
 - (ii) written details of the final elections made by each Scheme Participant, within one Business Day after the Election Time; and
 - (iii) a complete copy of the Pental Share Register as at the Scheme Record Date (which must include the name, registered address and registered holding of each Pental Shareholder as at the Scheme Record Date), within one Business Day after the Scheme Record Date.
- (b) The details and information to be provided under clause 4.3(a) must be provided in such form as Perpetual may reasonably require.

4.4 Pental Employee Rights

- (a) Pental and Perpetual agree to use their respective best endeavours to implement the Pental Employee Rights Rollover Proposal by taking all actions contemplated by the Pental Employee Rights Rollover Proposal.
- (b) Without limiting clause 4.4(a), Pental must ensure that, by no later than 5:00pm on the Effective Date:
 - (i) there are no outstanding Pental Employee Rights; and
 - (ii) all FLE Shares will be convertible into (restricted and unvested) Perpetual Shares rather than Pental Shares.
- (c) In order to comply with its obligation under clause 4.4(b), Pental must, in accordance with the Pental Employee Rights Rollover Proposal to the extent it is determined by Perpetual and Pental that any Pental employee should be subject to an offer under the Pental Employee Rights Rollover Proposal and the relevant employee accepts an offer under the Pental Employee Rights Rollover Proposal in respect of its Pental Employee Rights, but otherwise at the discretion of the Pental Board:
 - (i) cause some or all of the outstanding Pental Employee Rights to vest and, following such vesting, cause the relevant number of shares in Pental to be transferred in sufficient time to allow the

relevant former holders of the relevant Pandal Employee Rights to participate in the Scheme; and

- (ii) take such action as may be necessary to forfeit, cause to lapse or cancel (as applicable), on or before the Effective Date, any outstanding Pandal Employee Rights which it does not cause to vest in accordance with clause 4.4(c)(i).

4.5 No amendment to the Scheme without consent

Pandal must not consent to any modification of, or amendment to, or the making or imposition by the Court of any condition in respect of, the Scheme without the prior written consent of Perpetual.

5 Co-operation and timing

5.1 General obligations

Pandal and Perpetual must each:

- (a) use all reasonable endeavours and commit necessary resources (including management and corporate relations resources and the resources of external advisers); and
- (b) procure that its officers and advisers work in good faith and in a timely and co-operative fashion with the other party (including by attending meetings and by providing information),

to produce the Scheme Booklet and implement the Scheme as soon as reasonably practicable and as far as possible in accordance with the Timetable.

5.2 Transaction Implementation Committee

- (a) The parties must establish the Transaction Implementation Committee as soon as possible after the date of this document.
- (b) Representatives from the legal and Financial Advisors of each party may be invited to attend meetings of the Transaction Implementation Committee.
- (c) Without limiting clause 5.3(a), the role of the Transaction Implementation Committee will be to oversee implementation of the Scheme and to act as a forum for, subject to the Protocols, discussion, consultation and planning and sharing of information by parties in respect of the following:
 - (i) implementation of the Transaction;
 - (ii) oversight of business operations and matters relating to integration planning, including employee retention and incentivisation, stakeholder engagement and communications, business operations and functions or processes; and
 - (iii) any other matters as the parties may agree from time to time.
- (d) The parties acknowledge and agree that:
 - (i) the Transaction Implementation Committee is a discussion and planning forum only, and the members of the Transaction Implementation Committee do not have power to bind the other party or to give any consent, approval or waiver on behalf of such other party;

- (ii) subject to this document, nothing in this clause requires either party to act at the direction of the other;
- (iii) the business of each party will continue to operate independently from the other until the Implementation Date; and
- (iv) nothing in this document constitutes the relationship of a partnership or a joint venture between the parties.

5.3 Access to people and information

- (a) Between (and including) the date of this document and the Implementation Date, Pental must, and must cause each other Pental Group member to, subject to the Protocols, afford to Perpetual and its Related Persons reasonable access to information, including financial, tax and other information, (subject to any existing confidentiality obligations owed to third parties, appropriate consents in relation to which Pental must use all reasonable endeavours to obtain) of any member of the Pental Group, or such senior executives of Pental as reasonably requested by Perpetual at mutually convenient times, and afford Perpetual reasonable co-operation (including, in the case of 5.3(a)(iv), access to Pental Group's auditors and accountants) for the purpose of:
 - (i) applying for Regulatory Approvals;
 - (ii) implementation of the Scheme or preparation of the Perpetual Information;
 - (iii) Perpetual obtaining an understanding of the operations of the Pental Group's business, financial position, prospects and affairs in order to allow and facilitate the development and the implementation of the plans of Perpetual for those businesses following implementation of the Scheme;
 - (iv) keeping Perpetual informed of material developments relating to the Pental Group;
 - (v) preparation of the financial statements for inclusion in the Scheme Booklet (and any updates);
 - (vi) satisfying their compliance obligations under any applicable legal, governmental, taxation or regulatory rules, or otherwise imposed by a Regulatory Authority; and
 - (vii) any other purpose agreed between the parties,

and Perpetual may disclose such information to third parties in accordance with the terms of the Confidentiality Agreement provided that:

- (viii) Perpetual will focus on material issues, having regard to management commitments and the impact of information requests on Pental's business;
- (ix) providing access or information pursuant to this clause does not result in unreasonable disruptions to Pental's business, require Pental to make further disclosure to any other entity or Government Agency or require the disclosure of any document that would compromise Pental's legal professional privilege;

- (x) nothing in this clause will require Pental to provide information concerning Pental's directors and management's consideration of the Scheme or any Competing Transaction (but this proviso does not limit Pental's obligations under clause 11); and
 - (xi) Pental may provide to Perpetual its records at a place other than Pental's business premises.
- (b) Between (and including) the date of this document and the Implementation Date, Perpetual must, and must cause each other Perpetual Group member to, subject to the Protocols, afford to Pental and its Related Persons (including any Independent Expert) reasonable access to information (subject to any existing confidentiality obligations owed to third parties, appropriate consents in relation to which Perpetual must use all reasonable endeavours to obtain) of any member of the Perpetual Group, or such senior executives of Perpetual as reasonably requested by Pental at mutually convenient times and afford Pental reasonable co-operation for the purpose of:
- (i) applying for Regulatory Approvals;
 - (ii) implementation of the Scheme or preparation of the Pental Information;
 - (iii) satisfying their compliance obligations under any applicable legal, governmental, taxation or regulatory rules, or otherwise imposed by a Regulatory Authority; and
 - (iv) any other purpose agreed between the parties,
- and Pental may disclose such information to third parties in accordance with the terms of the Confidentiality Agreement provided that:
- (v) Pental will focus on material issues, having regard to management commitments and the impact of information requests on Perpetual's business;
 - (vi) providing access or information pursuant to this clause does not result in unreasonable disruptions to Perpetual's business, require Perpetual to make further disclosure to any other entity or Regulatory Authority or require the disclosure of any document that would compromise Perpetual's legal professional privilege;
 - (vii) nothing in this clause will require Perpetual to provide information concerning the formulation or consideration of the Scheme or any variation to it; and
 - (viii) Perpetual may provide to Pental its records at a place other than Perpetual's business premises.
- (c) Nothing in this clause shall require cooperation to the extent that it would:
- (i) cause any Conditions Precedent to not be satisfied or otherwise cause a breach of this document; or
 - (ii) require a party to take any action that would reasonably be expected to conflict with or violate the parties' constituent documents or any law.

5.4 Right to separate representation

Perpetual and Pandal are entitled to separate representation at all Court proceedings relating to the Scheme. Nothing in this document is to be taken to give Pandal or Perpetual any right or power to make or give undertakings to the Court for or on behalf of the other party without that party's written consent. Perpetual and Pandal must give all undertakings to the Court in all Court proceedings which are reasonably required to obtain Court approval and confirmation of the Scheme as contemplated by this document.

6 Pandal Board recommendation

6.1 Board Recommendation

Pandal must procure that, subject to clause 6.2:

- (a) the Pandal Board members unanimously recommend that Pandal Shareholders vote in favour of the Scheme at the Scheme Meeting in the absence of a Superior Proposal and subject to the Independent Expert concluding in the Independent Expert's Report that the Scheme is in the best interests of the Pandal Shareholders; and
- (b) that the Scheme Booklet and any other public statements made by Pandal in relation to the Scheme include a statement by the Pandal Board to that effect.

6.2 Change of recommendation

- (a) Pandal must procure that none of its directors withdraws, adversely modifies, qualifies or changes their recommendation in favour of the Scheme, unless:
 - (i) the Independent Expert concludes that the Scheme is not in the best interests of the Pandal Shareholders, or adversely changes its previously given opinion that the Scheme is in the best interests of Pandal Shareholders; or
 - (ii) Pandal has received a Superior Proposal,and, in either case, Pandal has complied with its obligations under clause 11 and the Pandal Board determines in good faith and acting reasonably, having received expert advice in writing from its legal advisors (who must be reputable advisers experienced in transactions of this nature), that they must do so because of their fiduciary or statutory duties to Pandal Shareholders.
- (b) For the purposes of this clause 6.2(b), customary qualifications and explanations contained in the Scheme Booklet in relation to a recommendation to vote in favour of the Scheme to the effect that the recommendation is made in the absence of a Superior Proposal from a third party will not be regarded as a failure to make or withdraw the making of a recommendation in favour of the Scheme.

6.3 Notification of intention to withdraw or change of recommendation

Without limiting clause 11 or the preceding provisions of this clause 6, if circumstances arise, including the receipt or expected receipt of an unfavourable report from the Independent Expert which may lead to a member of the Pandal Board withdrawing, adversely modifying, qualifying or changing its recommendation in accordance with clause 6.2:

- (a) Pandal must notify Perpetual in writing immediately; and

- (b) the parties must consult in good faith after the notification in paragraph (a) is given to consider and determine whether the recommendation in place at the time can be maintained.

7 Implementation obligations of the parties

7.1 Pental's obligations

Pental must comply with the obligations of Pental set out in Schedule 4 and take all reasonable steps to implement the Scheme as soon as is reasonably practicable.

7.2 Perpetual's obligations

Perpetual must:

- (a) comply with the obligations of Perpetual set out in Part A of Schedule 5 and take all reasonable steps to assist Pental to implement the Scheme as soon as reasonably practicable; and
- (b) comply with the obligations of Perpetual set out in Part B of Schedule 5.

Following the Implementation Date, to the extent any of these obligations relate to a director, officer or employee of a member of the Pental Group, Pental will hold the benefit of the obligations in Schedule 5 on behalf of each of them.

7.3 Appointment/retirement of Pental directors

- (a) As soon as practicable after the Second Court Date, Pental must use its reasonable endeavours to cause the appointment of each Incoming Pental Director to the Pental Board effective from implementation of the Scheme after the Scheme Consideration has been despatched to Scheme Participants.
- (b) On the Implementation Date after the Scheme Consideration has been despatched to Scheme Participants, Pental must procure that each of the Outgoing Directors retire from the Pental Board effective from implementation of the Scheme.

7.4 Appointment of Perpetual directors

As soon as practicable after the Second Court Date, Perpetual must use its reasonable endeavours to cause the appointment of each New Perpetual Director to the Perpetual Board effective from the Implementation Date after the Scheme Consideration has been despatched to Scheme Participants.

8 Scheme Booklet

8.1 Preparation

Without limiting clauses 7.1 or 7.2:

- (a) **(preparation)**: Pental is generally responsible for the prompt preparation of the Scheme Booklet and must provide drafts to and consult with Perpetual in accordance with clause 8.2;
- (b) **(compliance)** Pental must take all necessary steps to endeavour to ensure that the Scheme Booklet:
 - (i) complies with the requirements of:
 - (A) the Corporations Act;

(B) ASIC Regulatory Guide 60;

(C) the Listing Rules; and

(ii) is not, having regard to applicable disclosure requirements, misleading or deceptive in any material respect (including because of any material omission).

8.2 Content of Scheme Booklet

Pendal must:

- (a) **(consult Perpetual)** promptly prepare the Scheme Booklet and consult with Perpetual as to the form and content of the Scheme Booklet, which includes:
 - (i) allowing Perpetual a reasonable opportunity to review and make comments on each successive draft of the Scheme Booklet;
 - (ii) taking the comments made by Perpetual into account in good faith when producing a revised draft of the Scheme Booklet;
 - (iii) providing Perpetual revised drafts of the Scheme Booklet within a reasonable time before the Regulator's Draft is finalised to enable Perpetual to review and comment on each of those drafts and any final Regulator's Draft at least 2 Business Days before its submission; and
 - (iv) implementing such changes to those parts of the Scheme Booklet as reasonably requested by Perpetual under clause 8.2(a)(iii) prior to finalising the Regulator's Draft;
- (b) **(Regulatory Review Period)** during the Regulatory Review Period:
 - (i) promptly provide to Perpetual, and, following reasonable consultation with Perpetual, include in a revised draft of the Scheme Booklet, any new information not included in the Regulator's Draft which is required by the Corporations Act, Corporations Regulations, ASIC Regulatory Guide 60 or the Listing Rules to be included in the Scheme Booklet; and
 - (ii) keep Perpetual informed of any matters raised by ASIC in relation to the Scheme Booklet and use all reasonable endeavours, in co-operation with Perpetual, to resolve any such matters (provided that, where those issues relate to the Perpetual Information, Pendal must not take any steps to address them without Perpetual's prior written consent); and
- (c) **(Perpetual Information)** obtain approval from Perpetual for the form and context in which Perpetual Information appears in the Scheme Booklet which approval must not be unreasonably delayed or withheld.

8.3 Perpetual information

Perpetual:

- (a) must consult with Pendal as to the content of the Perpetual Information;
- (b) consents to the inclusion of the Perpetual Information (in the form and context approved by it pursuant to clause 8.2(c)) in the Scheme Booklet.

8.4 Responsibility statement

The Scheme Booklet will contain a responsibility statement to the effect that:

- (a) Perpetual is responsible for the Perpetual Information (other than any information provided by Pental to Perpetual or obtained from Pental's public filings on ASX regarding the Pental Group contained in, or used in the preparation of, the information regarding the Perpetual Group following implementation of the Scheme, which will include the Pental Group);
- (b) Pental is responsible for the Pental Information contained in the Scheme Booklet and is also responsible for the information contained in the Scheme Booklet provided by Pental to Perpetual or obtained from Pental's public filings on ASX regarding the Pental Group contained in, or used in the preparation of, the information regarding the Perpetual Group following implementation of the Scheme, which will include the Pental Group; and
- (c) the Independent Expert has provided and is responsible for the Independent Expert's Report, and that neither Perpetual nor Pental assume any responsibility for the accuracy or completeness of the Independent Expert's Report.

8.5 Disagreement on content

If Perpetual and Pental disagree on the form or content of the Scheme Booklet, they must consult in good faith to try to settle an agreed form of the Scheme Booklet. If complete agreement is not reached after reasonable consultation, then:

- (a) if the disagreement relates to Perpetual Information, Perpetual will make the final determination as to the form and content of the Perpetual Information; and
- (b) in any other case, the Pental Board will, acting in good faith, decide the final form or content of the disputed part of the Scheme Booklet.

8.6 Verification

Each party must undertake appropriate verification processes for the information supplied by that party for the Scheme Booklet.

9 Conduct of business

9.1 Obligations of both parties

- (a) Subject to clause 9.3, from the date of this document up to and including the Implementation Date, and without limiting any other obligations under this document, each party must:
 - (i) conduct its businesses and operations, and must cause each Pental or Perpetual Group member to conduct its respective business and operations, in the ordinary and usual course consistent with the manner in which each such business and operations have been conducted in the 12 month period prior to the date of this document;
 - (ii) keep each other informed of the conduct of their business;

- (iii) provide regular reports on the financial affairs of the Pental Group (in the case of Pental) and the Perpetual Group (in the case of Perpetual) in a timely matter to the other party;
- (iv) make all reasonable efforts, and procure that each other Pental Group member (in the case of Pental) or Perpetual Group member (in the case of Perpetual) makes all reasonable efforts, to:
 - (A) preserve and maintain the value of their respective businesses and assets;
 - (B) keep available the services of their directors, officers and employees; and
 - (C) maintain and preserve their relationships with Regulatory Authorities, customers, suppliers and others having business dealings with any Pental Group member (in the case of Pental) (including, in the case of Pental, and without limiting the obligations under clause 3, using reasonable endeavours to obtain consents from third parties to any change of control provisions in contracts and in any other contracts or arrangements to which a member of the Pental Group is a party which Perpetual reasonably requests) or Perpetual Group member (in this case of Perpetual).
- (b) From the date of this document up to and including the Implementation Date:
 - (i) Pental must ensure that no Pental Prescribed Event and no specific requirement event under clause 9.2(a) occurs; and
 - (ii) Perpetual must ensure that no Perpetual Prescribed Event occurs,

in each case, to the extent that such Pental Prescribed Event or Perpetual Prescribed Event is in the control of Pental or Perpetual, respectively.

9.2 Specific requirements for Pental

- (a) Without limiting 9.1 above, and subject to clause 9.3, from the date of this document up to and including the Implementation Date, Pental must not:
 - (i) **(material contracts)** enter into or terminate any contract material to the conduct of the Pental Group's business or which involves expenditure of more than \$2,500,000 over the term of the contract;
 - (ii) **(related party transactions)** enter into any transaction with any related party of Pental as defined in section 228 of the Corporations Act which requires Pental shareholder approval under section 208 of the Corporations Act;
 - (iii) **(accounting policies)** change any accounting policy applied by a member of the Pental Group to report their financial position other than any change required by a change in accounting standards;

- (iv) **(tax)** settle or compromise or make any concessions in relation to any tax claims, liabilities or disputes or make any election in relation to tax, or otherwise engage in any transaction, act or event which gives rise to any tax liability which is outside the ordinary course of business as it was conducted prior to the date of this document;
- (v) **(legal proceedings)** settle any legal proceedings, claim, investigation, arbitration or other like proceedings (excluding any Excluded Claim) where the amount claimed exceeds \$500,000;
- (vi) **(employment arrangements)** take any action set out in item 16 of Schedule 2;
- (vii) **(dividends)** announce, declare or pay any dividends other than the Pental Permitted Dividend (provided, for the avoidance of doubt, that any Pental Permitted Dividend will be deducted from the Scheme Consideration);
- (viii) **(lease renewal)** extend an existing lease or enter into any new leases;
- (ix) **(agree)** agree to do any of the matters set out above.

9.3 Exceptions

- (a) Nothing in this clause 9 restricts the ability of Pental or Perpetual to take any action or enter into any transaction or document:
 - (i) which expressly is required by this document or the Scheme;
 - (ii) which has been agreed to in writing by the other party;
 - (iii) which is Fairly Disclosed in the Disclosure Materials of that party as being an action that Pental or Perpetual (as applicable) will carry out between (and including) the date of this document and the Implementation Date, provided however that this exception does not apply to clause 9.2(a)(viii); or
 - (iv) which is taken in the ordinary course of Pental's or Perpetual's business in its fiduciary capacity as responsible entity, trustee or manager or otherwise acting on behalf of any third party trust, client portfolio or fund.
- (b) Nothing in this clause 9 restricts the ability of Pental to:
 - (i) respond to a Competing Transaction in accordance with clause 11; or
 - (ii) prior to the Implementation Date, enter into arrangements to secure the directors and officers of Pental run-off insurance for up to such 7 year period, and any action to facilitate that insurance will not be a Pental Prescribed Event or breach any provision of this document, provided that Pental has not acted unreasonably and has consulted with Perpetual (which must act reasonably and not so as to cause unreasonable delay) in entering into any such policy. For the avoidance of doubt, it would be unreasonable for Pental to decline to co-operate with Perpetual's broker to seek to obtain the run-off insurance on substantially equivalent or no less favourable terms than

Pendal's current policy, and to enter into such a run-off policy if available from a reputable insurer at a materially lower cost.

- (c) Nothing in this clause 9 restricts the ability of Perpetual to respond to a Perpetual Major Transaction in accordance with clause 11.
- (d) From the date of this document until the Second Court Date, unless the other party agrees in writing, Pendal and Perpetual (as applicable) will promptly notify the other of anything of which it becomes aware that:
 - (i) makes any material information publicly filed by it (either on its own account or in respect of (in the case of Pendal) any other Pendal Group member or (in the case of Perpetual) any other Perpetual Group member) to be, or reasonably likely to be, incomplete, incorrect, untrue or misleading in any material respect;
 - (ii) makes any of the Pendal Representations and Warranties or any of the Perpetual Representations and Warranties (as applicable) false, inaccurate, misleading or deceptive in any material respect; or
 - (iii) may, or may with time, constitute (with respect to Pendal) a Pendal Material Adverse Change, Pendal specific requirement event under clause 9.2(a) or Pendal Prescribed Event or (with respect to Perpetual) a Perpetual Material Adverse Change or Perpetual Prescribed Event (as applicable).

10 Releases

10.1 Pendal directors and officers

- (a) Perpetual releases its rights, and agrees with Pendal that it will not make a claim, against any Pendal Indemnified Party (other than Pendal) as at the date of this document in connection with:
 - (i) any breach of any representations, covenants and warranties of Pendal or any other member of the Pendal Group in this document; or
 - (ii) any disclosures containing any statement which is false or misleading whether in content or by omission,except where the Pendal Indemnified Party has not acted in good faith or has engaged in wilful misconduct or fraud. Nothing in this clause 10.1(a) limits Perpetual's rights to terminate this document under clause 16.
- (b) This clause is subject to any restrictions under the Corporations Act or any other applicable legislation and will be read down accordingly. Pendal receives and holds the benefit of this clause to the extent it relates to each Pendal Indemnified Party as trustee for each of them.

10.2 Perpetual directors and officers

- (a) Pendal releases its rights, and agrees with Perpetual that it will not make a claim, against any Perpetual Indemnified Party (other than Perpetual) as at the date of this document in connection with:
 - (i) any breach of any representations, covenants and warranties of Perpetual or any other member of the Perpetual Group in this document; or

- (ii) any disclosure containing any statement which is false or misleading whether in content or by omission,

except where the Perpetual Indemnified Party has not acted in good faith or has engaged in wilful misconduct or fraud. Nothing in this clause 10.2(a) limits Pental's rights to terminate this document under clause 16.

- (b) This clause is subject to any restrictions under the Corporations Act or any other applicable legislation and will be read down accordingly. Perpetual receives and holds the benefit of this clause to the extent it relates to each Perpetual Indemnified Party as trustee for each of them.

11 Exclusivity

11.1 No existing discussions

Pental represents and warrants that, as at the date of this document:

- (a) neither it, nor any of its Related Bodies Corporate nor their Representatives is in negotiations, discussions or other communications with any person in respect of any actual, proposed or potential Competing Transaction or any transaction that would, or would reasonably be expected to, lead to a Competing Transaction; and
- (b) it, any of its Related Bodies Corporate and their respective Representatives has ceased to provide or make available any non-public information in relation to the Pental Group to a Third Party where such information was provided for the purpose of facilitating, or could reasonably be expected to lead to, a Competing Transaction, and has enforced all rights it has to call for the immediate return or destruction of that non-public information previously provided or made available to any Third Party.

11.2 No-shop

During the Exclusivity Period, Pental must ensure that neither it nor any of its Related Bodies Corporate or Representatives directly or indirectly:

- (a) solicits, encourages, invites or initiates from any other person any inquiry, offer, expression of interest, proposal or transaction in relation to, or with a view to obtaining, or that may be reasonably expected to lead to a Competing Transaction; or
- (b) communicates any intention to do any of these things.

Nothing in this clause 11.2 prevents Pental from continuing to make normal presentations to, and to respond to enquiries from, brokers, portfolio investors and analysts in the ordinary course of its business.

