

Managing Fraud, Bribery and Corruption Policy

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Pendal Fund Services Limited
ABN 13 161 249 332,
AFSL No 431426

Pendal Institutional Limited
ABN 17 126 390 627,
AFSL No 316455

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Managing Fraud, Bribery and Corruption Policy

1 Objective and scope

The Managing Fraud & Corruption Risk Policy (the Policy) applies to Pental Funds Services Limited (ABN 13 161 249 332, AFSL No 431426) (PFSL) and Pental Institutional Limited (ABN 17 126 390 627, AFSL No 316455) (PIL) (together, **Pental**).

The Policy has appropriate measures to manage the risks associated with fraud, bribery and corruption. This includes the implementation of fraud and corruption control programmes that engage all employees in preventing and detecting fraud and corruption.

Managing fraud, bribery and corruption is a significant challenge for all businesses. The nature of our business means that it can be exposed to fraudulent and corrupt activity in many different forms.

Effective management of fraud, bribery and corruption will enable us to:

- Minimise internal and externally instigated fraud, bribery and corruption against Pental;
- Maintain the trust and confidence of our customers and that of the wider community;
- Better serve our customers by protecting their assets from fraud, bribery and corruption; and
- Meet our legal and regulatory requirements and stakeholder obligations.

In the context of this Policy, fraud is broadly defined as dishonestly obtaining an advantage from, avoiding an obligation to or causing loss to Pental, its clients or third parties with whom Pental deals. Fraud is not restricted to monetary or material benefits. It includes misrepresentation of your position to an external party and the misuse of Pental's intellectual property.

Internal fraud is committed by an employee directly against the business for which they work.

External fraud is that committed by someone from outside the business, for example a customer or third party provider.

Fraud management involves preventing fraud, rapidly detecting where it does occur and responding effectively to minimise its impact.

Bribery is the offer, payment or provision of a benefit to someone to influence the performance of a person's duty and/or to encourage misuse of his or her authority.

Corruption is defined as dishonest activity in which a director, executive, people leader, employee or contractor of Pental acts contrary to the interests of Pental and abuses their position of trust in order to achieve some personal gain or advantage for themselves or for another person or entity.

The concept of "corruption" within this Policy can also involve corrupt conduct by Pental, or a person purporting to act on behalf of and in the interests of Pental, in order to secure some form of improper advantage for Pental either directly or indirectly.

Pental takes management of fraud, bribery and corruption very seriously and does not tolerate or condone fraudulent or corrupt conduct in any way, shape or form. Pental will investigate all incidents of suspected or actual fraud, bribery or corruption regardless of the employee's position and length of service.

2 Who does this Policy apply to?

This Policy applies to all Pental employees, secondees, consultants, contractors, and people on work experience (called 'employees and contractors' in this Policy). If this Policy applies to you,

you should read it and make sure you understand it. If you need guidance speak to your People Leader or Pental's Risk and Compliance teams (Risk & Compliance).

3 Overview

Key Regulatory drivers for this Policy include:

- ASX Corporate Governance Principles
- Corporations Act 2001 (Cth)
- Criminal Code Act 1995 (Cth)
- Australian Financial Services Licence requirements
- ASIC RG 133 - Managed investments and custodial or depository services: Holding assets
- ASIC Regulatory Guide 181: Licensing: Managing Conflicts of Interest
- ASIC Regulatory Guide 246: Conflicted remuneration
- ASIC RG 78 - Breach reporting by AFS licensees

4 Roles and responsibilities

Each business area is responsible for:

- Creating an environment that discourages and deters fraud, bribery and corruption;
- Responding to fraud, bribery and corruption if it does occur and reporting on any fraud, bribery or corruption matters to Risk & Compliance;
- Ensuring employees and third parties remain aware of their responsibilities for managing fraud, bribery and corruption;
- Monitoring changes in vulnerability to fraud, bribery and corruption (e.g. due to changes in business structures or expansion of geographic locations in which Pental conducts business); and
- Supporting and monitoring of fraud, bribery and corruption management practices.

All employees have the responsibility to report suspected fraud, bribery and/or corruption activities and are protected by the Pental Whistleblower Policy.

Risk & Compliance responsible for:

- Providing guidance on fraud and corruption management practices to the business as required;
- Checking compliance with regulatory and compliance obligations, and providing comfort to management that business policies and procedures are operating effectively;
- Ensuring employees are aware of policies and compliance obligations in relation to managing fraud and corruption;
- Considering the effectiveness of the control environment to manage fraud and corruption risk; and
- Reporting on any fraud, bribery or corruption matters to the Pental Board and/or their delegated Committees.