11.3 No talk

Subject to clause 11.4, during the Exclusivity Period, Pental must ensure that neither it nor any of its Related Bodies Corporate or Representatives directly or indirectly:

- (a) enter into, participate in or continue any negotiations or discussions with respect to any inquiry, expression of interest, offer, proposal or discussion by any person to make or which would reasonably be expected to encourage or lead to the making of an actual, proposed or potential Competing Transaction;

- (b) negotiate, accept or enter into, or offer or agree to negotiate, accept or enter into, any agreement, arrangement or understanding regarding, or which would reasonably be expected to lead to, an actual, proposed or potential Competing Transaction;
- (c) disclose or otherwise provide access to any non-public information about the business or affairs of the Pendal Group or permit access to employees or officers of Pendal or its Related Bodies Corporate to a Third Party (or a Representative of the Third Party) who has submitted, or might reasonably be expected to submit, a proposal for a transaction which is reasonably likely to result in a Competing Transaction, or to any Third Party (or a Representative of the Third Party) with a view to obtaining or which would reasonably be expected to encourage or lead to receipt of an actual, proposed or potential Competing Transaction (including, without limitation, providing such information for the purposes of the conduct of due diligence investigations in respect of the Pendal Group); or
- (d) communicate to any person an intention to do anything referred to in the preceding paragraphs of this clause 11.3.

Nothing in this clause 11.3 prevents Pendal from continuing to make normal presentations to, and to respond to enquiries from, brokers, portfolio investors and analysts in the ordinary course of its business.

11.4 Fiduciary exception

Clause 11.3 does not apply to the extent that it restricts Pendal or its Related Persons in relation to an actual, proposed or potential bona fide Competing Transaction provided that such Competing Transaction has not arisen as a result of breach of clause 11, and the Pendal Board, acting in good faith, has determined:

- (a) after consultation with Pendal's external legal and Financial Advisors, that the Competing Transaction is a Superior Proposal or could reasonably be expected to become a Superior Proposal; and
- (b) after receiving written advice from Pendal's reputable external Australian legal advisers specialising in the area of corporate law that compliance with clause 11.3 would, or would be reasonably likely to, constitute a breach of any of the fiduciary or statutory duties of the directors of Pendal.

11.5 Notification of approaches

During the Exclusivity Period, if Pendal receives (i) any actual, proposed or potential Competing Transaction from a third party or (ii) a member of the Pendal Board, the company secretary or other group executive or Pendal's Financial Advisors becomes aware of any negotiations or discussions in relation to, or any approaches or attempts to initiate any negotiations or discussions in relation to an actual, proposed or potential Competing Transaction, Pendal must as soon as practicable (and in any event within 24 hours) give Perpetual notice of:

- (a) the existence of the actual, proposed or potential Competing Transaction, discussions or approach;
- (b) to the extent known to Pendal or its Representatives, all material terms and conditions of the actual, proposed or potential Competing Transaction (including details of the proposed price and form of consideration, deal protection mechanisms and timetable, the form of funding for the Competing Transaction and any conditions thereto), and any subsequent material modifications or, developments (which must be

provided as soon as practicable (and in any event within 24 hours of the modification or development));

- (c) the identity of the person making the proposal (and, if different, details of the proposed bidder or acquirer); and
- (d) any determination by Pental that it can rely on clause 11.4 in relation to any action or inaction relating to the actual, proposed or potential Competing Transaction, discussions or approach.

11.6 Matching right

- (a) Without limiting clauses 11.2 or 11.3, during the Exclusivity Period, Pental:
 - (i) must not enter into any legally binding agreement, arrangement or understanding (whether or not in writing) pursuant to which a Third Party, Pental or both proposes or propose to undertake or give effect to an actual, proposed or potential Competing Transaction (excluding, for the avoidance of doubt, any non-disclosure arrangements in relation to any engagement or action permitted by clause 11.4); and
 - (ii) must procure that none of its directors withdraw, adversely modifies, qualifies or changes their recommendation in favour of the Transaction, including publicly recommending an actual, proposed or potential Competing Transaction (or recommending against the Transaction),unless:
 - (iii) the Competing Transaction is a Superior Proposal;
 - (iv) the Competing Transaction has not arisen, or been furthered, as a result of Pental's breach of clause 11.2 or 11.3;
 - (v) Pental has provided Perpetual with a notice stating that it is given for the purposes of this clause 11.6 and setting out all material terms and conditions of the Competing Transaction;
 - (vi) Pental has given Perpetual at least 5 Business Days after complying with its obligation to provide the notice and information referred to in paragraph (v) (**Relevant Period**) to provide a proposal that is superior to or no less favourable than the terms of the Competing Transaction; and
 - (vii) the Pental Board determines that Perpetual has not provided a proposal that is superior to or no less favourable overall than the terms and conditions of the Competing Transaction (having regard to matters including, but not limited to, consideration, conditionality, funding, certainty, counterparty identity and reputation, deal protections and timing) by the expiry of the Relevant Period.
- (b) Pental acknowledges and agrees that each successive material modification of any actual, proposed or potential Competing Transaction will constitute a new actual, proposed or potential Competing Transaction for the purposes of the requirements under this clause 11.6 and accordingly Pental must comply with paragraphs (i) to (ii) of this clause in respect of any new actual, proposed or potential Competing Transaction unless paragraphs (iii) to (vii) (inclusive) have been

complied with in respect of the new actual, proposed or potential Competing Transaction.

- (c) If Perpetual proposes to Pental, or announces, amendments to the Scheme or a new proposal that are superior to or no less favourable overall to the terms of the actual, proposed or potential Competing Transaction (**Bidder Counterproposal**) by the expiry of the 5 Business Day period in clause 11.6(a)(vi), Pental must procure that the Pental Board, acting reasonably and in good faith, determines that the Bidder Counterproposal would provide an equivalent or superior outcome for Pental Shareholders as a whole compared with the Competing Transaction, taking into account all of the terms and conditions of the Bidder Counterproposal, and Pental and Perpetual must use their best endeavours to agree the amendments to this document and, if applicable, the Scheme and Deed Poll that are reasonably necessary to reflect the Bidder Counterproposal and to implement the Bidder Counterproposal, in each case as soon as reasonably practicable, and Pental must use its best endeavours to procure that each of the directors of Pental continues to recommend the Transaction (as modified by the Bidder Counterproposal) to Pental Shareholders.

11.7 Provision of information

During the Exclusivity Period, Pental must as soon as possible provide Perpetual with:

- (a) in the case of written materials, a copy of; and
- (b) in any other case, a written statement of,

any material non-public information about the business or affairs of Pental or the Pental Group disclosed or otherwise provided to any Third Party during the Exclusivity Period in connection with an actual, proposed or potential Competing Transaction that has not previously been provided to Perpetual. For the avoidance of doubt, any such provision of information to a Third Party may only be undertaken if permitted by clause 11.4 and clause 11.6.

11.8 Perpetual Exclusivity

- (a) **(No existing discussions)** Perpetual represents and warrants that, as at the date of this document:
 - (i) neither it, nor any of its Related Bodies Corporate nor their Representatives is in negotiations, discussions or other communications with any person in respect of any actual, proposed or potential Perpetual Major Transaction or any transaction that would, or would reasonably be expected to, lead to a Perpetual Major Transaction; and
 - (ii) it, any of its Related Bodies Corporate and their respective Representatives has ceased to provide or make available any non-public information in relation to the Perpetual Group to a Third Party where such information was provided for the purpose of facilitating, or could reasonably be expected to lead to, a Perpetual Major Transaction.
- (b) **(No-shop)** During the Exclusivity Period, Perpetual must ensure that neither it nor any of its Related Bodies Corporate or Representatives directly or indirectly:
 - (i) solicits, encourages, invites or initiates from any other person any inquiry, offer, expression of interest, proposal or transaction

in relation to, or with a view to obtaining, or that may be reasonably expected to lead to a Perpetual Major Transaction; or

- (ii) communicates any intention to do any of these things.

Nothing in this clause 11.8(b) prevents Perpetual from continuing to make normal presentations to, and to respond to enquiries from, brokers, portfolio investors and analysts in the ordinary course of its business generally.

- (c) **(No talk)** Subject to clause 11.8(d), during the Exclusivity Period, Perpetual must ensure that neither it nor any of its Related Bodies Corporate or Representatives directly or indirectly:
 - (i) enter into, participate in or continue any negotiations or discussions with respect to any inquiry, expression of interest, offer, proposal or discussion by any person to make or which would reasonably be expected to encourage or lead to the making of an actual, proposed or potential Perpetual Major Transaction;
 - (ii) negotiate, accept or enter into, or offer or agree to negotiate, accept or enter into, any agreement, arrangement or understanding regarding, or which would reasonably be expected to lead to, an actual, proposed or potential Perpetual Major Transaction;
 - (iii) disclose or otherwise provide access to any non-public information about the business or affairs of the Perpetual Group or permit access to employees or officers of Perpetual or its Related Bodies Corporate to a Third Party (or a Representative of the Third Party) who has submitted, or might reasonably be expected to submit, a proposal for a transaction which is reasonably likely to result in a Perpetual Major Transaction, or to any Third Party (or a Representative of the Third Party) with a view to obtaining or which would reasonably be expected to encourage or lead to receipt of an actual, proposed or potential Perpetual Major Transaction (including, without limitation, providing such information for the purposes of the conduct of due diligence investigations in respect of the Perpetual Group); or
 - (iv) **(intention)** communicate to any person an intention to do anything referred to in the preceding paragraphs of this clause 11.8(c).

Nothing in this clause 11.8 prevents Perpetual from continuing to make normal presentations to, and to respond to enquiries from, brokers, portfolio investors and analysts in the ordinary course of its business generally.

- (d) Clause 11.8(c) does not apply to the extent that it restricts Perpetual or its Related Persons in relation to an actual, proposed or potential bona fide Perpetual Major Transaction provided that such Perpetual Major Transaction has not arisen as a result of breach of clause 11.8(b), and the Perpetual Board, acting in good faith, has determined after receiving written advice from Perpetual's reputable external Australian legal advisers specialising in the area of corporate law that compliance with clause 11.8(c) would, or would be reasonably likely to, constitute a

breach of any of the fiduciary or statutory duties of the directors of Perpetual.

- (e) **(Notification of Perpetual approaches)** During the Perpetual Exclusivity Period, if Perpetual receives (i) an approach regarding any actual, proposed or potential Perpetual Major Transaction from a third party or (ii) a member of the Perpetual Board, the company secretary or other group executive or Perpetual's Financial Advisors becomes aware of any negotiations or discussions in relation to, or any approaches or attempts to initiate any negotiations or discussions in relation to an actual, proposed or potential Perpetual Major Transaction, Perpetual must as soon as practicable (and in any event within 24 hours) give Pandal notice of:
- (i) the existence of the actual, proposed or potential Perpetual Major Transaction, discussions or approach;
 - (ii) to the extent known to Perpetual or its Representatives, all material terms and conditions of the actual, proposed or potential Perpetual Major Transaction (including details of the proposed price and form of consideration, deal protection mechanisms and timetable, the form of funding for the Perpetual Major Transaction and any conditions thereto), and any subsequent material modifications or, developments (which must be provided as soon as practicable (and in any event within 24 hours of the modification or development));
 - (iii) the identity of the person making the proposal (and, if different, details of the proposed bidder or acquirer); and
 - (iv) any determination by Perpetual that it can rely on clause 11.8(d) in relation to any action or inaction relating to the actual, proposed or potential Perpetual Major Transaction, discussions or approach.
- (f) **(Breach in connection with Perpetual Major Transaction)** For the avoidance of doubt, Perpetual is not entitled to terminate this document in order to pursue, agree or implement a Perpetual Major Transaction. If Perpetual breaches this document in a manner which causes implementation of the Scheme to become impossible or impracticable, or otherwise materially breaches this document in order to pursue, agree or implement a Perpetual Major Transaction, Perpetual must pay to Pandal the Liquidated Damages Amount by way of liquidated damages, even if Perpetual's Board determined that the breach was required in order to fulfil the fiduciary or statutory duties of the directors of Perpetual. The parties agree that the loss which would be incurred by Pandal as a result of that breach are of a nature that they cannot be accurately quantified and that the Liquidated Damages Amount is a genuine pre-estimate of that loss. Nothing in this clause limits Pandal's right to terminate this document under clause 16 which might arise as a result of any breach to which this clause relates.

12 Reimbursement Fee

12.1 Background to Reimbursement Fee

- (a) Perpetual and Pandal acknowledge that, if they enter into this document and the Scheme is subsequently not implemented, Perpetual will have incurred significant costs, including those set out in clause 12.4.

- (b) In these circumstances, Perpetual has requested that provision be made for the payments outlined in clause 12.2, without which Perpetual would not have entered into this document or otherwise agreed to implement the Scheme.
- (c) The Pental Board believes, having taken advice from its legal advisors and Financial Advisors, that the implementation of the Scheme will provide benefits to Pental and that it is appropriate for Pental to agree to the payments referred to in clause 12.2 in order to secure Perpetual's participation in the Transaction.

12.2 Reimbursement Fee triggers

Pental must pay the Reimbursement Fee to Perpetual, without set-off or withholding, if the Scheme does not proceed because:

- (a) **(change of recommendation)** this document is validly terminated after any Pental Director fails to recommend the Scheme or withdraws their recommendation, adversely changes or qualifies their recommendation or otherwise makes a public statement indicating that he or she no longer supports the Scheme, except where:
 - (i) the change of recommendation or statement is made after the Independent Expert concludes (including in any addendum or update to its initial report) that in the opinion of the Independent Expert the Scheme is not in the best interests of Pental Shareholders (other than where a Competing Transaction has been proposed or announced before the report (or addendum or update to the initial report) is issued which the Independent Expert may reasonably regard to be on more favourable terms than the Transaction); or
 - (ii) Pental is entitled to terminate this document in accordance with clause 16.1(b)(iii) (material breach of document) or 16.1(b)(iv) (material breach of warranty by Perpetual) or 16.1(b)(vii) (Perpetual Material Adverse Change or Perpetual Prescribed Event) and has given the appropriate termination notice to Perpetual;
- (b) **(Competing Transaction)** a Competing Transaction of any kind is announced during the Exclusivity Period (whether or not such proposal is stated to be subject to any pre-conditions) and, within twelve months of the date of such announcement, the Third Party proposing the Competing Transaction or any Associate of that Third Party:
 - (i) completes a Competing Transaction; or
 - (ii) without limiting clause 12.2(b)(i), acquires Control of Pental; or
- (c) **(termination)** Perpetual has validly terminated this document pursuant to:
 - (i) clause 16.1(b)(iii) (material breach of document);
 - (ii) clause 16.1(b)(v) (material breach of warranty by Pental); or
 - (iii) clause 16.1(b)(vi) only in respect of a Pental Prescribed Event (other than paragraphs 21 and 26 of Schedule 2) to the extent that the relevant Pental Prescribed Event was caused by actions or events within the control of Pental or any of its Subsidiaries,

and the Transaction does not complete.

12.3 Timing of payment of Reimbursement Fee

- (a) A demand by Perpetual for payment of the Reimbursement Fee under clause 12.2 must:
 - (i) be in writing;
 - (ii) be made after the occurrence of the event in that clause giving rise to the right to payment;
 - (iii) state the circumstances which give rise to the demand; and
 - (iv) nominate an account in the name of Perpetual into which Pandal is to pay the Reimbursement Fee.
- (b) Pandal must pay the Reimbursement Fee into the account nominated by Perpetual, without set-off or withholding, within five Business Days after receiving a demand for payment where Perpetual is entitled under clause 12.2 to the Reimbursement Fee.

12.4 Nature of payment

The Reimbursement Fee is an amount to compensate Perpetual for:

- (a) advisory costs;
- (b) costs of management and directors' time;
- (c) out-of-pocket expenses;
- (d) the distraction of Perpetual's management from conducting Perpetual's business as usual caused by pursuing the Scheme;
- (e) reasonable opportunity costs incurred by Perpetual in pursuing the Scheme or in not pursuing strategic initiatives which Perpetual could have developed to further its business and objectives; and
- (f) damage to Perpetual's reputation associated with a failed transaction and the implications of that damage to Perpetual's business.

The parties agree that the costs incurred are of a nature that they cannot be accurately quantified and that a genuine pre-estimate of the costs would equal or exceed the Reimbursement Fee.

12.5 Compliance with law

If it is finally determined following the exhaustion of all reasonable avenues of appeal to the Takeovers Panel or a Court that all or any part of the Reimbursement Fee:

- (a) is unlawful or would if performed be unlawful;
- (b) involves a breach of the duties of the Pandal Board; or
- (c) constitutes unacceptable circumstances within the meaning of the Corporations Act,

then Pandal's obligation to pay the applicable amount or part of the Reimbursement Fee does not apply and if Perpetual has received any part of the Reimbursement Fee it must refund it within 5 Business Days of final

determination. However, for the avoidance of doubt, this will not alter Pandal's obligation to pay Perpetual any part of the Reimbursement Fee which has not been held to be invalid in accordance with this clause.

The parties must not make or cause or permit to be made, any application to the Takeovers Panel or a court for or in relation to a declaration or determination referred to in this clause 12.5.

12.6 Reimbursement Fee payable only once

Where the Reimbursement Fee becomes payable to Perpetual under clause 12.2 and is actually paid to Perpetual, Perpetual cannot make any claim against Pandal for payment of any subsequent Reimbursement Fee.

12.7 Reduction in amount payable

- (a) The amount payable by Pandal to Perpetual under clause 12.2 is reduced by an amount equal to the amount which is recovered by Perpetual as a result of a claim against Pandal pursuant to any other remedies available to Perpetual under this document including pursuant to clause 14.1.
- (b) Where the amount payable by Pandal to Perpetual under clause 12.2 has already been paid, Perpetual must, within two Business Days of the event contemplated by clause 12.7(a) which would have reduced the amount payable, refund an amount to Pandal which is equivalent to that calculated under clause 12.7(a).

12.8 Pandal's limitation of Liability

Notwithstanding any other provision of this document:

- (a) the maximum liability of Pandal to Perpetual under or in connection with this document including in respect of any breach of the document will be the amount of the Reimbursement Fee; and
- (b) the maximum liability amount referred to in clause 12.8(a) represents the maximum and absolute amount of the liability of Pandal under or in connection with this document and no further damages, fees, expenses or reimbursements of any kind will be payable by Pandal in connection with this document.

Nothing in this clause 12.8 limits the liability of any party for fraud.

12.9 No Reimbursement Fee if Scheme Effective

Despite anything to the contrary in this document, the Reimbursement Fee will not be payable to Perpetual if the Scheme becomes Effective, notwithstanding the occurrence of any event in clause 12.2 and, if the Reimbursement Fee has already been paid it must be refunded by Perpetual.

13 Reverse Reimbursement Fee

13.1 Background

This clause has been agreed in circumstances where:

- (a) Perpetual and Pandal believe that the Scheme and the combination of the existing Perpetual and Pandal businesses as operated at the date of this document will provide significant benefits to Perpetual, Pandal and their respective shareholders, and Perpetual and Pandal acknowledge that, if they enter into this document and the Scheme is subsequently not

implemented, Pandal and Pandal Shareholders will incur significant costs including those set out in clause 13.4;

- (b) Pandal requested that provision be made for the payment of the Reverse Reimbursement Fee, without which Pandal would not have entered into this document;
- (c) both the Perpetual Board and Pandal Board believe that it is appropriate for both parties to agree to the payment referred to in this clause to secure Pandal's participation in the Scheme; and
- (d) both parties have received legal advice on this document and the operation of this clause.

13.2 Payment by Perpetual to Pandal

Perpetual agrees to pay the Reverse Reimbursement Fee to Pandal without withholding or set off if the Scheme does not proceed because:

- (a) **(termination)** Pandal has validly terminated this document pursuant to:
 - (i) clause 16.1(b)(iii) (material breach of document);
 - (ii) clause 16.1(b)(iv) (material breach of warranty by Pandal); or
 - (iii) clause 16.1(b)(vii) only in respect of a Perpetual Prescribed Event (other than paragraph 13 of Schedule 1) to the extent that the relevant Perpetual Prescribed Event was caused by actions or events within the control of Perpetual or any of its Subsidiaries; or
- (b) **(failure to pay Scheme Consideration)** Perpetual does not pay the aggregate Scheme Consideration in accordance with the terms and conditions of this document, the Scheme and the Deed Poll (following the Scheme becoming Effective).

13.3 Timing of payment

- (a) A demand by Pandal for payment of the Reverse Reimbursement Fee under clause 13.2 must:
 - (i) be in writing;
 - (ii) be made after the occurrence of the event in that clause giving rise to the right to payment;
 - (iii) state the circumstances which give rise to the demand; and
 - (iv) nominate an account in the name of Pandal into which Perpetual must pay the Reverse Reimbursement Fee.
- (b) Perpetual must pay the Reverse Reimbursement Fee to Pandal without withholding or set off within 5 Business Days of receipt by Perpetual of a valid demand for payment from Pandal under clause 13.3(a).
- (c) The demand may only be made after the occurrence of an event referred to in clause 13.2.

13.4 Nature of payment

The Reverse Reimbursement Fee is an amount to compensate Pandal for:

- (a) advisory costs;
- (b) costs of management and directors' time;
- (c) out-of-pocket expenses;
- (d) the distraction of Pandal's management from conducting Pandal's business as usual caused by pursuing the Scheme;
- (e) reasonable opportunity costs incurred by Pandal in pursuing the Scheme or in not pursuing strategic initiatives which Pandal could have developed to further its business and objectives; and
- (f) damage to Pandal's reputation associated with a failed transaction and the implications of that damage to Pandal's business.

The parties agree that the costs incurred are of a nature that they cannot be accurately quantified and that a genuine pre-estimate of the costs would equal or exceed the Reverse Reimbursement Fee.

13.5 Compliance with law

If it is finally determined following the exhaustion of all reasonable avenues of appeal to the Takeovers Panel or a Court that all or any part of the Reverse Reimbursement Fee:

- (a) is unlawful or would if performed be unlawful;
- (b) involves a breach of the duties of the Perpetual Board; or
- (c) constitutes unacceptable circumstances within the meaning of the Corporations Act,

then Perpetual's obligation to pay the applicable amount or part of the Reverse Reimbursement Fee does not apply and if Pandal has received any part of the Reverse Reimbursement Fee it must refund it within 5 Business Days of final determination. However, for the avoidance of doubt, this will not alter Perpetual's obligation to pay Pandal any part of the Reverse Reimbursement Fee which has not been held to be invalid in accordance with this clause.

The parties must not make or cause or permit to be made, any application to the Takeovers Panel or a court for or in relation to a declaration or determination referred to in this clause 12.5.

13.6 Reverse Reimbursement Fee payable only once

Where the Reverse Reimbursement Fee becomes payable to Pandal under clause 12.2 and is actually paid to Pandal, Pandal cannot make any claim against Perpetual for payment of any subsequent Reverse Reimbursement Fee.

13.7 Reduction in amount payable

- (a) The Reverse Reimbursement Fee is reduced by an amount equal to the amount which is recovered by Pandal as a result of a claim against Perpetual pursuant to any other remedies available to Pandal under this document including pursuant to clause 14.1.
- (b) Where the Reverse Reimbursement Fee has already been paid, Pandal must, within 2 Business Days of the event contemplated by clause 13.7(a) which would have reduced the amount payable, refund an amount to Perpetual which is equivalent to that calculated under clause 13.7(a).

13.8 Perpetual's limitation of liability

Notwithstanding any other provision of this document:

- (a) the maximum liability of Perpetual to Pental under or in connection with this document including in respect of any breach of this document will be the amount of the Reverse Reimbursement Fee; and
- (b) the payment by Perpetual of the Reverse Reimbursement Fee represents the sole and absolute liability of Perpetual under or in connection with this document and no further damages, fees, expenses or reimbursements of any kind will be payable by Perpetual under or in connection with this document,

except that nothing in this clause limits Perpetual's liability for fraud or following the Scheme becoming Effective, a breach of clause 4.1(c) or under the Deed Poll.

13.9 No amount payable if Scheme becomes Effective

Notwithstanding the occurrence of any event in clause 13.2, if the Scheme becomes Effective:

- (a) no amount is payable by Perpetual under clause 13.2; and
- (b) if any amount has already been paid under clause 13.2 it must be refunded by Pental.

14 Representations and warranties

14.1 Pental's representations and warranties

Pental represents and warrants to Perpetual (on its own behalf and separately as trustee or nominee for each of the Perpetual Indemnified Parties) that each of the statements set out in Schedule 6 is true and correct in all material respects. as at the date of this document and repeated continuously thereafter until 8:00am on the Second Court Date.

14.2 Pental's indemnity

Pental indemnifies the Perpetual Indemnified Parties against all Losses incurred directly or indirectly as a result of any of the representations and warranties in clause 14.1 not being true and correct.

14.3 Pental warranty certificate

Pental must provide to Perpetual by 8:00am on the Second Court Date a certificate signed by a director of Pental and made in accordance with a resolution of the Pental Board stating, as at that date, that the representations or warranties given by Pental in clause 14.1 remain true and accurate or, if any such representation or warranty is not true and accurate as at that date, providing complete particulars of the facts and matters which make the representation or warranty untrue or inaccurate in any material respect.

14.4 Perpetual's representations and warranties

Perpetual represents and warrants to Pental (on its own behalf and separately as trustee or nominee for each of the Pental directors) that each of the statements set out in Schedule 7 is true and correct in all material respects as at the date of this document and repeated continuously thereafter until 8:00am on the Second Court Date.

14.5 Perpetual's indemnity

Perpetual indemnifies Pandal Indemnified Parties against all Losses incurred directly or indirectly as a result of any of the representations and warranties in clause 14.4 not being true and correct.

14.6 Perpetual warranty certificate

Perpetual must provide to Pandal by 8:00am on the Second Court Date a certificate signed by a director of Perpetual and made in accordance with a resolution of the Perpetual Board stating, as at that date, that the representations and warranties given by Perpetual in clause 14.4 remain true and accurate or, if any such representation or warranty is not true and accurate as at that date, providing complete particulars of the facts and matters which make the representation or warranty untrue or inaccurate in any material respect.

14.7 Qualification of representations, warranties and indemnities

- (a) Each representation and warranty by Pandal in clause 14.1 and each indemnity by Pandal in clause 14.2 is qualified to the extent:
 - (i) expressly required or permitted by this document or the Scheme or the transactions contemplated by either; or
 - (ii) Fairly Disclosed in Pandal's Disclosure Materials or in any announcement it has made to the ASX on or after 1 January 2021 but before the date of this document.
- (b) Each representation and warranty by Perpetual in clause 14.4 and each indemnity by Perpetual in clause 14.5 is qualified to the extent:
 - (i) expressly required or permitted by this document or the Scheme or the transactions contemplated by either; or
 - (ii) Fairly Disclosed in Perpetual's Disclosure Materials or in any announcement it has made to the ASX on or after 1 January 2021 but before the date of this document.

14.8 Survival of representations and warranties

Each representation and warranty in clauses 14.1 or 14.4, and each indemnity in this document (including those in clauses 14.2 or 14.5):

- (a) is severable;
- (b) survives the termination of this document; and
- (c) is given with the intention that liability under it is not confined to breaches that are discovered before the date of the termination of this document.

15 Court proceedings

15.1 Appeal process

If the Court refuses to make orders convening the Scheme Meeting or approving the Scheme, Perpetual and Pandal must appeal the Court's decision to the fullest extent possible except to the extent that:

- (a) the parties agree otherwise; or
- (b) an independent Queen's Counsel or Senior Counsel advises that, in their opinion, an appeal would likely have no reasonable prospect of success,

in which case either party may terminate this document in accordance with clause 16.1(f)(iii).

15.2 Defence of proceedings

Each of Perpetual and Pendal must, to the extent reasonable to do so, vigorously defend, or must cause to be vigorously defended, any lawsuits or other legal proceeding brought against it (or any of its Subsidiaries) challenging this document or the completion of the Transaction. Neither Perpetual nor Pendal will settle or compromise (or permit any of its Subsidiaries to settle or compromise) any claim brought in connection with this document without the prior written consent of the other, such consent not to be unreasonably withheld.

15.3 Costs

Any costs incurred as a result of the operation of this clause 15 will be borne equally by each party.

16 Termination

16.1 Termination events

Without limiting any other provision of this document (including clauses 3.9 and 15.1), this document may be terminated:

- (a) **(End Date)** by either party, if the Scheme has not become Effective or will not become Effective on or before the End Date;
- (b) **(lack of support or breach)** at any time prior to 8.00am on the Second Court Date:
 - (i) by Perpetual if any member of the Pendal Board fails to recommend the Scheme, withdraws their recommendation or changes their recommendation to the Scheme Participants that they vote in favour of the resolution to approve the Scheme, including any adverse modification or qualification to their recommendation, or otherwise makes a public statement indicating that they no longer support the Transaction; or
 - (ii) by Pendal if the Pendal Board or a majority of the Pendal Board has changed, withdrawn or modified its recommendation as permitted under clause 6.2; or
 - (iii) by either Perpetual or Pendal if the other is in material breach of any clause of this document (other than a warranty), taken in the context of the Transaction as a whole, provided that either Perpetual or Pendal, as the case may be, has given notice to the other setting out the relevant circumstances and stating an intention to terminate and, the relevant circumstances continue to exist 5 Business Days (or any shorter period ending at 5:00pm on the day before the Second Court Date) after the time such notice is given; or
 - (iv) by Pendal if Perpetual has breached the representations and warranties set out in Schedule 7, provided that:
 - (A) Pendal has given notice to Perpetual setting out the relevant circumstances and stating an intention to terminate;
 - (B) the relevant breach continues to exist 5 Business Days (or any shorter period ending at 5:00pm on the day

- before the Second Court Date) after the time such notice is given; and
- (C) the relevant breach is material in the context of the Scheme taken as a whole; or
- (v) by Perpetual if Pendal has breached the representations and warranties set out in Schedule 6, provided that:
- (A) Perpetual has given notice to Pendal setting out the relevant circumstances and stating an intention to terminate;
 - (B) the relevant breach continues to exist 5 Business Days (or any shorter period ending at 5:00pm on the day before the Second Court Date) after the time such notice is given; and
 - (C) the relevant breach is material in the context of the Scheme taken as a whole; or
- (vi) by Perpetual if a Pendal Material Adverse Change or a Pendal Prescribed Event occurs and that Pendal Material Adverse Change or Pendal Prescribed Event is not capable of being remedied or is capable of being remedied but has not been remedied to the satisfaction of Perpetual (acting reasonably) within 5 Business Days after Perpetual provides written notice to Pendal of the Pendal Material Adverse Change or a Pendal Prescribed Event (or any shorter period ending at 5:00pm on the day before the Second Court Date); or
- (vii) by Pendal if a Perpetual Material Adverse Change or a Perpetual Prescribed Event occurs and that Perpetual Material Adverse Change or Perpetual Prescribed Event is not capable of being remedied or is capable of being remedied but has not been remedied to the satisfaction of Perpetual (acting reasonably) within 5 Business Days after Pendal provides written notice to Perpetual of the Perpetual Material Adverse Change or a Perpetual Prescribed Event (or any shorter period ending at 5:00pm on the day before the Second Court Date);
- (c) **(not approved)** by either party if the resolution submitted to the Scheme Meeting is not approved by the requisite majority;
 - (d) **(Independent Expert)** by either party if the Independent Expert opines that the Scheme is not in the best interests of Pendal Shareholders;
 - (e) **(restraint)** by either party if a Court or other Regulatory Authority has issued a final and non-appealable order, decree or ruling or taken other action which permanently restrains or prohibits the Transaction;
 - (f) **(consultation or appeal failure)** in accordance with and pursuant to:
 - (i) clause 3.9(a); or
 - (ii) clause 3.9(b); or
 - (iii) clause 15.1;
 - (g) **(Insolvency)** by either party if the other party or any of their Related Bodies Corporate becomes Insolvent; or

(h) **(agreement)** if agreed to in writing by Perpetual and Pandal.

16.2 Termination

Where a party has a right to terminate this document, that right for all purposes will be validly exercised if the party delivers a notice in writing to the other party stating that it terminates this document.

16.3 Effect of Termination

In the event that a party terminates this document, or if this document otherwise terminates in accordance with its terms, then in either case all further obligations of the parties under this document, other than the obligations set out in clauses 1, 10, 12, 13, 14.7, 14.8, 16.3, 18, 19, 20 and 21 (except for 21.11) will immediately cease to be of further force and effect without further liability of any party to the other, provided that nothing in this clause releases any party from liability for any pre-termination breach of this document.

16.4 Damages

In addition to the right of termination under clause 16.1 where there is no appropriate remedy for the breach in the document (other than termination), the non-defaulting party is entitled to damages for Losses suffered by it and expenses incurred by it as a result of the breach of the terms of this document.

17 Public announcements

17.1 Public announcement of Scheme

Immediately after signing this document, Pandal and Perpetual will issue separate public announcements of the proposed Transaction in agreed form.

17.2 Required disclosure

Where a party is required by law, the Listing Rules or a memorandum of understanding with a Regulatory Authority to make any announcement or make any disclosure relating to a matter the subject of the Transaction, it may do so only after it has given the other party as much notice as possible and has consulted to the fullest extent possible in the circumstances with the other party and its legal advisers, including considering in good faith any reasonable comments received from the other party in relation to the form and content of the announcement or disclosure.

17.3 Other announcements

Subject to clauses 17.1 and 17.2, no party may make any public announcement or disclosure in connection with the Transaction (including disclosure to a Regulatory Authority) other than in a form approved by each party (acting reasonably). Each party will use all reasonable endeavours to provide such approval as soon as practicable.

18 GST

- (a) Any consideration or amount payable under or in connection with this document, including any non-monetary consideration (as reduced in accordance with clause 18(e) if required) **(Consideration)** is exclusive of GST.
- (b) If GST is or becomes payable on a Supply made under or in connection with this document, an additional amount **(Additional Amount)** is payable by the party providing consideration for the Supply **(Recipient)** equal to the amount of GST payable on that Supply as calculated by the party making the Supply **(Supplier)** in accordance with the GST Law.

- (c) The Additional Amount payable under clause 18(b) is payable at the same time and in the same manner as the Consideration for the Supply, and the Supplier must provide the Recipient with a Tax Invoice. However, the Additional Amount is only payable on receipt of a valid Tax Invoice.
- (d) If for any reason (including the occurrence of an Adjustment Event) the amount of GST payable on a Supply (taking into account any Decreasing or Increasing Adjustments in relation to the Supply) varies from the Additional Amount payable by the Recipient under clause 18(b):
 - (i) the Supplier must provide a refund or credit to the Recipient, or the Recipient must pay a further amount to the Supplier, as appropriate;
 - (ii) the refund, credit or further amount (as the case may be) will be calculated by the Supplier in accordance with the GST Law; and
 - (iii) the Supplier must notify the Recipient of the refund, credit or further amount within 14 days after becoming aware of the variation to the amount of GST payable. Any refund or credit must accompany such notification or the Recipient must pay any further amount within 7 days after receiving such notification, as appropriate. If there is an Adjustment Event in relation to the Supply, the requirement for the Supplier to notify the Recipient will be satisfied by the Supplier issuing to the Recipient an Adjustment Note within 14 days after becoming aware of the occurrence of the Adjustment Event.
- (e) Despite any other provision in this document if an amount payable under or in connection with this document (whether by way of reimbursement, indemnity or otherwise) is calculated by reference to an amount incurred by a party, whether by way of cost, expense, outlay, disbursement or otherwise (**Amount Incurred**), the amount payable must be reduced by the amount of any Input Tax Credit or Reduced Input Tax Credit to which that party is entitled in respect of that Amount Incurred.
- (f) Any reference in this clause to an Input Tax Credit or Reduced Input Tax Credit to which a party is entitled includes an Input Tax Credit or Reduced Input Tax Credit arising from an Acquisition by that party but to which the Representative Member of a GST Group of which the party is a member is entitled.
- (g) Any term starting with a capital letter in this clause 18 that is not defined in this document has the same meaning as the term has in the *A New Tax System (Goods & Services Tax) Act 1999* (Cth).

19 Confidential Information

Despite any contrary term of the Confidentiality Agreement stating that it will terminate upon entry into this document, the parties agree that the Confidentiality Agreement and all of its terms other than paragraphs 11 to 16 (which are superseded by clause 11 of this document) will continue in full force and effect until its one year anniversary or this document is validly terminated (whichever is the latter). Each party acknowledges and agrees that it continues to be bound by the Confidentiality Agreement in respect of all information received by it from the other party on, before or after the date of this document.

20 Notices and other communications

20.1 Form - all communications

Unless expressly stated otherwise in this document, all notices, certificates, consents, approvals, waivers and other communications in connection with this document must be:

- (a) in writing;
- (b) signed by the sender (if an individual) or an Authorised Officer of the sender; and
- (c) marked for the attention of the person identified in the Details or, if the recipient has notified otherwise, then marked for attention in the way last notified.

20.2 Form - communications sent by email

Communications sent by email need not be marked for attention in the way stated in clause 20.1. However, the email must state the first and last name of the sender.

Communications sent by email are taken to be signed by the named sender.

20.3 Delivery

Communications must be:

- (a) left at the address set out or referred to in the Details;
- (b) sent by prepaid ordinary post (airmail if appropriate) to the address set out or referred to in the Details;
- (c) sent by email to the address set out or referred to in the Details; or
- (d) given in any other way permitted by law.

However, if the intended recipient has notified a changed address or email address, then communications must be to that address or email address.

20.4 When effective

Communications take effect from the time they are received or taken to be received under clause 20.5 (whichever happens first) unless a later time is specified.

20.5 When taken to be received

Communications are taken to be received:

- (a) when delivered to the nominated address, if delivered by hand in accordance with clause 20.3(a);
- (b) if sent by post, three days after posting (or seven days after posting if sent from one country to another); or
- (c) if sent by email;
 - (i) when the sender receives confirmation of delivery (whether automated or otherwise); or

- (ii) two hours after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that the email has not been delivered,

whichever happens first.

20.6 Receipt outside business hours

Despite clauses 20.4 and 20.5, if communications are received or taken to be received under clause 20.5 after 5:00pm in the place of receipt or on a non-Business Day, they are taken to be received at 8.00am on the next Business Day and take effect from that time unless a later time is specified.

21 Miscellaneous

21.1 Discretion in exercising rights

A party may exercise a right or remedy or give or refuse its consent in any way it considers appropriate (including by imposing conditions), unless this document expressly states otherwise.

21.2 Partial exercising of rights

If a party does not exercise a right or remedy fully or at a given time, the party may still exercise it later.

21.3 No liability for loss

Unless this document expressly states otherwise, a party is not liable for loss caused by the exercise or attempted exercise of, failure to exercise, or delay in exercising a right or remedy under this document.

21.4 Approvals and consents

By giving its approval or consent a party does not make or give any warranty or representation as to any circumstance relating to the subject matter of the consent or approval.

21.5 Conflict of interest

The parties' rights and remedies under this document may be exercised even if it involves a conflict of duty or a party has a personal interest in their exercise.

21.6 Remedies cumulative

The rights and remedies in this document are in addition to other rights and remedies given by law independently of this document.

21.7 Variation and waiver

A provision of this document or a right created under it, may not be waived or varied except in writing, signed by the party or parties to be bound.

21.8 No merger

The warranties, undertakings and indemnities in this document do not merge on the Implementation Date.

21.9 Indemnities

The indemnities in this document are continuing obligations, independent from the other obligations of the parties under this document and continue after this document ends. It is not necessary for a party to incur expense or make payment before enforcing a right of indemnity under this document.

21.10 Enforceability

For the purpose of this document:

- (a) Pandal is taken to be acting as agent and trustee on behalf of and for the benefit of all Pandal Indemnified Parties; and
- (b) Perpetual is taken to be acting as agent and trustee on behalf of and for the benefit of all the Perpetual Indemnified Parties,

and all of those persons are to this extent taken to be parties to this document.

21.11 Further steps

Each party agrees, at its own expense, to do anything the other party asks (such as obtaining consents, signing and producing documents and getting documents completed and signed):

- (a) to bind the party and any other person intended to be bound under this document; or
- (b) to show whether the party is complying with this document.

21.12 Construction

No rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of, or seeks to rely on, this document or any part of it.

21.13 Costs

The parties agree to pay their own legal and other costs and expenses in connection with the preparation, execution and completion of this document and other related documentation except for stamp duty.

21.14 Stamp duty

Perpetual agrees to pay all stamp duty (including fines and penalties) payable and assessed by legislation or by any revenue office on this document or the Scheme and in respect of a transaction evidenced by this document or the Scheme.

21.15 Entire agreement

Except for the Confidentiality Agreement, this document constitutes the entire agreement of the parties about its subject matter and supersedes all previous agreements, understandings and negotiations on that subject matter.

21.16 Assignment

A party may not assign or otherwise deal with its rights under this document or allow any interest in them to arise or be varied in each case, without the consent of the other party.

21.17 Severability

If the whole or any part of a provision of this document is void, unenforceable or illegal in a jurisdiction it is severed for that jurisdiction. The remainder of this document has full force and effect and the validity or enforceability of that provision in any other jurisdiction is not affected. This clause has no effect if the severance alters the basic nature of this document or is contrary to public policy.

21.18 No representation or reliance

Each party acknowledges that:

- (a) no party (nor any person acting on its behalf) has made any representation or other inducement to it to enter into this document, except for representations or inducements expressly set out in this document;
- (b) it does not enter into this document in reliance on any representation or other inducement by or on behalf of any other party, except for any representation or inducement expressly set out in this document; and
- (c) paragraphs 21.18(a) and 21.18(b) above do not prejudice any rights a party may have in relation to information which had been filed by the other party with ASIC or ASX.

21.19 Governing law

This document is governed by the law in force in the place specified in the Details. Each party submits to the non-exclusive jurisdiction of the courts of that place.

21.20 Inconsistent law

To the extent the law permits, this document prevails to the extent it is inconsistent with any law.

21.21 Supervening law

Any present or future law which operates to vary the obligations of a party in connection with this document with the result that another party's rights, powers or remedies are adversely affected (including, by way of delay or postponement) is excluded except to the extent that its exclusion is prohibited or rendered ineffective by law.

21.22 Counterparts

This document may be executed in counterparts. All counterparts when taken together are to be taken to constitute one instrument.

EXECUTED as a deed

Scheme Implementation Deed

Schedule 1 - Perpetual Prescribed Events

- 1 **(Conversion)** Perpetual converts all or any of its shares into a larger or smaller number of shares.
- 2 **(Reclassification)** a Perpetual Group member reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares.
- 3 **(Reduction of share capital)** Perpetual resolves to reduce its share capital in any way.
- 4 **(Buy-back)** Perpetual:
- (a) enters into a buy-back agreement; or
 - (b) resolves to approve the terms of a buy-back agreement under the Corporations Act.
- 5 **(Distribution)** Perpetual makes or declares, or announces an intention to make or declare, any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie) other than the Perpetual Permitted Dividends.
- 6 **(Issuing or granting shares or options)** Perpetual or any of its Subsidiaries:
- (a) issues shares;
 - (b) grants an option over its shares; or
 - (c) agrees to make such an issue or grant such an option,
- in each case to a person outside Perpetual Group other than:
- (d) in accordance with the terms attaching to any performance rights, long term incentive plan (including to satisfy any Pental long term incentive plan), dividend reinvestment plan or other employee plans; or
 - (e) as part of any deferred or other consideration for acquisitions undertaken prior to the date of this document.
- 7 **(Securities or other instruments)** Perpetual or any of its Subsidiaries:
- (a) issues securities or other instruments convertible into shares or debt securities; or
 - (b) agrees to issue securities or other instruments convertible into shares or debt securities,
- in each case to a person outside Perpetual Group other than:
- (c) in accordance with the terms attaching to any performance rights, long term incentive plan (including to satisfy any Pental long term incentive plan), dividend reinvestment plan or other employee plans; or
 - (d) as part of any deferred or other consideration for acquisitions undertaken prior to the date of this document.

- 8 **(Constitution)** Perpetual adopts a new constitution or modifies or repeals its constitution or a provision of it.
- 9 **(Disposals)** Perpetual or any of its Subsidiaries disposes, or agrees to dispose of the whole or a substantial part of the Perpetual Group's business or property (including to the extent such a disposal constitutes a Perpetual Major Transaction).
- 10 **(Acquisitions or tenders)** Perpetual or any of its Subsidiaries:
- (a) acquires or disposes of;
 - (b) agrees to acquire or dispose of; or
 - (c) offers, proposes, announces a bid or tenders for,
- any business, assets, entity or undertaking the value of which exceeds \$50,000,000.
- 11 **(Insolvency event)** any member of the Perpetual Group becomes Insolvent.
- 12 **(Encumbrances)** other than in the ordinary course of business and consistent with past practice or in respect of the Merged Group Facility, Perpetual or any of its Subsidiaries creates, or agrees to create, any Encumbrance over the whole or a substantial part of its business or property.
- 13 **(Material Proceedings)** any proceeding, investigation, prosecution, arbitration, litigation or dispute threatened against a member of the Perpetual Group which could reasonably be expected to give rise to a liability for the Perpetual Group in its personal capacity (excluding any amount for which it is indemnified in its fiduciary capacity as trustee, responsible entity or manager of a third party trust or fund) in excess of \$50,000,000 **(Material Proceedings)** and for the avoidance of doubt which is not frivolous or vexatious, or circumstances arising which could reasonably be expected to give rise to any Material Proceedings. For the avoidance of doubt, Material Proceedings do not include any liability relating to an investigation, prosecution, arbitration, litigation or dispute to the extent that an insurer has agreed to cover the liability under an insurance policy maintained by a member of the Perpetual Group.

Schedule 2 - Pandal Prescribed Events

- 1 **(Conversion)** Pandal converts all or any of its shares into a larger or smaller number of shares.
- 2 **(Reclassification)** a Pandal Group member reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares.
- 3 **(Reduction of share capital)** Pandal resolves to reduce its share capital in any way.
- 4 **(Buy-back)** Pandal:
 - (a) enters into a buy-back agreement; or
 - (b) resolves to approve the terms of a buy-back agreement under the Corporations Act.
- 5 **(Distribution)** Pandal makes or declares, or announces an intention to make or declare, any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie), except for the Pandal Permitted Dividend (provided, for the avoidance of doubt, that any Pandal Permitted Dividend will be deducted from the Scheme Consideration).
- 6 **(Issuing, transferring or granting shares or options)** Pandal or any of its Subsidiaries:
 - (a) issues or transfers shares;
 - (b) grants an option over its shares; or
 - (c) agrees to make such an issue or transfer, or grant such an option; or
 - (d) procures or allows any person who acts as a trustee of any incentive plan or scheme operated by any member of the Pandal Group to transfer any Pandal Shares,

other than a transfer of Pandal Shares as required by and in accordance with clause 4.4.
- 7 **(Securities or other instruments)** Pandal or any of its Subsidiaries:
 - (a) issues securities or other instruments convertible into shares or debt securities; or
 - (b) agrees to issue securities or other instruments convertible into shares or debt securities.
- 8 **(Constitution)** Pandal adopts a new constitution or modifies or repeals its constitution or a provision of it.
- 9 **(Disposals)** Pandal or any of its Subsidiaries disposes, or agrees to dispose of the whole or a substantial part of the Pandal Group's business or property.
- 10 **(Acquisitions, disposals or tenders)** Pandal or any of its Subsidiaries:
 - (a) acquires, leases or disposes of;
 - (b) agrees to acquire, lease or dispose of;

(c) offers, proposes, announces a bid or tenders for,

any business, assets, entity or undertaking the value of which exceeds \$5,000,000 individually or \$10,000,000 in aggregate.

- 11 **(Encumbrances)** Pental or any of its Subsidiaries creates, or agrees to create, any Encumbrance over the whole or a substantial part of its business or property.
- 12 **(Insolvency event)** any member of the Pental Group becomes Insolvent.
- 13 **(Conduct of business)** a member of the Pental Group commencing material business activities not already carried out as at the date of this document, whether by way of acquisition or otherwise.
- 14 **(Restraint)** a member of the Pental Group entering into a contract or commitment restraining in a material respect Pental or any Subsidiary of Pental from competing with any person in any market.
- 15 **(Capital structure)** Pental becoming aware that the representation and warranty in paragraph 12 of Schedule 6 is inaccurate.
- 16 **(Employment arrangements)** Pental or any of its Subsidiaries:
- (a) increases the remuneration or benefits of, or otherwise varies the employment arrangements with, or pays a retention payment or bonus payment to, any of its directors or employees, other than as agreed between the parties;
 - (b) accelerates the rights of any of its directors, Key Management Personnel or other employees to compensation or benefits or any kind other than an acceleration of Pental Employee Rights in accordance with clause 4.4; or
 - (c) pays any of its directors, Key Management Personnel or other employees termination payments (otherwise than as required by an existing contract in place at the date of this document or consistently with an existing redundancy policy of the Pental Group).
- 17 **(Financial indebtedness)** incurring any debt or other monetary liability (whether actual or contingent) in respect of monies borrowed or raised or any financial accommodation.
- 18 **(Commitments and settlements)** any member of the Pental Group:
- (a) enters into any contract or commitment involving potential expenditure (including termination payments or break fees) by the Pental Group of more than \$2,500,000 (individually or in aggregate) over the term of the contract or commitment;
 - (b) (without limiting the foregoing) enters into any contracts or commitments relating to the same matter or project involving revenue or expenditure of more than \$2,500,000 (individually or in aggregate) over the term of the contracts or commitments;
 - (c) terminates or amends in a material manner any contract material to the conduct of the Pental Group's business or which involves revenue or expenditure of more than \$2,500,000 (individually or in aggregate) over the term of the contract (in each case, including any mandates, investment management agreement, investment advisory agreement or similar agreement); or

- (d) waives any material Third Party default where the financial impact on the Pendal Group will be in excess of \$500,000 (individually or in aggregate),

excluding for the avoidance of doubt any action in paragraph (a) to (c) of this paragraph which is also contemplated by paragraph 10 of this Schedule 2 in which case the thresholds in paragraph 10 will apply.

- 19 **(settlements)** accepts as a settlement or compromise of a matter (relating to an amount in excess of \$500,000, individually or in aggregate) less than the full compensation due to Pendal or a Subsidiary of Pendal other than in respect of any Excluded Claims.
- 20 **(capital expenditure)** any member of the Pendal Group incurring, or agreeing to incur, capital expenditure of more than \$2,500,000 (individually or in aggregate).
- 21 **(cash balance)** the Pendal consolidated cash balance being, or being reasonably likely to be, less than the amount agreed to by Pendal and Perpetual on implementation of the Scheme.
- 22 **(financial accommodation)** a member of the Pendal Group providing financial accommodation other than to members of the Pendal Group (irrespective of what form of financial indebtedness that accommodation takes) in excess of \$500,000 (individually or in aggregate).
- 23 **(derivative instruments)** a member of the Pendal Group entering into any agreement, arrangement or transaction with respect to derivative instruments (including, but not limited to, swaps, futures contracts, forward commitments, commodity derivatives or options) or similar instruments other than in the ordinary course of business (and for the purpose of hedging, not speculating) and excluding for the avoidance of doubt any foreign exchange forward contracts entered into in the ordinary course of Pendal's cash flow management processes.
- 24 **(EBAs)** a member of the Pendal Group entering into any enterprise bargaining agreement other than in the ordinary course of business or pursuant to contractual arrangements in effect on the date of this document and which are contained in the Disclosure Materials.
- 25 **(Financial Advisor arrangements)** a member of the Pendal Group amending in any material respect any arrangement with its Financial Advisors, or entering into arrangements with a new Financial Advisor, in respect of the Transaction or a Competing Transaction.
- 26 **(Material Proceedings)** any proceeding, investigation, prosecution, arbitration, litigation or dispute threatened against a member of the Pendal Group which (i) could reasonably be expected to give rise to a liability for the Pendal Group in excess of \$25,000,000 or (ii) is in relation to a material breach of financial services law or relates to material violations of financial services or securities law in any jurisdiction **(Material Proceedings)** and for the avoidance of doubt which is not frivolous or vexatious, or circumstances arising which could reasonably be expected to give rise to any Material Proceedings. For the avoidance of doubt, Material Proceedings do not include any liability relating to an investigation, prosecution, arbitration, litigation or dispute to the extent that an insurer has agreed to cover the liability under an insurance policy maintained by a member of the Pendal Group.

Schedule 3 - Conditions Precedent (clause 3.1)

Condition	Party entitled to benefit	Party responsible
1. Regulatory Approvals Before 8.00am on the Second Court Date:		
(a) (ASIC and ASX) ASIC and ASX have issued or provided such consents, confirmations or approvals or have done such other acts which the parties agree are reasonably necessary or desirable to implement the Transaction and those consents, confirmations, approvals or other acts have not been withdrawn or revoked at that time;	Both	Both
(b) (Financial Conduct Authority) the Financial Conduct Authority has issued or provided such consents, confirmations or approvals (including, for the avoidance of doubt, by allowing the statutory assessment period to expire without objection) or have done such other acts which the parties agree are reasonably necessary or desirable to implement the Transaction and those consents, confirmations, approvals or other acts have not been withdrawn or revoked at that time;	Both	Both
(c) (Central Bank of Ireland) ; the Central Bank of Ireland has issued or provided such consents, confirmations or approvals (including, for the avoidance of doubt, by allowing the statutory assessment period to expire without objection) or have done such other acts which the parties agree are reasonably necessary or desirable to implement the Transaction and those consents, confirmations, approvals or other acts have not been withdrawn or revoked at that time;	Both	Both
(d) (Hart Scott Rodino) the applicable waiting period under the Hart Scott Rodino Antitrust Improvements Act	Both	Both

Condition	Party entitled to benefit	Party responsible
<p>of 1976, as amended, shall have expired or been terminated;</p> <p>(e) (Monetary Authority of Singapore): the Monetary Authority of Singapore has issued or provided such consents, confirmations or approvals or have done such other acts which the parties agree are reasonably necessary or desirable to implement the Transaction and those consents, confirmations, approvals or other acts have not been withdrawn or revoked at that time;</p> <p>(f) (Regulatory Authority) all other approvals of a Regulatory Authority which Perpetual and Pental agree (acting reasonably) are necessary or desirable to implement the Transaction are obtained and those approvals have not been withdrawn or revoked; and</p> <p>(g) (Court orders) no Court or Regulatory Authority has issued or taken steps to issue an order, temporary restraining order, preliminary or permanent injunction, decree or ruling or taken any action enjoining, restraining or otherwise imposing a legal restraint or prohibition preventing the Transaction and no such order, decree, ruling, other action or refusal is in effect.</p>	<p>Both</p> <p>Both</p> <p>Both</p>	<p>Both</p> <p>Both</p> <p>Both</p>
<p>2. Scheme approval</p> <p>Pental Shareholders approve the Scheme by the requisite majorities in accordance with the Corporations Act.</p>	Cannot be waived	Pental
<p>3. Court approval</p> <p>The Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act.</p>	Cannot be waived	Both

Condition	Party entitled to benefit	Party responsible
<p>4. Third party consents</p> <p>The Client Consent Percentage is equal to or greater than 82.5% as at 8:00am on the day after the Active Client Consent Process End Date and as at 5:00pm on the day before the Second Court Date.</p> <p>All other approvals of a Third Party which Perpetual and Pental agree are necessary or desirable to implement the Transaction are obtained.</p>	Perpetual	Both
<p>5. Independent Expert</p> <p>The Independent Expert issues a report which concludes that the Scheme is in the best interests of Scheme Participants before the date on which the Scheme Booklet is registered by ASIC.</p>	Both	Pental
<p>6. Pental Representations and Warranties</p> <p>The Pental Representations and Warranties are true and correct in all material respects at all times between the date of this document and as at 8.00am on the Second Court Date, except where expressed to be operative at another date.</p>	Perpetual	Pental
<p>7. Perpetual Representations and Warranties</p> <p>The Perpetual Representations and Warranties are true and correct in all material respects at all times between the date of this document and as at 8.00am on the Second Court Date, except where expressed to be operative at another date.</p>	Pental	Perpetual
<p>8. No Pental Prescribed Event</p> <p>No Pental Prescribed Event occurs between (and including) the date of this document and 8.00am on the Second Court Date.</p>	Perpetual	Pental
<p>9. No Pental Material Adverse Change</p> <p>No Pental Material Adverse Change occurs, is discovered, announced, disclosed or otherwise becomes known to Pental between (and including) the date of this document and 8.00am on the Second Court Date.</p>	Perpetual	Pental

Condition	Party entitled to benefit	Party responsible
10. No Perpetual Prescribed Event No Perpetual Prescribed Event occurs between (and including) the date of this document and 8.00am on the Second Court Date.	Pendal	Perpetual
11. No Perpetual Material Adverse Change No Perpetual Material Adverse Change occurs, is discovered, announced, disclosed or otherwise becomes known to Perpetual between (and including) the date of this document and 8.00am on the Second Court Date.	Pendal	Perpetual
12. Quotation The New Perpetual Shares to be issued pursuant to the Scheme have, before 8.00 am on the Second Court Date, been approved for official quotation on the ASX (provided that any such approval may be subject to customary conditions).	Both	Perpetual
13. No termination This document has not been terminated in accordance with clause 16.	Both	Both
14. Deed Poll Between the date of this document and the date of sending the Scheme Booklet, Perpetual signs and delivers the Deed Poll.	Pendal	Perpetual
15. No Pendal Employee Rights Before 8.00am on the Second Court Date, Pendal has taken all actions necessary to ensure that as of 5:00pm on the Effective Date, there are no outstanding Pendal Employee Rights.	Perpetual	Pendal

Scheme Implementation Deed

Schedule 4 – Pental's Obligations (clause 7.1)

- 1 **(Scheme Booklet)** subject to clause 8, as soon as practicable after the date of this document, prepare and despatch the Scheme Booklet in accordance with all applicable laws, including the Corporations Act, Corporations Regulations, the Listing Rules and applicable ASIC Regulatory Guides.
- 2 **(Further Pental Information)** provide to Perpetual and Scheme Participants (following timely and good faith consultation with Perpetual) such further or new Pental Information as may arise after the Scheme Booklet has been sent until the date of the Scheme Meeting as may be necessary to ensure that Pental Information contained in the Scheme Booklet is not, having regard to applicable disclosure requirements, false, misleading or deceptive in any material respect (including because of any material omission).
- 3 **(Independent Expert)** promptly appoint the Independent Expert and any investigating accountant to be appointed in connection with the preparation of the Scheme Booklet (as agreed with Perpetual), jointly (with Perpetual) prepare the pro forma financial information for inclusion in the Scheme Booklet and provide any assistance and information reasonably requested by the Independent Expert and any investigating accounting to enable the Independent Expert to prepare the Independent Expert's Report and the investigating accountant to prepare its report for the Scheme Booklet (including any updates to such report) and any other materials to be prepared by them for inclusion in the Scheme Booklet (including any updates thereto) as soon as practicable.
- 4 **(Provide a copy of the report)** on receipt, provide Perpetual with a copy of any draft or final report received from the Independent Expert.
- 5 **(Directors' recommendation)** state in the Scheme Booklet, the public announcement contemplated by clause 17.1 (on the basis of statements made to Pental by each member of the Pental Board) and any other public statements made by Pental in relation to the Scheme that:
 - (a) each of the directors of the Pental Board recommends to Scheme Participants that the Scheme be approved in the absence of a Superior Proposal; and
 - (b) each of the directors of the Pental Board will (in the absence of a Superior Proposal) vote, or procure the voting of director's shares in Pental in which they have a Relevant Interest at the time of the Scheme Meeting in favour of the Scheme at the Scheme Meeting,unless:
 - (c) the Independent Expert opines that the Scheme is not in the best interest of Pental Shareholders; or
 - (d) in relation to matters occurring after the date of this document, the Pental Board considers, after obtaining written legal advice, that compliance or continued compliance with this clause would involve a breach of their fiduciary duties or would be unlawful on any other basis.
- 6 **(Directors' voting)** use its reasonable endeavours to procure that:
 - (a) each member of the Pental Board votes any shares in Pental in which they have a Relevant Interest at the time of the Scheme Meeting in favour of the Scheme and any other resolution submitted to Pental Shareholders for their approval in connection with the Scheme; and

(b) each member of the Pental Board does not change that voting intention, unless a Superior Proposal arises or the Independent Expert opines that the Scheme is not in the best interests of Pental Shareholders.

7 **(Registry details)** subject to the terms of the Scheme:

- (a) provide all necessary information about the Scheme Participants to Perpetual which Perpetual requires in order to assist Perpetual to solicit votes at the Scheme Meeting; and
- (b) provide all necessary directions to the Registry to promptly provide any information that Perpetual reasonably requests in relation to the Register, including any sub-register, and, where requested by Perpetual must procure such information to be provided to Perpetual in such electronic form as is reasonably requested by Perpetual.

8 **(Lodgement of Regulator's Draft)** no later than 14 days before the First Court Date, provide the Regulator's Draft to ASIC for its review for the purposes of section 411(2) of the Corporations Act, and provide a copy of the Regulator's Draft to Perpetual immediately thereafter.

9 **(Section 411(17)(b) statement)** apply to ASIC for the production of a statement pursuant to section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme.

10 **(ASIC and ASX review)** keep Perpetual informed of any matters raised by ASIC or ASX in relation to the Scheme Booklet or the Transaction, and use reasonable endeavours to take into consideration in resolving such matters any issues raised by Perpetual.

11 **(Court application)** apply to the Court for an order under section 411(1) of the Corporations Act directing Pental to convene the Scheme Meeting.

12 **(Registration of explanatory statement)** request ASIC to register the explanatory statement included in the Scheme Booklet in relation to the Scheme in accordance with section 412(6) of the Corporations Act.

13 **(Court documents)** consult with Perpetual in relation to the content of the documents required for the purpose of each of the Court hearings held for the purpose of sections 411(1) and 411(4)(b) of the Corporations Act in relation to the Scheme (including originating process, affidavits, submissions and draft minutes of Court orders) and consider in good faith, for the purpose of amending drafts of those documents, comments from Perpetual on those documents.

14 **(Send Scheme Booklet)** send the Scheme Booklet to Pental Shareholders as soon as practicable after the Court orders Pental to convene the Scheme Meeting.

15 **(Scheme Meeting)** convene the Scheme Meeting in accordance with any such orders made by the Court pursuant to section 411(1) of the Corporations Act and seek the approval of Pental Shareholders for the Scheme and, for this purpose, the directors of Pental must participate in reasonable efforts to promote the merits of the Scheme, including meeting with key Scheme Participants at the reasonable request of Perpetual.

16 **(Certificate)** at the hearing on the Second Court Date provide to the Court a certificate confirming whether or not the Conditions Precedent (other than the Condition Precedent in paragraph 3 (Court approval) of Schedule 3) have been satisfied or waived in accordance with this document. A draft of such certificate

shall be provided by Pental to Perpetual by 4:00pm on the Business Day prior to the Second Court Date.

- 17 **(Court order)** apply to the Court for an order approving the Scheme in accordance with sections 411(4)(b) and 411(6) of the Corporations Act.
- 18 **(Lodge)** lodge with ASIC an office copy of any such Court order approving the Scheme as approved by Pental Shareholders at the Scheme Meeting in accordance with section 411(10) of the Corporations Act on the day after that office copy is received (or any later date agreed by Perpetual).
- 19 **(Register)** close the Register as at the Scheme Record Date to determine the identity of the Scheme Participants and their entitlements to Scheme Consideration.
- 20 **(Transfer and registration)** execute proper instruments of transfer and effect the transfer of the Scheme Shares to Perpetual Sub in accordance with the Scheme and register all transfers of shares in Pental to Perpetual Sub on the Implementation Date.
- 21 **(Compliance with laws)** do everything reasonably within its power to ensure that the Transaction is effected in accordance with all applicable laws and regulations.
- 22 **(Listing)** take all reasonable steps to maintain Pental's listing on ASX, notwithstanding any suspension of the quotation of shares in Pental under paragraph 26 of this Schedule 4, up to and including the Implementation Date, including making appropriate applications to ASX and ASIC.
- 23 **(Other steps)** do all other things necessary to give effect to the Scheme and the orders of the Court approving the Scheme.
- 24 **(Meetings with Pental Shareholders)** at the request of Perpetual, Representatives of Pental will accompany Representatives of Perpetual at meetings with Pental Shareholders that have been approved in writing by Pental to convey Pental's recommendation of the Scheme and rationale for that recommendation.
- 25 **(Perpetual and Pental - information)** prepare and promptly provide to Perpetual any information regarding the Pental Group that Perpetual reasonably requires in order to prepare the information regarding the Merged Group following implementation of the Scheme for inclusion in the Scheme Booklet.
- 26 **(Suspension of trading)** apply to ASX to suspend trading in Pental Shares with effect from the close of trading on the Effective Date.
- 27 **(Issues of Shares)** Pental must ensure:
 - (a) that no Pental Prescribed Event set out in paragraph 5 of Schedule 2 occurs between the date of this document and 8.00 am on the Second Court Date; and
 - (b) that, from 8.00am on the Second Court Date, no entitlement offer, rights issue or similar offer is announced or made by Pental.
- 28 **(Pental Client Consent Contracts)** without limitation to its obligations under clause 3.4, as soon as reasonably practicable after the date of this document (and in any event no later than within 4 weeks after the date of this document):

- (a) initiate any consent process required in relation to the Transaction under the terms of, or applicable law applying to, an Active Client Consent Contract; and
- (b) provide any written notice required in relation to the Transaction under and in accordance with the terms of any Passive Client Consent Contract,

and if Pendal fails to do so, the relevant client under the Pendal Client Consent Contract will be deemed not to be a Consenting Client (unless that client provides specific written consent in accordance with the terms of the Pendal Client Consent Contract).

29 **(Provision of schedules)** Pendal must provide to Perpetual on the below dates or as soon as reasonably practicable afterwards:

- (a) at 8:00am on the day after the Active Client Consent Process End Date;
- (b) on the date which is three weeks prior to the Second Court Date;
- (c) at 5:00pm on the Business Day before the Second Court Date; and
- (d) otherwise on reasonable request from Perpetual,

a detailed schedule showing the calculations of the Pendal Management Fee Revenue Run Rate and Pendal Consenting Client Management Fee Revenue Run Rate as at that date (together with any supporting information reasonably requested by Perpetual).

30 **(Assistance with debt arrangements)**

- (a) **(Repayment of debt)** On the Implementation Date, Pendal must take all necessary steps to:
 - (i) repay from its own resources all debts under the Term Debt Facility and the Working Capital Facility and any other debt facility or any other debt or monetary liability (whether actual or contingent) in respect of monies borrowed or raised or any financial accommodation of the Pendal Group of the Pendal Group other than in respect of assets which are held in a fiduciary capacity as trustee, responsible entity or manager of a third party trust or fund; and
 - (ii) procure the release of all Encumbrances over any member or assets of the Pendal Group other than in respect of assets which are held in a fiduciary capacity as trustee, responsible entity or manager of a third party trust or fund,

including:

- (i) to the extent required by Perpetual, placing funds into escrow prior to the Implementation Date with a direction to repay the Term Debt Facility, the Working Capital Facility and any other debt facility or other debt or other monetary liability (whether actual or contingent) in respect of monies borrowed or raised of the Pendal Group on Implementation; and
- (ii) issuing termination notices under the Working Capital Facility and the Term Debt Facility.

- (b) **(Information and assistance)** Pendal agrees to provide timely cooperation and assistance in connection with the arrangement and syndication of any debt financing by Perpetual (including with respect to the Merged Group Facility) as may be reasonably requested by Perpetual from time to time, including:
- (i) furnishing Perpetual and its financing sources (within a reasonable timeframe) with financial, operating or other pertinent information regarding the Pendal Group or to the extent the information is available to Pendal, any entity in which any member of the Pendal Group has an investment and providing reasonable assistance with the preparation of any information memorandum, lender presentation, investor roadshows, rating presentations or similar presentations or offering document to be used in syndicating any acquisition or debt financing and including, in each case, providing any consent required under the Confidentiality Agreement to the disclosure to the financing sources of the Perpetual (provided that such financing sources are subject to confidentiality undertakings consistent with those under the Confidentiality Agreement) provided that primary carriage and responsibility for such matters will at all times remain with Perpetual;
 - (ii) providing reasonable cooperation with any marketing efforts undertaken by Perpetual) and its financing sources related to any proposed debt financing of Perpetual (including the Merged Group Facility) (including by making available such senior officers or senior executives of Pendal as reasonably requested by Perpetual at mutually convenient times for conference calls, management presentation in-person or telephone sessions, virtual roadshows and similar meetings or presentations including meeting with ratings agencies and prospective financing sources), as may be reasonably requested by the Perpetual;
 - (iii) providing reasonable assistance upon request to Perpetual to satisfy any conditions and obligations of any financing to the extent same is within its control,
- provided that, with the exception of any costs of compliance with this clause 30, that will be fully reimbursed by Perpetual, neither Pendal nor any member of the Pendal Group will be required to incur any liability in connection with any such financing prior to the earlier of the Scheme being implemented.
- (b) Perpetual must indemnify Pendal from and against any and all losses, damages, claims, costs or expenses suffered or incurred by any Pendal Group member in connection with any such financing and any information utilised in connection therewith.
- (c) Pendal agrees to:
- (i) provide timely cooperation and assistance in connection with any repayment of existing financing arrangements or close out and termination of derivative agreements of the Pendal Group, in connection with the Scheme, including:
 - (A) undertaking steps reasonably required or requested by Perpetual in connection with any such repayment of such financing or termination and close out of such derivative

transactions in connection with the Scheme, provided that the timing of any such repayment is no earlier than the Implementation Date;

- (B) providing Perpetual with information reasonably requested by Perpetual in relation to the use of existing cash reserves of the Pental Group for such purpose and/or contingent instruments then on issue; and
- (C) using reasonable endeavours to assist in the repayment or replacement of any letters of credit, bank guarantees or similar instruments; and
- (ii) provide to Perpetual financial information which the Perpetual reasonably requests in order to prepare the unwinding of existing, and the implementation of new, financing arrangements after the Implementation Date,
- (d) Nothing in this clause will require any Pental Group member to provide cooperation to the extent that it would:
 - (i) cause any Condition Precedent to not be satisfied or otherwise cause a breach of this deed;
 - (ii) require a member of the Pental Group to take any action that would reasonably be expected to conflict with or violate that member of the Pental Group's constituent documents or any law or the rules of any stock exchange or would breach any obligation to any person including under a confidentiality agreement or arrangement;
 - (iii) require the approval of shareholders of Pental under section 260B of the Corporations Act or equivalent or analogous restriction in any jurisdiction or under the rules of any stock exchange;
 - (iv) require a Pental Group member to execute prior to the implementation of the Scheme any agreements, including any credit or other agreements, pledge or security documents or other certificates, legal opinions or documents in connection with any financing; or
 - (v) to the extent it would cause undue disruption to the operation of the Pental Group business.

Schedule 5 - Perpetual's Obligations (clause 7.2)

Part A

- 1 **(Perpetual Information)** provide to Pandal for inclusion in the Scheme Booklet the Perpetual Information for inclusion by Pandal in the Scheme Booklet (including any information required under the Corporations Act, Corporations Regulations, or ASIC Regulatory Guide 60).
- 2 **(Further Perpetual Information)** provide to Pandal such further or new Perpetual Information as may arise after the Scheme Booklet has been sent until the date of the Scheme Meeting and will ensure that the Scheme Booklet is updated or supplemented to include all further or new information which arises after the Scheme Booklet has been despatched to Pandal Shareholders until the date of the Scheme Booklet as may be necessary to ensure that the Perpetual Information contained in the Scheme Booklet is not, having regard to applicable disclosure requirements, false, misleading or deceptive in any material respect (including because of any material omission).
- 3 **(Independent Expert information)** provide any assistance or information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's Report to be included in the Scheme Booklet.
- 4 **(Investigating accountant)** jointly (with Pandal) prepare the pro forma financial information for inclusion in the Scheme Booklet and provide all assistance or information for inclusion in the Scheme Booklet and provide any assistance or information reasonably requested by any investigating accountant in connection with preparation of the investigating accountant's report for inclusion in the Scheme Booklet (including any updates to such report) and any other materials to be prepared by the investigating accountant for inclusion in the Scheme Booklet (including any updates thereto).
- 5 **(Consent)** provide a consent in such form as Pandal reasonably requires in relation to the inclusion of the Perpetual Information in the Scheme Booklet.
- 6 **(Representation)** procure that it is represented by counsel at the court hearings convened for the purposes of section 411(4)(b) of the Corporations Act, at which, through its counsel Perpetual must undertake (if requested by the court) to do all such things and take all such steps within its power as may be necessary in order to ensure the fulfilment of its obligations under this document and the Scheme.
- 7 **(Deed Poll)** prior to the Scheme Booklet being sent, sign and deliver the Deed Poll.
- 8 **(Issues of Shares)** Perpetual must ensure:
 - (a) that no Perpetual Prescribed Event set out in paragraph 5 of Schedule 1 occurs between the date of this document and 8.00 am on the Second Court Date; and
 - (b) that, from 8.00am on the Second Court Date, no entitlement offer, rights issue or similar offer is announced or made by Perpetual in relation to which the holders of New Perpetual Shares (once issued in accordance with clause 4.1) will not be entitled to participate on equal terms with other shareholders of Perpetual.

- 9 **(Scheme Consideration)** if the Scheme becomes Effective, provide (or, in the case of the Cash Consideration, procure that Perpetual Sub provides) the Scheme Consideration in accordance with clause 4.1 and the Deed Poll on the Implementation Date.
- 10 **(Share Transfer)** if the Scheme becomes Effective, procure that Perpetual Sub executes the master transfer form and accepts a transfer of the shares in Pental as contemplated by clause 4.1.
- 11 **(Provision of schedules)** Perpetual must provide to Pental:
- (a) on the date which is three weeks prior to the Second Court Date;
 - (b) at 5:00pm on the day before the Second Court Date; and
 - (c) otherwise on reasonable request from Pental,
- a detailed schedule showing the calculations of the Perpetual Revenue Run Rate as at that date (together with any supporting information reasonably requested by Pental).

Part B

- 1 **(Directors' and officers' insurance)**
- (a) Subject to the Scheme becoming Effective and subject to the Corporations Act, Perpetual undertakes in favour of Pental and each other person who is a Pental Indemnified Party that it will:
 - (i) for a period of 7 years from the Implementation Date, ensure that the constitutions of Pental and each other member of the Pental Group continue to contain the rules that are contained in those constitutions at the date of this document that provide for each company to indemnify each of its directors and officers against any liability incurred by that person in his or her capacity as a director or officer of the company to any person other than a member of the Perpetual Group; and
 - (ii) procure that Pental and each other member of the Pental Group complies with any deeds of indemnity, access and insurance made by them in favour of their respective directors and officers from time to time and without limiting the foregoing, ensure that the directors' and officers' run-off insurance cover for those directors and officers is maintained, subject to paragraph 1(b) of Part B of this Schedule 5, for a period of 7 years from the retirement date of each director and officer.
 - (b) The undertakings contained in paragraph 1(a) of Part B of this Schedule 5 are given until the earlier of the end of the relevant period specified in that clause or the relevant member of the Pental Group ceasing to be part of the Perpetual Group.
 - (c) Pental acknowledges that it receives and holds the benefit of 1(a) of Part B of this Schedule 5 to the extent it relates to each director and officer of a member of the Pental Group on behalf of each of them.
- 2 **(Employment policies and entitlements)** During the period ending 30 months after the Implementation Date, Perpetual will not amend any policy of any Pental Group company (which has been Fairly Disclosed to Perpetual prior to the date of this document) relating to redundancy so as to make the terms taken as a whole materially less favourable or adverse to employees.

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Schedule 6 - Pental's representations and warranties (clause 14.1)

- 1 **(Incorporation)** it is a valid existing corporation registered under the laws of its place of incorporation.
- 2 **(Execution)** the execution and delivery of this document has been properly authorised by all necessary corporate action of Pental.
- 3 **(Corporate power)** it has full corporate power and lawful authority to execute and deliver this document and to consummate and perform or cause to be performed its obligations under this document in accordance with its terms.
- 4 **(Binding obligations)** this document constitutes legal, valid and binding obligations on it.
- 5 **(Pental Information)** The Pental Information provided in accordance with this document and included in the Scheme Booklet, as at the date the Scheme Booklet is despatched to Pental shareholders, will be accurate in all material respects, will not contain any statement which is materially misleading or deceptive (with any statement of belief or opinion being honestly held and formed on a reasonable basis), including by way of any omission from that statement and will comply in all material respects with the requirements of the Corporations Act, the Listing Rules and all relevant regulatory guides, practice notes and other guidelines and requirements of ASIC.
- 6 **(Reliance)** Pental Information contained in the Scheme Booklet will be included in good faith and on the understanding that Perpetual and its directors will rely on that information for the purposes of considering and approving the Perpetual Information in the Scheme Booklet before it is despatched, approving the entry into the Deed Poll and implementing the Scheme.
- 7 **(Further information)** Pental will, as a continuing obligation, provide to Perpetual all such further or new information which may arise after the date of the Scheme Booklet until the date of the Scheme Meeting and will ensure that the Scheme Booklet is updated or supplemented to include all further or new information which arises after the Scheme Booklet has been despatched to Pental Shareholders until the date of the Scheme Booklet which may be necessary to ensure that there would be no breach of clause 8.1(b) if it applied as at the date upon which that information arose.
- 8 **(Continuous disclosure)** Pental is not in breach of its continuous disclosure obligations under the Listing Rules and is not relying on the carve-out in Listing Rule 3.1A to withhold any information from disclosure.
- 9 **(Opinions)** any statement of opinion or belief contained in Pental Information is honestly held and there are reasonable grounds for holding the opinion or belief.
- 10 **(Provision of information to Independent Expert)** all information provided by or on behalf of Pental to the Independent Expert and any investigating accountant to enable the Independent Expert's Report and any investigating accountant's report to be included in the Scheme Booklet to be prepared and completed will be provided in good faith and on the understanding that the Independent Expert and any investigating accountant will rely upon that information for the purpose of preparing the Independent Expert's Report and the investigating accountant's report, as applicable.

- 11 **(No default)** neither Pendal nor any of its Subsidiaries is in default under any document, agreement or instrument binding on it or its assets nor has anything occurred which is or would with the giving of notice or lapse of time constitute an event of default, prepayment event or similar event, or give another party thereto a termination right or right to accelerate any right or obligation, under any such document or agreement with such an effect.
- 12 **(Securities)** Pendal's issued securities as at the date of this document are 383,149,490 shares in Pendal and it has not issued or agreed to issue any other securities or instruments which are still outstanding and which may convert into shares in Pendal, other than rights arising under the Pendal Employee Rights.
- 13 **(No Encumbrances)** there is no material Encumbrance over all or any of the assets or revenues of any Pendal Group member other than assets which are held in a fiduciary capacity as trustee, responsible entity or manager of a third party trust or fund.
- 14 **(Information provided to Third Parties)** Pendal has provided Perpetual with copies or written statements of any material non-public information about the business or affairs of Pendal or the Pendal Group disclosed or otherwise provided to any Third Party in connection with an actual, proposed or potential Competing Transaction.
- 15 **(Insolvency event or regulatory action)** no member of the Pendal Group is Insolvent, nor has any regulatory action of any nature been taken that would prevent or restrict the ability of a member of the Pendal Group to fulfil its obligations under this document.
- 16 **(Compliance):**
- (a) Each member of the Pendal Group has complied in all material respects with all Australian and foreign laws and regulations applicable to them and orders of Australian and foreign Regulatory Authorities having jurisdiction over them.
 - (b) The Pendal Group members have all material licenses and permits to conduct the business of the Pendal Group as it is presently conducted (where a **material license or permit** for the purposes of this paragraph means a license or permit absent which, if the Pendal Group was conducting its business as it is presently conducted, it would be reasonably likely to result in Pendal being unable to operate a material part of its business).
- 17 **(Disclosure Materials)** it has collated and prepared all of the Pendal Disclosure Materials in good faith and with reasonable care and skill for the purposes of a due diligence process and:
- (a) the information contained in the Disclosure materials is accurate in all material respects;
 - (b) the Disclosure Materials do not include information that is misleading in any material respect; and
 - (c) no information has been omitted from the Disclosure Materials that, in Pendal's reasonable opinion, would render the Disclosure Materials misleading in any material respect, or be material to a reasonable buyer's evaluation of the Pendal Group or decision whether to proceed with the Transaction.

Schedule 7 - Perpetual's representations and warranties (clause 14.4)

- 1 **(Incorporation)** it is a valid existing corporation registered under the laws of its place of incorporation.
- 2 **(Execution)** the execution and delivery of this document has been properly authorised by all necessary corporate action of Perpetual.
- 3 **(Corporate power)** it has full corporate power and lawful authority to execute and deliver this document and to consummate and perform or cause to be performed its obligations under this document in accordance with its terms.
- 4 **(No default)** neither Perpetual nor any of its Subsidiaries is in default under any document, agreement or instrument binding on it or its assets nor has anything occurred which is or would with the giving of notice or lapse of time constitute an event of default, prepayment event or similar event, or give another party thereto a termination right or right to accelerate any right or obligation, under any such document or agreement with such an effect.
- 5 **(Binding obligations)** this document constitutes legal, valid and binding obligations on it.
- 6 **(Reliance)** the Perpetual Information provided to Pental for inclusion in the Scheme Booklet will be provided in good faith and on the understanding that Pental and its directors will rely on that information for the purposes of preparing the Scheme Booklet and proposing and implementing the Scheme in accordance with the Corporations Act.
- 7 **(Perpetual Information)** the Perpetual Information provided in accordance with this document and included in the Scheme Booklet, as at the date the Scheme Booklet is despatched to Pental shareholders, will be accurate in all material respects, will not contain any statement which is materially misleading or deceptive (with any statement of belief or opinion being honestly held and formed on a reasonable basis), including by way of any omission from that statement and will comply in all material respects with the requirements of the Corporations Act, the Listing Rules and all relevant regulatory guides, practice notes and other guidelines and requirements of ASIC.
- 8 **(Further information)** Perpetual will, as a continuing obligation, provide to Pental all such further or new information which may arise after the date of the Scheme Booklet until the date of the Scheme Meeting which may be necessary to ensure that there would be no breach of clause 8.1(b) if it applied as at the date on which that information arose.
- 9 **(Opinions)** any statement of opinion or belief contained in the Perpetual Information is honestly held and there are reasonable grounds for holding the opinion or belief.
- 10 **(Provision of information to Independent Expert)** all information provided by or on behalf of Perpetual to the Independent Expert and any investigating accountant to enable the Independent Expert's Report and any investigating accountant's report to be included in the Scheme Booklet to be prepared and completed will be provided in good faith and on the understanding that the Independent Expert and any investigating accountant will rely upon that information for the purpose of preparing the Independent Expert's Report and the investigating accountant's report, as applicable.

- 11 **(New Perpetual Shares)** the New Perpetual Shares will be duly authorised and validly issued or transferred, fully paid, free of all security interests and Third Party rights and will rank equally with all other the Perpetual Shares then on issue.
- 12 **(Insolvency event or regulatory action)** no member of The Perpetual Group is Insolvent, nor has any regulatory action of any nature been taken that would prevent or restrict the ability of member of the Perpetual Group to fulfil its obligations under this document.
- 13 **(no dealing with Pental Shareholders)** neither it nor any of its associates has any agreement, arrangement or understanding with any Pental Shareholder under which that Pental Shareholder (or an associate of that Pental Shareholder) would be entitled to receive consideration for their Pental Shares different from the Scheme Consideration or under which the Pental Shareholder agrees to vote in favour of the Scheme or against any Competing Transaction.
- 14 **(Compliance):**
 - (a) No member of the Perpetual Group has failed to comply with Australian or foreign laws and regulations applicable to them and orders of Australian and foreign Regulatory Authorities having jurisdiction over them in a manner which is required to be disclosed under the continuous disclosure provisions of the ASX Listing Rules.
 - (b) The Perpetual Group members have all material licenses and permits to conduct the business of the Perpetual Group as it is presently conducted (where a material license or permit for the purposes of this paragraph means a license or permit absent which, if the Perpetual Group was conducting its business as it is presently conducted, it would be reasonably likely to result in Perpetual being unable to operate a material part of its business).
- 15 **(Disclosure Materials)** it has collated and prepared all of the Perpetual Disclosure Materials in good faith and with reasonable care and skill for the purposes of a due diligence process and:
 - (a) the information contained in the Disclosure materials is accurate in all material respects;
 - (b) the Disclosure Materials do not include information that is misleading in any material respect; and
 - (c) no information has been omitted from the Disclosure Materials that, in Perpetual's reasonable opinion, would render the Disclosure Materials misleading in any material respect, or be material to a reasonable evaluation of the scrip portion of the Scheme Consideration.

Scheme Implementation Deed

Signing page

Executed as a DEED:

DATED:

EXECUTED by PENDAL GROUP LIMITED in accordance with section 127(1) of the Corporations Act 2001 (Cwlth) by authority of its directors:

.....
Signature of director

.....
Name of director (block letters)

.....
Signature of director/company secretary*

*delete whichever is not applicable

.....
Name of director/company secretary* (block letters)

*delete whichever is not applicable

EXECUTED by PERPETUAL LIMITED in accordance with section 127(1) of the Corporations Act 2001 (Cwlth) by authority of its directors:

.....
Signature of director

.....
Name of director (block letters)

.....
Signature of director/company secretary*

*delete whichever is not applicable

.....
Name of director/company secretary* (block letters)

*delete whichever is not applicable

Scheme of Arrangement

Scheme of Arrangement

Dated

Pendal Group Limited ABN 28 126 385 822 ("**Pendal**")

Scheme Shareholders

King & Wood Mallesons

Level 27
Collins Arch
447 Collins Street
Melbourne VIC 3000
Australia
T +61 3 9643 4000
F +61 3 9643 5999
DX 101 Melbourne
www.kwm.com

Scheme of Arrangement

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Scheme of Arrangement

Details

Parties	Pendal Group Limited and Scheme Shareholders	
Pendal	Name	Pendal Group Limited
	ABN	28 126 385 822
	Address	Level 14, 2 Chifley Square, Sydney, NSW 2000
	Email	joanne.hawkins@pendalgroup.com
	Attention	Joanne Hawkins, Group Company Secretary
	Copy to	Robert Kelly (robert.kelly@au.kwm.com)
Scheme Shareholders	Name	The Scheme Shareholders
Recitals	A	This scheme of arrangement is made under section 411 of the <i>Corporations Act 2001</i> (Cth)

Scheme of Arrangement

General terms

1 Definitions

The meanings of the terms used in this Scheme are set out below.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates.

Business Day means a business day as defined in the Listing Rules.

CHESS means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd and ASX Clear Pty Limited.

Corporations Act means the *Corporations Act 2001* (Cth).

Corporations Regulations means the *Corporations Regulations 2001* (Cth).

Court means the Federal Court of Australia (Sydney registry) or such other court of competent jurisdiction under the Corporations Act agreed to in writing by Perpetual and Pandal.

Deed Poll means the deed poll substantially in the form of Annexure A under which Perpetual and Perpetual Sub each covenant in favour of the Scheme Shareholders to perform the obligations attributed to them under this Scheme.

Effective means when used in relation to this Scheme, the coming into effect, under subsection 411(10) of the Corporations Act, of the Court order made under paragraph 411(4)(b) of the Corporations Act in relation to this Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC.

Effective Date means the date on which this Scheme becomes Effective.

End Date means 13 June 2023, or such other date as Pandal and Perpetual agree in writing.

Excluded Shareholder means any Pandal Shareholder who is a member of the Perpetual Group (and does not hold Pandal Shares on behalf of, or for the benefit of, any other person) or any Pandal Shareholder who holds any Pandal Shares on behalf of, or for the benefit of, any member of the Perpetual Group (and does not hold Pandal Shares on behalf of, or for the benefit of, any other person).

Government Agency means any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, including a stock or other securities exchange, or any minister of the Crown in right of the Commonwealth of Australia or any state, or any other federal, state, provincial, local or other government, whether foreign or Australian.

Gross Proceeds has the meaning given in clause 6.4(c).

Implementation Date means the fifth Business Day after the Scheme Record Date, or such other date after the Scheme Record Date as the parties agree in writing.

Implementation Deed means the scheme implementation deed dated 25 August 2022 between Perpetual and Pental relating to the implementation of this Scheme.

Ineligible Foreign Shareholder means a Scheme Shareholder whose address shown in the Share Register on the Scheme Record Date is a place outside Australia and its external territories, unless Perpetual determines that it is lawful and not unduly onerous or impracticable to provide that Scheme Shareholder with New Perpetual Shares when the Scheme becomes Effective.

Listing Rules means the official listing rules of ASX.

Marketable Parcel means a parcel of New Perpetual Shares having a value of not less than \$500 based on the closing price of Perpetual Shares on the ASX on the day prior to the Scheme Record Date (Sydney time).

New Perpetual Share means a Perpetual Share to be provided to Scheme Shareholders under this Scheme.

Operating Rules means the official operating rules of ASX.

Pental means Pental Group Limited ABN 28 126 385 822.

Pental Group has the meaning given in the Implementation Deed.

Pental Registry means Link Market Services Limited.

Pental Share means a fully paid ordinary share in the capital of Pental.

Pental Shareholder means a person who is registered as the holder of a Pental Share in the Share Register.

Permitted Dividend Amount means the per share amount of any dividend for the financial year ending 30 September 2022 (whether fully franked or otherwise) which is declared or determined or paid by Pental consistent with its disclosed dividend payout ratio or as otherwise agreed by the parties.

Perpetual means Perpetual Limited ABN 86 000 431 827.

Perpetual Group has the meaning given in the Implementation Deed.

Perpetual Register means the register of members maintained by Perpetual or its agent.

Perpetual Registry means Link Market Services Limited.

Perpetual Shares means a fully paid ordinary share in the capital of Perpetual.

Perpetual Sub means Perpetual Acquisition Company Limited (ACN 163 620 362), a wholly owned direct Subsidiary of Perpetual.

Registered Address means in relation to a Pental Shareholder, its address shown in the Share Register as at the Scheme Record Date.

Sale Agent means the sale agent appointed to sell the Sale Securities pursuant to clause 6.4 of this Scheme.

Sale Facility means the facility provided for in clause 6.4.

Sale Securities has the meaning given in clause 6.4(a).

Scheme means this scheme of arrangement under Part 5.1 of the Corporations Act between Pental and the Scheme Shareholders subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to by Perpetual and Pental.

Scheme Booklet means the scheme booklet published by Pental and dated 21 November 2022.

Scheme Consideration means for each Pental Share held by a Scheme Shareholder as at the Scheme Record Date an amount described in section 6.1.

Scheme Meeting means the meeting of the Pental Shareholders (other than Excluded Shareholders) ordered by the Court to be convened under subsection 411(1) of the Corporations Act to consider and vote on this Scheme and includes any meeting convened following any adjournment or postponement of that meeting.

Scheme Record Date means 7.00pm on the second Business Day after the Effective Date or such other time and date as the parties agree in writing.

Scheme Shares means all Pental Shares held by the Scheme Shareholders as at the Scheme Record Date.

Scheme Shareholder means a holder of Pental Shares recorded in the Share Register as at the Scheme Record Date (other than an Excluded Shareholder).

Scheme Transfer means a duly completed and executed proper instrument of transfer in respect of the Scheme Shares for the purposes of section 1071B of the Corporations Act, in favour of Perpetual Sub as transferee, which may be a master transfer of all or part of the Scheme Shares.

Second Court Date means the first day on which an application made to the Court for an order under paragraph 411(4)(b) of the Corporations Act approving this Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application or appeal is heard.

Selling Scheme Shareholder means a Scheme Shareholder in respect of whom New Perpetual Shares are provided to the Sale Agent in the circumstances referred to in clause 6.4(a).

Share Register means the register of members of Pental maintained by Pental or the Pental Registry in accordance with the Corporations Act.

Subsidiary has the meaning given in Division 6 of Part 1.2 of the Corporations Act but so that:

- (a) an entity will also be deemed to be a 'Subsidiary' of an entity if that entity is required by the accounting standards to be consolidated by that entity;
- (b) a trust or fund may be a 'Subsidiary', for the purposes of which any units or other beneficial interests will be deemed to be shares; or
- (c) a corporation or trust or fund may be a 'Subsidiary' of a trust or fund if it would have been a Subsidiary if that trust or fund were a corporation.

Total Cash Pool means \$632,196,659 less the Total Permitted Dividend Amount.

Total Permitted Dividend Amount means the aggregate of all Permitted Dividend Amounts paid to Pandal Shareholders.

Total Scrip Pool means 54,735,642 Perpetual Shares.

2 Interpretation

Headings and labels used for definitions are for convenience only and do not affect interpretation. Unless the contrary intention appears, in this document:

- (a) the singular includes the plural and vice versa;
- (b) a reference to a document includes any agreement or other legally enforcement arrangement created by it (whether the document is in the form of an agreement, deed or otherwise);
- (c) a reference to a document also includes any variation, replacement or novation of it;
- (d) the meaning of general words is not limited by specific examples introduced by "including", "for example", "such as" or similar expressions;
- (e) a reference to a person includes an individual, a body corporate, a partnership, a joint venture, an unincorporated association and an authority or any other entity or organisation;
- (f) a reference to a particular person includes the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (g) a reference to any time is, unless otherwise indicated, a reference to that time in Sydney;
- (h) a reference to '\$', 'A\$' or 'dollar' is to Australian currency;
- (i) a reference to any legislation includes regulations under it and any consolidations, amendments, replacements or re-enactments of any of them;
- (j) a reference to a group of persons is a reference to any 2 or more of them jointly and to each of them individually;
- (k) a reference to any thing (including an amount) is a reference to the whole and each part of it;
- (l) a period of time starting from a given day or the day of an act or event, is to be calculated exclusive of that day;
- (m) if a party must do something under this Scheme on or by a given day and it is done after 5.00pm on that day, it is taken to be done on the next day;
- (n) if the day on which a party must do something under this document is not a Business Day, the party must do it on the next Business Day;
- (o) a term defined in or for the purposes of the Corporations Act, and which is not defined in clause 1 of this Scheme, has the same meaning when used in this Scheme;

- (p) no provision of this Scheme will be construed adversely to a party because that party was responsible for the preparation of this Scheme or that provision;
- (q) a reference to a body, other than a party to this Scheme (including an institute, association or authority), whether statutory or not:
- (i) which ceases to exist; or
 - (ii) whose powers or functions are transferred to another body,
- is a reference to the body which replaces it or which substantially succeeds to its powers or functions; and
- (r) a reference to the Listing Rules and the Operating Rules includes any variation, consolidation or replacement of these rules and is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

3 Preliminary matters

- (a) Pental is a public company limited by shares, registered in Victoria, and has been admitted to the official list of the ASX. Pental Shares are quoted for trading on the ASX.
- (b) As at 25 August 2022, 383,149,490 Pental Shares were on issue and will be on issue prior to the Scheme becoming Effective.
- (c) Perpetual is a public company limited by shares, registered in New South Wales, and has been admitted to the official list of the ASX. Perpetual Shares are quoted for trading on the ASX.
- (d) Perpetual Sub, a wholly-owned Subsidiary of Perpetual, is a company limited by shares registered in Victoria, Australia.
- (e) If this Scheme becomes Effective:
 - (i) Perpetual and Perpetual Sub must provide or procure the provision of the Scheme Consideration to the Scheme Shareholders in accordance with the terms of this Scheme and the Deed Poll; and
 - (ii) all the Scheme Shares, and all the rights and entitlements attaching to them as at the Implementation Date, must be transferred to Perpetual Sub and Pental will enter the name of Perpetual Sub in the Share Register in respect of the Scheme Shares.
- (f) Pental and Perpetual have agreed, by executing the Implementation Deed, to implement this Scheme.
- (g) This Scheme attributes actions to Perpetual and Perpetual Sub but does not itself impose an obligation on them to perform those actions. Perpetual and Perpetual Sub have agreed, by executing the Deed Poll, to perform the actions attributed to them under this Scheme, including provision or procuring the provision of the Scheme Consideration to the Scheme Shareholders.

4 Conditions

4.1 Conditions precedent

This Scheme is conditional on and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) all the conditions in Schedule 3 of the Implementation Deed (other than the condition in the Implementation Deed relating to Court approval of this Scheme) having been satisfied or waived in accordance with the terms of the Implementation Deed by 8.00am on the Second Court Date;
- (b) neither the Implementation Deed nor the Deed Poll having been terminated in accordance with their terms before 8.00am on the Second Court Date;
- (c) approval of this Scheme by the Court under paragraph 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under subsection 411(6) of the Corporations Act and agreed to by Perpetual and Pandal;
- (d) such other conditions made or required by the Court under subsection 411(6) of the Corporations Act in relation to this Scheme and agreed to by Perpetual and Pandal having been satisfied or waived; and
- (e) the orders of the Court made under paragraph 411(4)(b) (and, if applicable, subsection 411(6)) of the Corporations Act approving this Scheme coming into effect, pursuant to subsection 411(10) of the Corporations Act, on or before the End Date.

4.2 Certificate

- (a) Pandal, Perpetual and Perpetual Sub will provide to the Court on the Second Court Date a certificate, or such other evidence as the Court requests, confirming (in respect of matters within their knowledge) whether or not all of the conditions precedent in clauses 4.1(a) and 4.1(b) have been satisfied or waived as at 8.00am on the Second Court Date.
- (b) The certificate referred to in clause 4.2(a) constitutes conclusive evidence that such conditions precedent were satisfied, waived or taken to be waived.

4.3 End Date

This Scheme will lapse and be of no further force or effect if:

- (a) the Effective Date does not occur on or before the End Date; or
- (b) the Implementation Deed or the Deed Poll is terminated in accordance with its terms,

unless Pandal and Perpetual otherwise agree in writing.

5 Implementation of this Scheme

5.1 Lodgement of Court orders with ASIC

If the conditions precedent set out in clause 4.1 of this Scheme (other than the condition precedent in clause 4.1(e) of this Scheme) are satisfied, Pental must lodge with ASIC, in accordance with subsection 411(10) of the Corporations Act, an office copy of the Court order approving this Scheme as soon as possible after the Court approves this Scheme and in any event by 5.00pm on the first Business Day after the day on which the Court approves this Scheme.

5.2 Transfer of Scheme Shares

On the Implementation Date:

- (a) subject to the provision of the Scheme Consideration in the manner contemplated by clause 6 and Perpetual having provided Pental with written confirmation thereof, the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, must be transferred to Perpetual Sub, without the need for any further act by any Scheme Shareholder (other than acts performed by Pental as attorney and agent for Scheme Shareholders under clause 9.5), by:
 - (i) Pental delivering to Perpetual Sub a duly completed Scheme Transfer, executed on behalf of the Scheme Shareholders by Pental, for registration; and
 - (ii) Perpetual Sub duly executing the Scheme Transfer, attending to the stamping of the Scheme Transfer (if required) and delivering it to Pental for registration; and
- (b) immediately following receipt of the Scheme Transfer in accordance with clause 5.2(a)(ii), but subject to the stamping of the Scheme Transfer (if required), Pental must enter, or procure the entry of, the name of Perpetual Sub in the Share Register in respect of all the Scheme Shares transferred to Perpetual Sub in accordance with this Scheme.

6 Scheme Consideration

6.1 Scheme Consideration

Subject to clauses 6.2, 6.3 and 6.4, the Scheme Shareholder will be entitled to receive for each Scheme Share held by that Scheme Shareholder at the Scheme Record Date:

- (a) a cash amount equal to \$1.650 less the Permitted Dividend Amount; and
- (b) 1/7.0 Perpetual Shares.

6.2 Fractions and splitting

- (a) Any entitlement of a Scheme Shareholder under this Scheme to be provided a fraction of a Perpetual Share will be rounded up to the nearest whole number of Perpetual Shares (but only after applying the Scheme Shareholder's entitlement (prior to rounding) to its entire holding of Scheme Shares).

- (b) Any cash amount payable to a Scheme Shareholder under this Scheme must be rounded to the nearest whole cent (but only after applying the Scheme Shareholder's entitlement (prior to rounding) to its entire holding of Scheme Shares).
- (c) If Perpetual is of the opinion, formed reasonably, that several Scheme Shareholders, each of which holds a holding of Pandal Shares have, before the Scheme Record Date, been party to a shareholding splitting or division in an attempt to obtain an advantage by reference to the rounding provided for in the calculation of each Scheme Shareholder's entitlement to the Scheme Consideration, or otherwise in connection with the Scheme, Perpetual may direct Pandal to give notice to those Scheme Shareholders:
 - (i) setting out the names and Registered Addresses of all of them;
 - (ii) stating that opinion; and
 - (iii) attributing to one of them specifically identified in the notice the Pandal Shares held by all of them,

and, after the notice has been so given, the Scheme Shareholder specifically identified in the notice shall, for the purposes of this Scheme, be taken to hold all those Pandal Shares and each of the other Scheme Shareholders whose names are set out in the notice shall, for the purposes of this Scheme, be taken to hold no Pandal Shares.

6.3 Ineligible Foreign Shareholders and non-marketable parcels

- (a) Perpetual will be under no obligation to provide, and must not provide, any Perpetual Shares under this Scheme to any Ineligible Foreign Shareholder and, instead, subject to clause 6.7, must procure that those Perpetual Shares which, but for this clause 6.3, would be required to be so provided are dealt with on behalf of the Ineligible Foreign Shareholders in accordance with clause 6.4.
- (b) A Scheme Shareholder will be deemed to have elected to have the scrip component of the Scheme Consideration to which it will become entitled in accordance with the terms of this Scheme sold on its behalf pursuant to the Sale Facility if that total scrip component comprises a number of New Perpetual Shares that is less than a Marketable Parcel and the Scheme Shareholder has not made an election, in accordance with the Scheme Booklet, indicating that they wish to receive the scrip component of the Scheme Consideration even where it comprises a number of New Perpetual Shares that is less than a Marketable Parcel.

6.4 Sale Facility

- (a) Perpetual Shares that are required to be dealt with under this clause by clause 6.3 must not be provided to the relevant Scheme Shareholder and, instead, must be provided by Perpetual to the Sale Agent on or before the Implementation Date (rounded up after being aggregated, if necessary, to the nearest whole number) (together, the **Sale Securities**) and subsequently sold in accordance with this clause 6.4.
- (b) The Sale Facility will only be available in respect of Perpetual Shares provided to the Sale Agent in the circumstances referred to in clause 6.4(a). Any purported election by a Scheme Shareholder to participate in the Sale Facility in any other circumstance will, unless Perpetual elects otherwise, be invalid and not recognised for any purpose.

- (c) Perpetual must procure that as soon as practicable after the Implementation Date, the Sale Agent, in consultation with Perpetual, sells or procures the sale of all the Sale Securities in such manner, at such price or prices and on such other terms as the Sale Agent determines in good faith, and remits to Pental the proceeds of the sale (if applicable, converted into Australian dollars in such manner, at such price or prices and on such other terms as the Sale Agent determines in good faith) (**Gross Proceeds**).
- (d) Promptly after receiving the Gross Proceeds in respect of the sale of all of the Perpetual Shares referred to in clause 6.4(a), Pental must pay, or procure the payment, to each Selling Scheme Shareholder (in accordance with this clause 6.4) an amount calculated as follows:

$$A \div B \times C$$

Where:

A = the Gross Proceeds (less any applicable brokerage, taxes, duty, currency conversion costs and other costs and charges);

B = the total number of Perpetual Shares provided to the Sale Agent under clause 6.4(a); and

C = the number of Perpetual Shares provided to the Sale Agent under clause 6.4(a) in respect of that Selling Scheme Shareholder.

- (e) None of Perpetual, Perpetual Sub, Pental or the Sale Agent gives any assurance as to the price that will be achieved for the sale of Perpetual Shares described in clause 6.4(a). The sale of Perpetual Shares under this clause 6.4 will be at the risk of the Selling Scheme Shareholder.
- (f) Pental must make, or procure the making of, payments to Selling Scheme Shareholders under clause 6.4(d) by either (in the absolute discretion of Pental):
 - (i) where a Selling Scheme Shareholder has, before the Scheme Record Date, made a valid election in accordance with the requirements of the Pental Registry to receive dividend payments from Pental by electronic funds transfer to a bank account nominated by the Selling Scheme Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election; or
 - (ii) otherwise, whether or not the Selling Scheme Shareholder has made an election referred to in clause 6.4(f)(i), dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Selling Scheme Shareholder by prepaid post to their Registered Address (as at the Scheme Record Date), such cheque being drawn in the name of the Selling Scheme Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 6.7).
- (g) If Pental receives professional advice that any withholding or other tax is required by law or by a Government Agency to be withheld from a payment to a Selling Scheme Shareholder, Pental is entitled to withhold the relevant amount before making the payment to the Selling Scheme Shareholder (and payment of the reduced amount shall be taken to be full payment of the relevant amount for the purposes of this Scheme, including clause 6.4(d)). Pental must pay any amount so withheld to the

relevant taxation authorities within the time permitted by law, and, if requested in writing by the relevant Selling Scheme Shareholder, provide a receipt or other appropriate evidence of such payment (or procure the provision of such receipt or other evidence) to the relevant Selling Scheme Shareholder.

- (h) Each Selling Scheme Shareholder appoints Pental as its agent to receive on its behalf any financial services guide or other notices (including any updates of those documents) that the Sale Agent is required to provide to Selling Scheme Shareholders under the Corporations Act or any other applicable law.
- (i) Payment of an amount to a Selling Scheme Shareholder in accordance with this clause 6.4 will be in full satisfaction of the obligations of Perpetual and Pental to the Selling Scheme Shareholder under the Scheme in respect of, in the case of an Ineligible Foreign Shareholder or a Scheme Shareholder who is deemed to have made the election under clause 6.3(b), the scrip component of that Selling Scheme Shareholder's Scheme Consideration.
- (j) Where the provision of Perpetual Shares to which a Scheme Shareholder would otherwise be entitled under this Scheme would result in a breach of law:
 - (i) Perpetual will provide the maximum possible number of Perpetual Shares to the Scheme Shareholder without giving rise to such a breach; and
 - (ii) any further Perpetual Shares to which that Scheme Shareholder is entitled, but the provision of which to the Scheme Shareholder would give rise to such a breach, will instead be provided to the Sale Agent and dealt with under the preceding provisions in this clause 6.4, as if a reference to Selling Scheme Shareholders also included that Scheme Shareholder and references to that person's Perpetual Shares in that clause were limited to the Perpetual Shares provided to the Sale Agent under this clause.

6.5 Provision of cash component of Scheme Consideration

- (a) Perpetual must, and Pental must use its best endeavours to procure that Perpetual does by no later than the Business Day before the Implementation Date, deposit in cleared funds an amount equal to the aggregate amount of the cash component of the Scheme Consideration payable to Scheme Shareholders in an Australian dollar denominated trust account with an authorised deposit taking institution (as defined in the *Banking Act 1959* (Cth)) operated by Pental as trustee for the Scheme Shareholders (provided that any interest on the amounts deposited (less bank fees and other charges) will be credited to Perpetual's account).
- (b) On the Implementation Date, subject to funds having been deposited in accordance with clause 6.5(a), Pental must pay or procure the payment, from the trust account referred to in clause 6.5(a), to each Scheme Shareholder such amount of cash from the cash component of the Scheme Consideration as that Scheme Shareholder is entitled under this clause 6 (if any).
- (c) The obligations of Pental under clause 6.5(b) will be satisfied by Pental (in its absolute discretion):

- (i) where a Scheme Shareholder has, before the Scheme Record Date, made a valid election in accordance with the requirements of the Pandal Registry to receive dividend payments from Pandal by electronic funds transfer to a bank account nominated by the Scheme Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election; or
- (ii) otherwise, whether or not the Scheme Shareholder has made an election referred to in clause 6.5(c)(i), dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Scheme Shareholder by prepaid post to their Registered Address (as at the Scheme Record Date), such cheque being drawn in the name of the Scheme Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 6.7).
- (d) To the extent that, following satisfaction of Pandal's obligations under clause 6.5(b), there is a surplus in the amount held by Pandal as trustee for the Scheme Shareholders in the trust account referred to in that clause, that surplus shall be paid by Pandal to Perpetual.

6.6 Provision of scrip component of Scheme Consideration

Perpetual must, subject to clauses 6.2, 6.3, 6.4 and 6.7:

- (a) on or before the Implementation Date:
 - (i) issue the New Perpetual Shares to which each Scheme Shareholder is entitled under this clause 6 (if any, and taking into account the impact of the Sale Facility); and
 - (ii) procure that the name and address of each such Scheme Shareholder is entered in the Perpetual Register in respect of those New Perpetual Shares; and
- (b) procure that on or before the date that is two Business Days after the Implementation Date, a share certificate or holding statement (or equivalent document) is sent to the Registered Address of each Scheme Shareholder to whom New Perpetual Shares are provided in accordance with clause 6.6(a) representing the number of New Perpetual Shares provided to that Scheme Shareholder pursuant to this Scheme,

except that in the case of New Perpetual Shares comprising Sale Securities, to be issued under this clause 6 in respect of Scheme Consideration due to Selling Scheme Shareholders, Perpetual must:

- (c) on or before the Implementation Date provide the Sale Securities to the Sale Agent and procure that the name and address of the Sale Agent is entered in the Perpetual Register in respect of those Sale Securities;
- (d) procure that on or before the date that is two Business Days after the Implementation Date, a share certificate or holding statement (or equivalent document) is sent to the Sale Agent representing the number of Sale Securities provided to it pursuant to this Scheme; and
- (e) procure that the Sale Agent sells those Sale Securities on behalf of the Selling Scheme Shareholders in accordance with clause 6.4.

6.7 Joint holders

In the case of Scheme Shares held in joint names:

- (a) subject to clause 6.5(c), any amount comprising the cash component of the Scheme Consideration payable in respect of those Scheme Shares is payable to the joint holders and any cheque required to be sent under this Scheme will be made payable to the joint holders and sent to either, at the sole discretion of Pental, the holder whose name appears first in the Share Register as at the Scheme Record Date or to the joint holders;
- (b) any New Perpetual Shares to be provided under this Scheme must be provided to and registered in the names of the joint holders; and
- (c) any other document required to be sent under this Scheme, will be forwarded to either, at the sole discretion of Pental, the holder whose name appears first in the Share Register as at the Scheme Record Date or to the joint holders.

6.8 Unclaimed monies

- (a) Pental may cancel a cheque issued under this clause 6 if the cheque:
 - (i) is returned to Pental; or
 - (ii) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of 12 months commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Pental (or the Pental Registry) (which request may not be made until the date which is 20 Business Days after the Implementation Date), Pental must reissue a cheque that was previously cancelled under this clause 6.8.
- (c) The *Unclaimed Money Act 1995* (NSW) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 7 and 8 of the *Unclaimed Money Act 1995* (NSW)).

6.9 Orders of a court or Government Agency

If written notice is given to Pental (or the Pental Registry) of an order or direction made by a court of competent jurisdiction or by another Government Agency that:

- (a) requires consideration to be provided to a third party (either through payment of a sum or the issuance of a security) in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable or required to be provided to that Scheme Shareholder by Pental in accordance with this clause 6, then Pental shall be entitled to procure that provision of that consideration is made in accordance with that order or direction; or
- (b) prevents Pental from providing consideration to any particular Scheme Shareholder in accordance with clause 6, or the payment or issuance of such consideration is otherwise prohibited by applicable law, Pental shall be entitled to (as applicable):
 - (i) retain an amount, in Australian dollars, equal to the cash component of the Scheme Consideration to which that Scheme Shareholder would otherwise be entitled to under this clause 6; and

- (ii) direct Perpetual not to issue, or to provide to a trustee or nominee, such number of New Perpetual Shares as that Scheme Shareholder would otherwise be entitled to under this clause 6,

until such time as provision of the consideration in accordance with this clause 6 is permitted by that order or direction or otherwise by law.

6.10 Status of Perpetual Shares

Subject to this Scheme becoming Effective, Perpetual must:

- (a) issue the New Perpetual Shares required to be issued by it under this Scheme on terms such that each such New Perpetual Share will rank equally in all respects with each existing Perpetual Share;
- (b) ensure that each such New Perpetual Share is duly and validly issued in accordance with all applicable laws and Perpetual's constituent documents, fully paid and free from any mortgage, charge, lien, encumbrance or other security interest (except for any lien arising under Perpetual's constituent documents); and
- (c) use all reasonable endeavours to ensure that such New Perpetual Shares are, from the Business Day following the date this Scheme becomes Effective (or such later date as ASX requires), quoted for trading on the ASX initially on a deferred settlement basis and thereafter on an ordinary settlement basis.

6.11 Total Scheme Consideration

To avoid doubt and notwithstanding any other provision of this Scheme, no more than a total of the Total Cash Pool and a total of the Total Scrip Pool (collectively, the **Total Scheme Consideration**) will be provided by Perpetual as Scheme Consideration, and if for any reason a greater total amount or total number of Perpetual Shares would (but for this clause 6.11) be required to be provided by Perpetual under this Scheme, the requirement (or requirements) for provision of the same will be reduced (in such manner as Pental and Perpetual consider equitable) to ensure that no more than the Total Scheme Consideration is provided.

7 Dealings in Pental Shares

7.1 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in Pental Shares or other alterations to the Share Register will only be recognised by Pental if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Share Register as the holder of the relevant Pental Shares on or before the Scheme Record Date; and
- (b) in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received on or before the Scheme Record Date at the place where the Share Register is kept,

and Pental must not accept for registration, nor recognise for any purpose (except a transfer to Perpetual Sub pursuant to this Scheme and any subsequent transfer by Perpetual Sub or its successors in title), any transfer or transmission

application or other request received after such times, or received prior to such times but not in registrable or actionable form, as appropriate.

7.2 Register

- (a) Pental must register registrable transmission applications or transfers of the Scheme Shares in accordance with clause 7.1(b) before the Scheme Record Date provided that, for the avoidance of doubt, nothing in this clause 7.2(a) requires Pental to register a transfer that would result in a Pental Shareholder holding a parcel of Pental Shares that is less than a 'marketable parcel' (for the purposes of this clause 7.2(a) 'marketable parcel' has the meaning given in the Operating Rules).
- (b) If this Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of, or purport or agree to dispose of, any Scheme Shares or any interest in them on or after the Scheme Record Date otherwise than pursuant to this Scheme, and any attempt to do so will have no effect and Pental shall be entitled to disregard any such disposal.
- (c) For the purpose of determining entitlements to the Scheme Consideration, Pental must maintain the Share Register in accordance with the provisions of this clause 7.2 until the Scheme Consideration has been paid to the Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Scheme Consideration.
- (d) All statements of holding for Pental Shares (other than statements of holding in favour of Perpetual Sub or any Excluded Shareholders) will cease to have effect after the Scheme Record Date as documents of title in respect of those shares and, as from that date, each entry current at that date on the Share Register (other than entries on the Share Register in respect of Perpetual Sub or any Excluded Shareholder) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Pental Shares relating to that entry.
- (e) As soon as possible on or after the Scheme Record Date, and in any event within one Business Day after the Scheme Record Date, Pental will ensure that details of the names, Registered Addresses and holdings of Pental Shares for each Scheme Shareholder as shown in the Share Register are available to Perpetual in the form Perpetual reasonably requires.

8 Quotation of Pental Shares

- (a) Pental must apply to ASX to suspend trading on the ASX in Pental Shares with effect from the close of trading on the Effective Date.
- (b) On a date after the Implementation Date to be determined by Perpetual, Pental must apply:
 - (i) for termination of the official quotation of Pental Shares on the ASX; and
 - (ii) to have itself removed from the official list of the ASX.

9 General Scheme provisions

9.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions:

- (a) Pental may by its counsel consent on behalf of all persons concerned to those alterations or conditions to which Perpetual has consented; and
- (b) each Scheme Shareholder agrees to any such alterations or conditions which Pental has consented to.

9.2 Scheme Shareholders' agreements and warranties

- (a) Each Scheme Shareholder:
 - (i) agrees to the transfer of their Pental Shares together with all rights and entitlements attaching to those Pental Shares in accordance with this Scheme;
 - (ii) agrees to the variation, cancellation or modification of the rights attached to their Pental Shares constituted by or resulting from this Scheme;
 - (iii) agrees to, on the direction of Perpetual, destroy any share certificates relating to their Pental Shares;
 - (iv) agrees to become a member of Perpetual and to be bound by the terms of Perpetual's constituent documents; and
 - (v) acknowledges that this Scheme binds Pental and all Scheme Shareholders (including those who do not attend the Scheme Meeting and those who do not vote, or vote against this Scheme, at the Scheme Meeting).
- (b) Each Scheme Shareholder is taken to have warranted to Pental and Perpetual and Perpetual Sub on the Implementation Date, and appointed and authorised Pental as its attorney and agent to warrant to Perpetual and Perpetual Sub on the Implementation Date, that all their Pental Shares (including any rights and entitlements attaching to those shares) which are transferred under this Scheme will, at the date of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to transfer their Pental Shares to Perpetual Sub together with any rights and entitlements attaching to those shares. Pental undertakes that it will provide such warranty to Perpetual Sub as agent and attorney of each Scheme Shareholder.

9.3 Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme to Perpetual Sub will, at the time of transfer of them to Perpetual Sub, vest in Perpetual Sub free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind,

whether legal or otherwise and free from any restrictions on transfer of any kind.

- (b) Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clause 6, Perpetual Sub will be beneficially entitled to the Scheme Shares to be transferred to it under this Scheme pending registration by Pandal of Perpetual Sub in the Share Register as the holder of the Scheme Shares.

9.4 Appointment of sole proxy

Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clause 6, and until Pandal registers Perpetual Sub as the holder of all Scheme Shares in the Share Register, each Scheme Shareholder:

- (a) is deemed to have appointed Perpetual Sub as attorney and agent (and directed Perpetual Sub in each such capacity) to appoint any director, officer, secretary or agent nominated by Perpetual Sub as its sole proxy and, where applicable or appropriate, corporate representative to attend shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in their name and sign any shareholders' resolution or document;
- (b) must not attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to clause 9.4(a));
- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as Perpetual Sub reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in clause 9.4(a), Perpetual Sub and any director, officer, secretary or agent nominated by Perpetual Sub under clause 9.4(a) may act in the best interests of Perpetual Sub as the intended registered holder of the Scheme Shares.

9.5 Authority given to Pandal

Each Scheme Shareholder, without the need for any further act:

- (a) on the Effective Date, irrevocably appoints Pandal and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of enforcing the Deed Poll against Perpetual Sub, and Pandal undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against Perpetual Sub on behalf of and as agent and attorney for each Scheme Shareholder; and
- (b) on the Implementation Date, irrevocably appoints Pandal and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of executing any document or doing or taking any other act necessary, desirable or expedient to give effect to this Scheme and the transactions contemplated by it, including (without limitation) executing the Scheme Transfer,

and Pandal accepts each such appointment. Pandal as attorney and agent of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 9.5 to all or any of its directors, officers, secretaries or employees (jointly, severally or jointly and severally).

9.6 Instructions and elections

If not prohibited by law (and including where permitted or facilitated by relief granted by a Government Agency), all instructions, notifications or elections by a Scheme Shareholder to Pandal binding or deemed binding between the Scheme Shareholder and Pandal relating to Pandal or Pandal Shares, including instructions, notifications or elections relating to:

- (a) whether dividends are to be paid by cheque or into a specific bank account;
- (b) payments of dividends on Pandal Shares; and
- (c) notices or other communications from Pandal (including by email),

will be deemed from the Implementation Date (except to the extent determined otherwise by Perpetual in its sole discretion), by reason of this Scheme, to be made by the Scheme Shareholder to Perpetual and to be a binding instruction, notification or election to, and accepted by, Perpetual in respect of the New Perpetual Shares provided to that Scheme Shareholder until that instruction, notification or election is revoked or amended in writing addressed to Perpetual at its registry.

9.7 Binding effect of Scheme

This Scheme binds Pandal and all of the Scheme Shareholders (including those who did not attend the Scheme Meeting to vote on this Scheme, did not vote at the Scheme Meeting, or voted against this Scheme at the Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of Pandal.

10 General

10.1 Stamp duty

Perpetual will:

- (a) pay all stamp duty and any related fines, penalties and interest in respect of this Scheme and the Deed Poll, the performance of the Deed Poll and each transaction effected by or made under this Scheme and the Deed Poll; and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 10.1(a).

10.2 Consent

Each of the Scheme Shareholders consents to Pandal doing all things necessary or incidental to the implementation of this Scheme, whether on behalf of the Scheme Shareholders, Pandal or otherwise.

10.3 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Pandal, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Pandal's registered office or at the office of the Pandal Registry.

- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by a Pendal Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

10.4 Governing law

- (a) This Scheme is governed by the laws in force in New South Wales.
- (b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in New South Wales and courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme. The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

10.5 Further action

Pendal must do all things and execute all documents necessary to give full effect to this Scheme and the transactions contemplated by it.

10.6 No liability when acting in good faith

Each Scheme Shareholder agrees that neither Pendal, Perpetual, Perpetual Sub nor any director, officer, secretary or employee of any of those companies shall be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

EXECUTED as an agreement

Scheme of Arrangement

Signing page

DATED: _____

Annexure E

Deed Poll

Deed Poll

Dated

Given by Perpetual Limited (ABN 86 000 431 827) ("**Perpetual**") and
Perpetual Acquisition Company Limited (ACN 163 620 362) ("**Perpetual
Sub**")

In favour of each registered holder of fully paid ordinary shares in Pendal
Group Limited (ABN 28 126 385 822) ("**Pendal**") as at 5.00 pm on the
Scheme Record Date ("**Scheme Shareholders**")

King & Wood Mallesons

Level 27
Collins Arch
447 Collins Street
Melbourne VIC 3000
Australia
T +61 3 9643 4000
F +61 3 9643 5999
DX 101 Melbourne
www.kwm.com

Deed Poll

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Deed Poll

Details

Parties	Perpetual and Perpetual Sub	
Perpetual	Name	Perpetual Limited
	ABN	86 000 431 827
	Address	Level 18 123 Pitt Street Sydney NSW 2000
	Email	CompanySecretary@Perpetual.com.au
	Attention	Company Secretary
	Copy to	Rebecca Maslen-Stannage (Rebecca.Maslen-Stannage@hsf.com) Malika Chandrasegaran (Malika.Chandrasegaran@hsf.com)
Perpetual Sub	Name	Perpetual Acquisition Company Limited
	ACN	163 620 362
	Address	Level 18 123 Pitt Street Sydney NSW 2000
	Email	CompanySecretary@Perpetual.com.au
	Attention	Company Secretary
	Copy to	Rebecca Maslen-Stannage (Rebecca.Maslen-Stannage@hsf.com) Malika Chandrasegaran (Malika.Chandrasegaran@hsf.com)
In favour of	Each registered holder of fully paid ordinary shares in Pental as at the Scheme Record Date.	
Governing law	New South Wales	
Recitals	A	The directors of Pental have resolved that Pental should propose the Scheme.
	B	The effect of the Scheme will be that all Scheme Shares will be transferred to Perpetual Sub.
	C	Pental and Perpetual have entered into the Implementation Deed.

- D** In the Implementation Deed, Perpetual agreed (amongst other things) to provide the Scheme Consideration to Pendal on behalf of the Scheme Shareholders, subject to the satisfaction of certain conditions.
- E** Perpetual and Perpetual Sub are entering into this deed poll for the purpose of covenanting in favour of Scheme Shareholders to perform its obligations in relation to the Scheme.

This deed poll provides as follows:

Deed Poll

General terms

1 Definitions and interpretation

1.1 Definitions

Unless the contrary intention appears, these meanings apply:

Authorised Officer means a director or secretary of a party or any other person nominated by a party to act as an Authorised Officer for the purposes of this document.

Implementation Deed means the scheme implementation deed dated 25 August 2022 between Perpetual and Pandal under which, amongst other things, Pandal has agreed to propose the Scheme to Pandal Shareholders, and each of Perpetual and Pandal has agreed to take certain steps to give effect to the Scheme.

Insolvent has the meaning given to it in the Implementation Deed.

Scheme means the proposed scheme of arrangement between Pandal and Scheme Shareholders under which all the Scheme Shares will be transferred to Perpetual Sub under Part 5.1 of the Corporations Act, substantially in the form of Annexure A to this deed poll, or as otherwise agreed by Perpetual and Pandal, subject to any amendments or conditions made or required by the Court pursuant to section 411(6) of the Corporations Act, to the extent they are approved in writing by Perpetual and Pandal in accordance with clause 9 of the Scheme.

All other words and phrases used in this document have the same meaning as given to them in the Scheme.

1.2 General interpretation

Clause 2 of the Scheme applies to this document.

1.3 Nature of deed poll

Perpetual and Perpetual Sub acknowledges that this document may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not a party to it.

2 Conditions precedent and termination

2.1 Conditions precedent

Perpetual's and Perpetual Sub's obligations under this document are subject to the Scheme becoming Effective.

2.2 Termination

Perpetual's and Perpetual Sub's obligations under this document will automatically terminate and the terms of this document will be of no further force or effect if:

- (a) the Scheme has not become Effective on or before the End Date; or

- (b) the Implementation Deed is terminated in accordance with its terms.

2.3 Consequences of termination

If this document is terminated under clause 2.2, then, in addition and without prejudice to any other rights, powers or remedies available to Scheme Shareholders:

- (a) each of Perpetual and Perpetual Sub is released from their obligations to further perform this document; and
- (b) each Scheme Shareholder retains the rights, powers or remedies they have against Perpetual and Perpetual Sub in respect of any breach of this document which occurs before it is terminated.

3 Performance of obligations generally

Subject to clause 2, Perpetual must comply with its obligations under the Implementation Deed, subject to its terms and conditions, and do all acts and things necessary on its part to implement the Scheme.

4 Scheme Consideration

4.1 Scheme Consideration

Subject to clause 2, Perpetual and Perpetual Sub undertake in favour of each Scheme Shareholder to provide, or procure the provision of, the Scheme Consideration to each Scheme Shareholder in accordance with the terms of the Scheme, and to undertake all other actions attributed to it under the Scheme.

4.2 Manner of payment

Perpetual and Perpetual Sub's obligation to provide the Scheme Consideration to Pendal on behalf of each Scheme Shareholder under clause 4.1 is satisfied by Perpetual or Perpetual Sub:

- (a) no later than the Business Day before the Implementation Date, depositing, or procuring the deposit of, in immediately available funds an amount equal to the aggregate amount of the cash component of the Scheme Consideration payable to all Scheme Shareholders under the Scheme into an Australian dollar denominated trust account with an authorised deposit taking institution (as defined in the *Banking Act 1959* (Cth)) operated by Pendal as trustee for the Scheme Shareholders, except that any interest on the amounts deposited (less bank fees and other charges) will be credited to Perpetual's account; and
- (b) issuing, on or before the Implementation Date, the New Perpetual Shares required to be issued under the Scheme and procuring that the name and address of each such Scheme Shareholder is entered in the Perpetual Registry in respect of those New Perpetual Shares,

subject to and in accordance with the terms of the Scheme.

4.3 Shares to rank equally

Perpetual covenants in favour of each Scheme Shareholder that the New Perpetual Shares which are issued in accordance with the Scheme will:

- (a) rank equally with all existing Perpetual Shares; and
- (b) be issued fully paid and free from any mortgage, charge, lien, encumbrance or other security interest.

4.4 Joint holders

In the case of Scheme Shares held in joint names any bank cheque required to be paid to Scheme Shareholders by Perpetual must be payable to the joint holders and be forwarded to the holder whose name appears first in the Share Register as at the Scheme Record Date.

5 Representations and warranties

Each of Perpetual and Perpetual Sub represents and warrants that:

- (a) **(status)** it has been incorporated or formed in accordance with the laws of its place of incorporation or formation, is validly existing under those laws and has power and authority to own its assets and carry on its business as it is now being conducted;
- (b) **(power)** it has power to enter into this document, to comply with its obligations under it and exercise its rights under it;
- (c) **(no contravention)** the entry by it into, its compliance with its obligations and the exercise of its rights under, this document do not and will not conflict with:
 - (i) its constituent documents or cause a limitation on its powers or the powers of its directors to be exceeded;
 - (ii) any law binding on or applicable to it or its assets; or
 - (iii) any encumbrance or document binding on or applicable to it;
- (d) **(authorisations)** it has in full force and effect each authorisation necessary for it to enter into this document, to comply with its obligations and exercise its rights under it, and to allow them to be enforced;
- (e) **(validity of obligations)** its obligations under this document are valid and binding and are enforceable against it in accordance with its terms; and
- (f) **(solvency)** is not Insolvent.

6 Continuing obligations

This document is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) Perpetual and Perpetual Sub have fully performed their obligations under this document; or
- (b) the earlier termination of this document under clause 2.2.

7 Costs

7.1 Costs

Perpetual agrees to pay all costs in respect of the Scheme (including, in connection with the transfer of Pendal Shares to Perpetual in accordance with the terms of the Scheme) except for amounts covered by clause 7.2.

7.2 Stamp duty and registration fees

Perpetual:

- (a) agrees to pay or reimburse all stamp duty, registration fees and similar taxes payable or assessed as being payable in connection with this document or any other transaction contemplated by this document (including any fees, fines, penalties and interest in connection with any of these amounts); and
- (b) indemnifies each Scheme Shareholder against, and agrees to reimburse and compensate it, for any liability in respect of stamp duty under clause 7.2(a).

8 Notices

Notices and other communications in connection with this document must be in writing. They must be sent to the address or email address referred to in the Details and (except in the case of email) marked for the attention of the person referred to in the Details. If the intended recipient has notified changed contact details, then communications must be sent to the changed contact details.

9 General

9.1 Variation

A provision of this document or any right created under it may not be varied, altered or otherwise amended unless:

- (a) the variation is agreed to by Pendal and Perpetual in writing; and
- (b) the Court indicates that the variation, alteration or amendment would not itself preclude approval of the Scheme,

in which event Perpetual must enter into a further deed poll in favour of the Scheme Shareholders giving effect to the variation, alteration or amendment.

9.2 Partial exercising of rights

Unless this document expressly states otherwise, if Perpetual does not exercise a right, power or remedy in connection with this document fully or at a given time, it may still exercise it later.

9.3 Remedies cumulative

The rights, powers and remedies in connection with this document are in addition to other rights, powers and remedies given by law independently of this document.

9.4 Assignment or other dealings

Perpetual and each Scheme Shareholder may not assign or otherwise deal with its rights under this document or allow any interest in them to arise or be varied without the consent of Perpetual and Pandal.

9.5 Further steps

Perpetual agrees to do anything including executing all documents and do all things (on its own behalf or on behalf of each Scheme Shareholder) necessary or expedient to give full effect to this document and the transactions contemplated by it.

10 Governing law and jurisdiction

10.1 Governing law and jurisdiction

The law in force in the place specified in the Details governs this document. Perpetual and Perpetual Sub submits to the non-exclusive jurisdiction of the courts of that place.

10.2 Serving documents

Without preventing any other method of service, any document in an action in connection with this document may be served on Perpetual by being delivered or left at Perpetual's address set out in the Details.

EXECUTED as a deed poll

Deed Poll

Signing page

DATED: _____

EXECUTED by PERPETUAL LIMITED)
in accordance with section 127(1) of)
the Corporations Act 2001 (Cth) by)
authority of its directors:)
)

.....)
Signature of director)

.....)
Name of director (block letters))

.....)
Signature of director/company)
secretary)

.....)
Name of director/company secretary)
(block letters)

EXECUTED by PERPETUAL)
ACQUISITION COMPANY LIMITED in)
accordance with section 127(1) of the)
Corporations Act 2001 (Cth) by)
authority of its directors:)
)

.....)
Signature of director)

.....)
Name of director (block letters))

.....)
Signature of director/company)
secretary)

.....)
Name of director/company secretary)
(block letters)

Annexure F

Notice of Scheme Meeting

Notice of Scheme Meeting

Pendal Group Limited (ACN 126 385 822) (Pendal)

Notice is hereby given, by order of the Supreme Court of New South Wales made on 21 November 2022, pursuant to section 411(1) of the Corporations Act, a Scheme Meeting of Pendal Shareholders will be held:

Date: Friday, 23 December 2022

Time: 10:00am (Sydney time)

Venue: The Fullerton Hotel, 1 Martin Place, Sydney 2000 and using the online platform provided by Link Market Services at <https://meetings.linkgroup.com/PDLSM22>

Purpose of the Scheme Meeting

The purpose of the Scheme Meeting is to consider, and if thought fit, to agree (with or without amendment or any alterations or conditions required by the Court to which Pendal and Perpetual agree) to the Scheme described in the Scheme Booklet of which this notice forms part.

A copy of the Scheme and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Scheme are contained in the Scheme Booklet, of which this notice forms part. Additional information about the Scheme Meeting is set out in the explanatory notes that accompany and form part of this notice.

Scheme Resolution

To consider and, if thought fit, to pass (with or without amendment) the following resolution:

"That pursuant to, and in accordance with, section 411 of the Corporations Act 2001 (Cth), the members approve the arrangement proposed between Pendal Group Limited and the holders of its ordinary shares, designated the 'Scheme', as contained in and more particularly described in the Scheme Booklet accompanying the notice convening this meeting (with or without any modifications or conditions ordered by the Court to which Pendal Group Limited and Perpetual Limited agree) and, subject to approval of the Scheme by the Court, the Board of Pendal Group Limited is authorised to implement the Scheme with any such modifications or conditions."

Dated 21 November 2022

By order of the Court and the Pendal Board.



Joanne Hawkins
Company Secretary

Explanatory notes

1. General

These explanatory notes relate to the Scheme and should be read in conjunction with the Notice of Scheme Meeting and the information in the Scheme Booklet dated 21 November 2022 of which that notice and these notes form part.

Unless the context requires otherwise, terms used in the Notice of Scheme Meeting and in these notes have the same meaning as set out in Section 11 (“Glossary”) of the Scheme Booklet.

2. Chairman

The Court has directed that Deborah Page AM is to act as the Chairman of the Scheme Meeting and has directed the Chairman to report the results of the Scheme Meeting to the Court.

3. Shareholder approval

For the proposed Scheme to be binding in accordance with section 411 of the Corporations Act, the Scheme Resolution must be passed by:

- unless the Court orders otherwise, a majority in number (more than 50%) of eligible Pandal Shareholders present and voting at the Scheme Meeting (either in person, online or by proxy, attorney or body corporate representative);¹³ and
- at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by eligible Pandal Shareholders (either in person, online or by proxy, attorney or body corporate representative).

4. Court approval

Under paragraph 411(4)(b) of the Corporations Act, the Scheme (with or without amendment or any alterations or conditions required by the Court) is subject to the approval of the Court. If the Scheme Resolution is passed by the Requisite Majorities and the other conditions to the Scheme (other than approval of the Court) are satisfied or waived (if capable of waiver) by the time required under the Scheme, Pandal intends to apply to the Court for the necessary orders to give effect to the Scheme.

In order for the Scheme to become Effective, it must be approved by the Court and an office copy of the orders of the Court approving the Scheme must be lodged with ASIC.

5. Entitlement to vote

The time for the purposes of determining voting entitlements pursuant to regulation 7.11.37 of the Corporations Regulations will be 7:00pm (Sydney time) on Wednesday, 21 December 2022. Only those Pandal Shareholders entered on the Pandal Share Register at that time will be entitled to attend and vote at the Scheme Meeting, either in person, online, by proxy or attorney, or in the case of a corporate Pandal Shareholder, by a body corporate representative. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Scheme Meeting.

The remaining comments in these explanatory notes are addressed to Pandal Shareholders entitled to attend and vote at the Scheme Meeting.

6. Voting at the Scheme Meeting

If you are a Pandal Shareholder entitled to vote at the Scheme Meeting, you may vote by:

- attending and voting in person;
- attending and voting via Pandal’s online meeting platform at <https://meetings.linkgroup.com/PDLSM22>;
- by proxy, by completing and submitting the proxy form in accordance with the instructions on that form. To be valid, your proxy form must be received by the Pandal Share Registry by 10:00am (Sydney time) on Wednesday, 21 December 2022;
- by attorney, by appointing an attorney to attend and vote at the Scheme Meeting on your behalf and providing a duly executed power of attorney to the Pandal Share Registry by 10:00am (Sydney time) on Wednesday, 21 December 2022; or
- by body corporate representative, in the case of a body corporate, appointing a body corporate representative to attend the Scheme Meeting and vote on your behalf, using duly executed ‘Appointment of Corporate Representative form’ (in accordance with section 250D of the Corporations Act) prior to the Scheme Meeting in accordance with section 8.5 below.

Voting will be conducted by poll.

¹³ The Court has the power to waive this approval requirement.

7. Attendance

7.1 In person attendance

All Pental Shareholders or their validly appointed proxies, attorneys or representatives who plan to attend the Scheme Meeting in person are asked to arrive at the venue at least 30 minutes before the scheduled time for commencement of the Scheme Meeting, so that either their shareholding can be checked against the Pental Share Register, or any power of attorney or certificate of appointment of body corporate representative verified, and their attendance noted.

7.2 Online attendance

Pental Shareholders or their validly appointed proxies, attorneys and corporate representatives can attend and vote at the Scheme Meeting via Pental's online meeting platform at <https://meetings.linkgroup.com/PDLSM22>.

The online platform may be accessed via a computer or mobile or tablet device with internet access. The online platform will allow Pental Shareholders and their authorised proxies, attorneys and corporate representatives to watch the Scheme Meeting live, cast an online vote and ask questions online.

To attend and vote online, Pental Shareholders will need their Security Reference Number (SRN) or Holder Identification Number (HIN) and their postcode or country of residence (if outside Australia). Proxyholders will be emailed their proxy code by the Pental Share Registry 24 hours before the commencement of the meeting.

Participants will be able to log in to the online platform 30 minutes before the start of the Scheme Meeting. It is recommended that participants log in at least 15 minutes before the scheduled start time for the Scheme Meeting. The Virtual Meeting Online Guide provides details about how to ensure your browser is compatible with the online platform as well as a step-by-step guide to successfully log in and navigate the site. The Virtual Meeting Online Guide can be found in Annexure H of the Scheme Booklet.

Please monitor Pental's website and ASX announcements, where updates will be provided if it becomes necessary or appropriate to make alternative arrangements for the holding or conduct of the Scheme Meeting.

8. Voting

8.1 Voting in person

To vote in person, you must attend the Scheme Meeting.

Eligible Pental Shareholders who wish to attend and vote at the Scheme Meeting in person will be admitted and given a voting card at the point of entry to the Scheme Meeting once they have disclosed their name and address.

8.2 Voting online

To vote online, you must attend the Scheme Meeting via the online platform at <https://meetings.linkgroup.com/PDLSM22>.

Online voting will be open 30 minutes before the start of the Scheme Meeting and the closing of voting as announced by the Chairman during the Scheme Meeting.

More information about how to use the online platform (including how to vote and submit questions online during the Scheme Meeting) is available in the Virtual Meeting Online Guide, which can be found in Annexure I of the Scheme Booklet.

If you intend to use the online platform, then before the Scheme Meeting we recommend that you ensure the online platform works on your device.

It is recommended that Pental Shareholders who attend and vote at the Scheme Meeting via Pental's online meeting platform should join at least 15 minutes prior to the scheduled start time for the Scheme Meeting.

8.3 Voting by proxy

If you are unable to attend and vote at the Scheme Meeting, you may appoint an individual or a body corporate as a proxy to attend the Scheme Meeting in person or online and vote.

A Pental Shareholder entitled to attend and vote at the Scheme Meeting may appoint a person to attend and vote at the Scheme Meeting as their proxy at any time between the date of this Notice of Scheme Meeting and 10:00am (Sydney time) on Wednesday, 21 December 2022. To do so, either they should mark the box under 'Appoint a Proxy' in Step 1 of the proxy form to appoint the Chairman of the Scheme Meeting as their proxy, or insert the name and email address of their chosen proxy in the space provided.

Explanatory notes

To appoint a proxy, you should complete and submit the proxy form in accordance with the instructions on that form.

To be effective, proxy appointments must be received by the Pental Share Registry by no later than 10:00am (Sydney time) on Wednesday, 21 December 2022 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of the following ways:

Online at:	https://investorcentre.linkgroup.com
Post or hand delivery to:	Post Pental Group Limited C/- Link Market Services Limited Locked Bag A14 Sydney South NSW 1235 Australia Hand delivery Link Market Services Limited Parramatta Square, Level 22, Tower 6, 10 Darcy Street, Parramatta NSW 2150; or Level 12, 680 George Street, Sydney NSW 2000
Fax to:	+61 2 9287 0309

Proxy forms received after 10:00am (Sydney time) on Wednesday, 21 December 2022 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) will be invalid.

If a proxy form is completed by an individual or corporation under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must accompany the completed proxy form unless the power of attorney or other authority has previously been noted by the Pental Share Registry.

The following applies to proxy appointments:

- a proxy need not be another Pental Shareholder, and may be an individual or a body corporate;
- if a body corporate is appointed as a proxy, it must ensure that it appoints an individual as its corporate representative (in accordance with section 250D of the Corporations Act) to exercise its powers as proxy at the Scheme Meeting in accordance with section 8.5 below;
- a Pental Shareholder who is entitled to cast two or more votes at the Scheme Meeting may appoint up to two proxies and may specify the proportion or number of votes each proxy may exercise. If you wish to appoint a second proxy, a second hard copy proxy form should be used and you should clearly indicate on the second proxy form that it is a second proxy and not a revocation of your first proxy. Both proxy forms should be returned together in the same envelope. If you wish to appoint two proxies using hard copy proxy forms, you will need to obtain a second proxy form. You may obtain an additional proxy form from the Pental Share Registry or online at <https://www.linkmarketservices.com.au/corporate/resources/forms.html>. Where two proxies are appointed, each proxy should be appointed to represent a specified proportion of the Pental Shareholder's voting rights. If a Pental Shareholder appoints two proxies and the appointment does not specify the proportion or number of the Pental Shareholder's votes, each proxy may only exercise half of that Pental Shareholder's votes;
- if you hold Pental Shares jointly with one or more other persons, in order for your proxy appointment to be valid, each of the joint holders must sign the proxy form; and
- each proxy will have the right to vote on the poll and also to ask questions at the Scheme Meeting.

Your appointment of a proxy does not preclude you from attending in person, revoking the proxy and voting at the Scheme Meeting. If you have appointed a proxy and decide to attend and vote at the Scheme Meeting, the authority of your proxy to attend and vote, on your behalf, is automatically suspended. However, if you view the live webcast of the Scheme Meeting as a 'visitor' or attend the Scheme Meeting in person as a 'visitor', you will not revoke your proxy appointment.

A vote given in accordance with the terms of a proxy appointment is valid despite the revocation of that appointment, unless:

- notice in writing of the revocation has been received by the Pental Share Registry before the start of the Scheme Meeting (or, if the Scheme Meeting is adjourned or postponed, before the resumption of the Scheme Meeting in relation to the resumed part of the Scheme Meeting) in any of the ways described in the table above; or
- notice of revocation is given by the Pental Shareholder on registering their attendance at the Scheme Meeting at the registration desk located at the Scheme Meeting on Friday, 23 December 2022.

You should consider how you wish your proxy to vote. That is, whether you want your proxy to vote 'for' or 'against', or abstain from voting on, the Scheme Resolution, or whether to leave the decision to the proxy after they have considered the matters discussed at the Scheme Meeting.

If you do not direct your proxy how to vote on the Scheme Resolution, the proxy may vote, or abstain from voting, as they think fit. If you instruct your proxy to abstain from voting on an item of business, they are directed not to vote on your behalf, and the shares the subject of the proxy appointment will not be counted in computing the required majority.

If you return your proxy form:

- without identifying a proxy on it, you will be taken to have appointed the Chairman of the Scheme Meeting as your proxy to vote on your behalf; or
- with a proxy identified on it but your proxy does not attend the Scheme Meeting, the Chairman of the Scheme Meeting will act in place of your nominated proxy and vote in accordance with any directions on your proxy form.

The Chairman of the Scheme Meeting intends to vote all valid undirected proxies which nominate the Chairman in favour of the Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable and in the best interests of Pental Shareholders.

8.4 Voting by attorney

You may appoint an attorney to attend and vote at the Scheme Meeting on your behalf. Your attorney need not be another Pental Shareholder. Each attorney will have the right to vote on the poll and also to ask questions at the Scheme Meeting.

The power of attorney appointing your attorney to attend and vote at the Scheme Meeting must be duly executed by you and specify your name, the company (that is, Pental), and the attorney, and also specify the meetings at which the appointment may be used. The appointment may be a standing one.

The power of attorney, or a certified copy of the power of attorney, should be received by the Pental Share Registry by no later than 10:00am (Sydney time) on Wednesday, 21 December 2022 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of the ways specified for proxy forms in section 8.3 above.

A validly appointed attorney wishing to attend and vote at the Scheme Meeting via the online platform will require the appointing Pental Shareholder's name and postcode and the SRN/HIN of the shareholding in order to access the online platform. A validly appointed attorney wishing to attend and vote at the Scheme Meeting in person will need to register their attendance and identify themselves as an attorney on the day of the Scheme Meeting in person at the registration desk. Your appointment of an attorney does not preclude you from attending in person and voting at the Scheme Meeting.

8.5 Voting by corporate representative

A body corporate which is a Pental Shareholder, or which has been appointed as a proxy, must appoint an individual to act as its representative at the Scheme Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act, meaning that Pental will require a certificate of appointment of body corporate representative to be executed by you in accordance with the Corporations Act.

The 'Appointment of Corporate Representative' form may be downloaded from the Pental Share Registry or online at <https://www.linkmarketservices.com.au/corporate/resources/forms.html>. The certificate of appointment may set out restrictions on the representative's powers.

The certificate of appointment must be received by the Pental Share Registry by no later than 10:00am (Sydney time) on Wednesday, 21 December 2022 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of the ways specified for proxy forms in section 8.3 above in this Notice of Scheme Meeting.

If a certificate is completed by an individual or corporation under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must accompany the completed certificate unless the power of attorney or other authority has previously been received by the Pental Share Registry.

A validly appointed corporate representative wishing to attend and vote at the Scheme Meeting via the online platform will require the appointing Pental Shareholder's name, the SRN/HIN of the shareholding, proxy code and postcode or country of residence (if outside Australia) in order to access the online platform. A validly appointed corporate representative wishing to attend and vote at the Scheme Meeting in person must bring the 'Certificate of Appointment of Corporate Representative'.

Explanatory notes

9. Jointly held securities

If you hold Pental Shares jointly with one or more persons, only one of you may vote. If more than one of you attempts to vote at the Scheme Meeting, only the vote of the holder whose name appears first on the Pental Share Register will be counted.

See also the comments in section 8.3 above regarding the appointment of a proxy by persons who jointly hold Pental Shares.

10. Questions

Pental Shareholders will have a reasonable opportunity to ask questions during the Scheme Meeting.

Pental Shareholders who prefer to register questions in advance of Scheme Meeting are also invited to do so by submitting questions at <https://investorcentre.linkgroup.com>.

To allow time to collate questions and prepare answers, please submit any questions by 5:00pm (Sydney time) on Friday, 16 December 2022.

At the Scheme Meeting, Shareholders can ask questions:

- (i) online by clicking the “Ask Questions” box on the left hand side of the screen (refer to Virtual Meeting Online Guide); or
- (ii) by telephone. Pental Shareholders will be given an opportunity to ask questions in real-time by telephone. A personalised PIN is needed to ask questions by telephone. To receive a personalised PIN and details of the applicable telephone number, please contact Link Market Services between 14 and 21 December 2022. If you plan to ask questions by telephone, you will still need to log into the online platform if you wish to vote during the meeting.

Pental Shareholders are requested to restrict themselves to two questions or comments initially, and further questions will be considered if time permits. Questions and comments may be moderated to avoid repetition and to make them more concise.

The Chairman of the Scheme Meeting will endeavour to address as many of the more frequently raised relevant questions as possible during the course of the Scheme Meeting. However, there may not be sufficient time available during the Scheme Meeting to address all of the questions raised. Please note that individual responses will not be sent to Pental Shareholders.

11. Technical difficulties

Technical difficulties may arise during the course of the Scheme Meeting. The Chairman has discretion as to whether and how the Scheme Meeting should proceed in the event that a technical difficulty arises. In exercising this discretion, the Chairman will have regard to the number of Pental Shareholders impacted and the extent to which participation in the business of the Scheme Meeting is affected. Where the Chairman considers it appropriate, the Chairman may continue to hold the Scheme Meeting and transact business, including conducting a poll and voting in accordance with valid proxy instructions. For this reason, if you have already decided how to cast your vote, Pental Shareholders are encouraged to lodge a proxy by 10:00am (Sydney time) on Wednesday, 21 December 2022 even if they plan to attend in person or online.

12. Advertisements

Where this Notice of Scheme Meeting is advertised unaccompanied by the Scheme Booklet, a copy of the Scheme Booklet can be obtained by anyone entitled to attend the Scheme Meeting from the ASX website (<https://www.asx.com.au>) or by contacting the Company Secretary of Pental or the Pental Share Registry.

For personal use only

Annexure G

Proxy Form

LODGE YOUR VOTE



ONLINE

<https://investorcentre.linkgroup.com>



BY MAIL

Pendal Group Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



BY FAX

+61 2 9287 0309



BY HAND*

Link Market Services Limited
Parramatta Square, Level 22, Tower 6,
10 Darcy Street, Parramatta NSW 2150; or
Level 12, 680 George Street, Sydney NSW 2000



ALL ENQUIRIES TO

Telephone: +61 1300 792 077



X99999999999

This Proxy Form should be read in conjunction with the Scheme Booklet dated 21 November 2022 issued by Pendal Group Limited. Words and expressions used in this Proxy Form have the same meaning given to them in the Scheme Booklet, unless the context requires otherwise.

PROXY FORM

I/We being a member(s) of Pendal Group Limited (Company) and entitled to attend and vote hereby appoint:

APPOINT A PROXY

☐ the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name and email of the person or body corporate you are appointing as your proxy (an email will be sent to your appointed proxy with details on how to access the virtual meeting)

Name

Email

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Scheme Meeting of the Company to be held at **10:00am (Sydney time) on Friday, 23 December 2022 (the Meeting)** and at any postponement or adjournment of the Meeting.

The Meeting is currently scheduled to be conducted as a hybrid event. You can participate by attending in person at **The Fullerton Hotel Sydney, No.1 Martin Place, Sydney NSW 2000** (unless the Company advises otherwise) or logging in online at <https://meetings.linkgroup.com/PDLSM22>

The Chairman of the Meeting intends to vote undirected proxies in favour each item of business, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable and in the best interests of the Company's Shareholders.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 10:00am (Sydney time) on Wednesday, 21 December 2022.

Please read the voting instructions overleaf before marking any boxes with an ☒

Resolution

For Against Abstain*

1 Approval of the Scheme of Arrangement

That pursuant to, and in accordance with, section 411 of the Corporations Act 2001 (Cth), the members approve the arrangement proposed between Pendal Group Limited and the holders of its ordinary shares, designated the 'Scheme', as contained in and more particularly described in the Scheme Booklet accompanying the notice convening this meeting (with or without any modifications or conditions ordered by the Court to which Pendal Group Limited and Perpetual Limited agree) and, subject to approval of the Scheme by the Court, the Board of Pendal Group Limited is authorised to implement the Scheme with any such modifications or conditions.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

PDL PRX2201N

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name and email address of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of a corporation is to attend the Meeting on behalf of a body corporate which is a shareholder the appropriate "Certificate of Appointment of Corporate Representative" must be received prior to the Meeting in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at <https://www.linkmarketservices.com.au/corporate/resources/forms.html>.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am (Sydney time) on Wednesday, 21 December 2022**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

<https://investorcentre.linkgroup.com>

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).



BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link <https://investorcentre.linkgroup.com> into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



BY MAIL

Pendal Group Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
Parramatta Square
Level 22, Tower 6
10 Darcy Street
Parramatta NSW 2150

or

Level 12
680 George Street
Sydney NSW 2000

*during business hours Monday to Friday (9:00am - 5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE MEETING IN PERSON, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**

Annexure H

Virtual Meeting Online Guide

Virtual Meeting Online Guide

Before you begin

Ensure your browser is compatible.
Check your current browser by going to
the website: **whatismybrowser.com**

Supported browsers are:

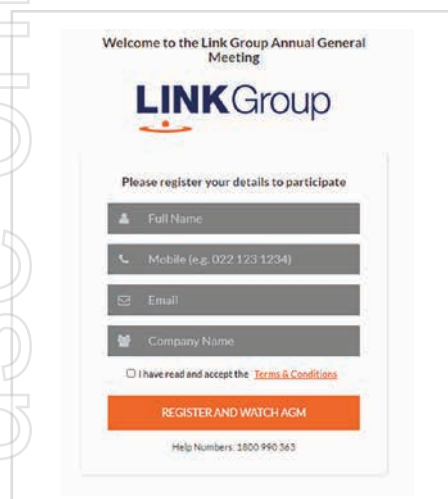
- Chrome – Version 44 & 45 and after
- Firefox – 40.0.2 and after
- Safari – OS X v10.9
& OS X v10.10 and after
- Internet Explorer 9 and up

**To attend and vote you must have your
securityholder number and postcode.**

Appointed Proxy: Your proxy number will
be provided by Link before the meeting.

**Please make sure you have this
information before proceeding.**

Virtual Meeting Online Guide



Step 1

Open your web browser and go to <https://meetings.linkgroup.com/PDLSM22>

Step 2

Log in to the portal using your full name, mobile number, email address, and company name (if applicable).

Please read and accept the terms and conditions before clicking on the blue **'Register and Watch Meeting'** button.

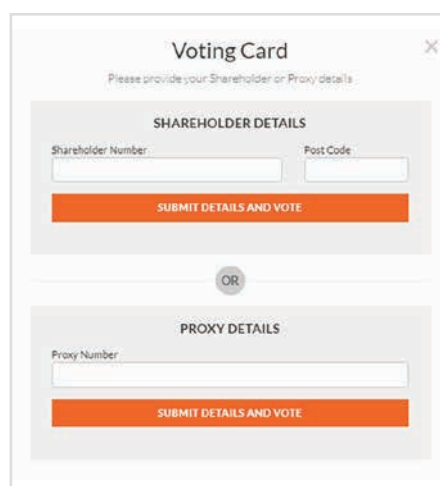
- On the left – a live video webcast of the Meeting
- On the right – the presentation slides that will be addressed during the Meeting
- At the bottom – buttons for 'Get a Voting Card', 'Ask a Question' and a list of company documents to download

Note: If you close your browser, your session will expire and you will need to re-register. If using the same email address, you can request a link to be emailed to you to log back in.

1. Get a Voting Card

To register to vote – click on the 'Get a Voting Card' button.

This will bring up a box which looks like this.

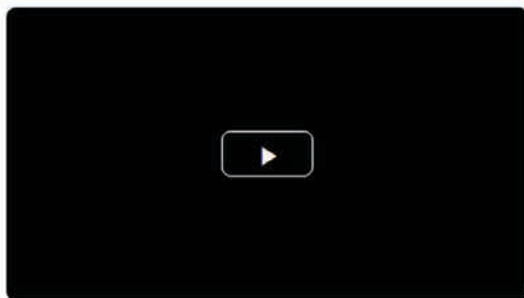


If you are an individual or joint securityholder you will need to register and provide validation by entering your securityholder number and postcode.

If you are an appointed Proxy, please enter the Proxy Number issued by Link in the PROXY DETAILS section. Then click the **'SUBMIT DETAILS AND VOTE'** button.

Once you have registered, your voting card will appear with all of the resolutions to be voted on by securityholders at the Meeting (as set out in the Notice of Meeting). You may need to use the scroll bar on the right hand side of the voting card to view all resolutions.

Securityholders and proxies can either submit a Full Vote or Partial Vote.



Downloads

- Notice of meeting
- Annual report

ABC COMPANY PTY LTD X123456789

Voting Card

Please complete your vote by selecting the required voting instruction (For, Against or Abstain) for each resolution. If you would like complete a partial vote, please specify the number of votes for each resolution in the Partial Vote section. Proxy holder votes will only be applied to discretionary (undirected) votes. Directed votes will be applied as per the the Unitholder's voting instructions.

Full Vote **Partial Vote**

Resolution 2B	<input checked="" type="radio"/> For	<input type="radio"/> Against	<input type="radio"/> Abstain
RE-ELECTION OF MR. ABC AS A DIRECTOR			
Resolution 2C	<input checked="" type="radio"/> For	<input type="radio"/> Against	<input type="radio"/> Abstain
RE-ELECTION OF MS XYZ AS A DIRECTOR			
Resolution 3	<input checked="" type="radio"/> For	<input type="radio"/> Against	<input type="radio"/> Abstain
INCREASE TO DIRECTORS' MAXIMUM FEE POOL LIMIT			
Resolution 4	<input checked="" type="radio"/> For	<input type="radio"/> Against	<input type="radio"/> Abstain
ADOPTION OF REMUNERATION REPORT			

SUBMIT VOTE

Full Votes

To submit a full vote on a resolution ensure you are in the **'Full Vote'** tab. Place your vote by clicking on the **'For'**, **'Against'**, or **'Abstain'** voting buttons.

Partial Votes

To submit a partial vote on a resolution ensure you are in the **'Partial Vote'** tab. You can enter the number of votes (for any or all) resolution/s. The total amount of votes that you are entitled to vote for will be listed under each resolution. When you enter the number of votes it will automatically tally how many votes you have left.

Note: If you are submitting a partial vote and do not use all of your entitled votes, the un-voted portion will be submitted as No Instruction and therefore will not be counted.

Once you have finished voting on the resolutions scroll down to the bottom of the box and click on the **'Submit Vote'** or **'Submit Partial Vote'** button.

Note: You can close your voting card without submitting your vote at any time while voting remains open. Any votes you have already made will be saved for the next time you open up the voting card. The voting card will appear on the bottom left corner of the webpage. The message **'Not yet submitted'** will appear at the bottom of the page.

You can edit your voting card at any point while voting is open by clicking on **'Edit Card'**. This will reopen the voting card with any previous votes made.

At the conclusion of the Meeting a red bar with a countdown timer will appear at the top of the Webcast and Slide windows advising the remaining voting time. Please make any changes and submit your voting cards.

Once voting has been closed all submitted voting cards cannot be changed.

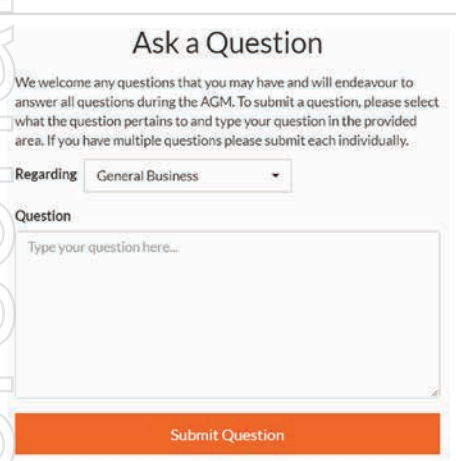
Virtual Meeting Online Guide *continued*

2. How to ask a question

Note: Only securityholders are eligible to ask questions.

If you have yet to obtain a voting card, you will prompted to enter your securityholder number or proxy details before you can ask a question. To ask a question, click on the 'Ask a Question' button either at the top or bottom of the webpage.

The **'Ask a Question'** box will then pop up with two sections for completion.



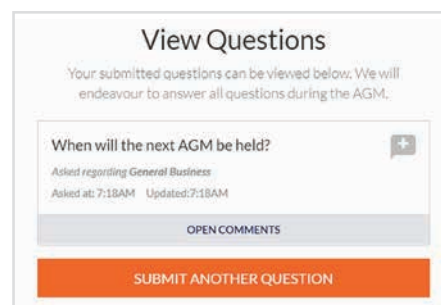
In the **'Regarding'** section click on the drop down arrow and select the category/resolution for your question.

Click in the **'Question'** section and type your question and click on 'Submit'.

A **'View Questions'** box will appear where you can view your questions at any point. Only you can see the questions you have asked.

If your question has been answered and you would like to exercise your right of reply, you can submit another question.

Note that not all questions are guaranteed to be answered during the Meeting, but we will do our best to address your concerns.



3. Downloads

View relevant documentation in the Downloads section.

4. Voting closing

Voting will end 5 minutes after the close of the Meeting.

At the conclusion of the Meeting a red bar with a countdown timer will appear at the top of the Webcast and Slide screens advising the remaining voting time. If you have not submitted your vote, you should do so now.

5. Phone Participation

What you will need

- a) Land line or mobile phone
- b) The name of your holding/s (Registered Name & SRN/HIN NOs.)
- c) To obtain your unique PIN, please contact Link Market Services on +61 1800 990 363.

Joining the Meeting via Phone

Step 1

From your land line or mobile device, call:
Conference Call number: 1800 798 110
International Number: +61 2 7201 7093

Step 2

You will be greeted with a welcome message and provided instructions on how to participate in the Meeting. Please listen to the instructions carefully.

At the end of the welcome message you will be asked to enter your **PIN** followed by the hash key. This will verify you as a securityholder and allow you to ask a question on the resolutions at the Meeting.

Step 3

Once you have entered your **PIN**, you will be greeted by a moderator. Once the moderator has verified your details you will be placed into a waiting room and will hear music playing.

Note, If your holding cannot be verified by the moderator, you will attend the Meeting as a visitor and will not be able to ask a question.

Step 4

At the commencement of the Meeting, you will be admitted to the Meeting where you will be able to listen to proceedings.

Asking a Question

Step 1

When the Chairman calls for questions on each resolution, you will be asked to **press *1** (asterisk 1) on your keypad should you wish to "raise your hand" to ask a question.

Step 2

The moderator will ask you what item of business your question relates to? Let the moderator know if your question relates to General Business or a specific resolution (by referencing the Resolution number).

You will also be asked if you have any additional questions.

Step 3

When it is your time to ask your question, the moderator will introduce you to the meeting, your line will be unmuted and you can then start speaking. Note, if at any time you no longer wish to ask your question, you can "lower your hand" by **pressing *2** (asterisk 2) on your key pad. If you also joined the Meeting online, we ask that you mute your laptop or desktop device while you ask your question.

Step 4

Your line will be muted once your question has been answered.

Voting

Please note that you will not be able to vote on any resolutions via telephone.

If you would like to vote on a resolution, and you have not yet lodged a proxy vote (or you wish to change your proxy vote), please ensure that you have joined the meeting online in accordance with this guide (see, in particular, page 2).

Contact us

Australia

T 1300 554 474

E info@linkmarketservices.com.au

New Zealand

T +64 9 375 5998

E enquiries@linkmarketservices.co.nz

Corporate Directory

Registered office and principal place of business

Pendal Group Limited

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2 Chifley Square
Sydney NSW 2000

Financial

Macquarie Capital (Australia) Limited

50 Martin Place
Sydney NSW 2000

Adara Partners (Australia) Pty Limited

Level 2, 117 Harrington St
Sydney NSW 2000

Legal adviser

King & Wood Mallesons

Level 61, Governor Phillip Tower, 1 Farrer Place
Sydney NSW 2000

Independent Expert

Kroll Australia Pty Ltd

Level 32, 85 Castlereagh St
Sydney NSW 2000

Investigating Accountant

KPMG (Australia)

Level 38, Tower 3,
300 Barangaroo Ave
Sydney NSW 2000

Pendal Share Registry

Link Market Services Limited

Level 12, 680 George Street
Sydney NSW 2000

Stock exchange listing

Pendal Shares are listed on the Australian Securities Exchange (ASX:PDL)

Pendal website

<https://www.pendalgroup.com/>

Pendal Investor website

<https://investors.pendalgroup.com/Investor-Centre/>

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