The Pental Group Company Secretary is responsible for:

- coordinating and arranging Pental's insurance cover against fraud, bribery and corruption;

5 Types of fraud

Examples of fraud relevant to Pental may include but are not limited to:

- Accounts receivable fraud (misappropriation or misdirection of remittances received by an entity from a debtor);
- False invoicing (involving an employee of Pental or a person external to Pental creating a fictitious invoice claiming payment for goods or services not delivered or exaggerating the value of goods delivered or services provided);
- Theft of funds other than by way of false invoicing;
- Credit card fraud involving the unauthorised use of a credit card or credit card number issued to another person or the use of stolen or fraudulently generated credit card;
- Financial reporting fraud (falsification of Pental's financial statements with a view to obtaining some form of improper financial benefit);
- Release or use of misleading or inaccurate information for the purposes of deceiving or misleading;
- Misuse of position by employees in order to gain some form of financial advantage;
- Improper registration and use of client assets, diversion of incoming/outgoing monies;
- Theft of intellectual property or other proprietary information, e.g. hacking of IT systems, appropriation and/or disclosure of confidential customer information, unlawful use of inside information;
- Payroll fraud, e.g. phantom employees;
- Misappropriation or unauthorised use of assets by employees or contractors; and
- Other unauthorised activities, e.g. hiding transactions, deliberately not reporting transactions and unauthorised transaction activity.

6 Types of bribery and corruption activity

Examples of bribery and corrupt activity relevant to Pental may include but are not limited to:

- Payment or receipt of secret commissions (e.g. bribes), which may be paid in cash or cash equivalents (e.g. gift vouchers) to the receiver and to those acting in an agency or fiduciary capacity and may relate to a specific decision or action by the receiver or generally;
- Release of confidential information for an improper business purpose in exchange for some form of benefit or advantage accruing to the employee releasing the information;
- Payment or solicitation of donations for an improper political purpose;
- Serious conflict of interest involving a director or executive of Pental or other entity acting in their own self-interest rather than acting in the interests of Pental (e.g. failure to declare to the Board an interest in a transaction that Pental is about to enter into or excessive payment of remuneration to directors and executives);
- Nepotism and cronyism where the appointee is inadequately qualified to perform the role to which he or she has been appointed;
- Gifts and/or hospitality intended to achieve a specific or generic commercial outcome; and
- Bribing officials (domestically or in foreign jurisdictions) by offering benefits to an individual in order to influence, secure or retain a contract or business advantage.

7 Prevention and detection

Preventive controls can greatly reduce the opportunity for fraud and corruption. Types of preventive controls include pre-employment screening and systems and premises access controls.

Detective controls are in place to quickly detect fraud, bribery and corruption when they occur. Types of detective controls include reconciliations, verification and monitoring. The specific preventive and detective controls within Pental are as follows:

- Establishment of a strong ethical culture supported by the Pental Code of Conduct;
- Senior Management commitment to managing the risks of fraud, bribery and corruption;
- Well defined roles with clear allocation of responsibilities;
- Monitoring of adherence to the Pental Code of Conduct;
- Employees are encouraged to take annual leave during the twelve (12) month period within which it is accrued. Where possible, employees are also encouraged to take a break from the workplace where they are absent for a period of ten (10) consecutive business days or more, subject to management approval as per the Pental leave policies;
- Ongoing communication on the importance of ethical standards through the regular dissemination of material via training, newsletters and websites;
- Incorporation of integrated ethical standards into performance management e.g. scorecards, performance appraisal systems and remuneration strategies;
- Mechanisms for the communication of ethical and other concerns inside and outside the normal channels of communication, e.g. as set out in the Pental Whistleblower Policy;
- Policies in place for Delegations of Authority and Execution of Documents;
- Policies prohibit donations and contributions to political parties by Pental or on behalf of Pental in its corporate capacity;
- Policies prohibit the payment of secret commissions (bribes) to those acting in an agency or fiduciary capacity where it may relate to a specific decision or action;
- Compliance with policies is monitored by Risk & Compliance and external audit;
- Independent monitoring of high risk areas by internal audit;
- Pre-employment screening and ongoing screening of high risk roles;
- Access to systems, information and premises is limited in accordance with policies and business requirements;
- Policies in place to restrict access to confidential and sensitive information (e.g. Information Barriers Policy);
- Gifts and Hospitality Policy in place, training provided and Gifts and Hospitality register maintained and monitored.
- Functions are segregated so no single department is responsible for conflicting functions;
- Client identification and verification procedures are compliant with AML/CTF requirements; and
- Control environments of service providers are monitored via regular reporting, on-site visits, external audit reports and independent control assurance documents (e.g. SAS70, GS007, ASAE3402).

8 Responding to detected fraud, bribery or corruption incidents

Suspected and actual cases of fraud are investigated and reported as outlined below:

8.1 Investigation of fraud, bribery or corruption

Risk & Compliance is responsible for managing suspected and actual cases of fraud, bribery or corruption. Representatives from Legal, Human Resources and Finance may be involved in the investigation. Where this may cause a conflict of interest or any of those departments is suspected to be involved in the fraud, bribery or corruption incident, the investigation will be managed by the General Counsel, Pental or their delegate.

Each fraud, bribery or corruption incident will be investigated in a confidential and sensitive manner, assessed on a case-by-case basis, and appropriate action will be taken via law enforcement agencies and/or disciplinary proceedings.

Steps will be taken by the relevant business area to prevent further loss and restore business as usual.

8.2 Reporting of Fraud, Bribery and Corruption

Confirmed fraud, bribery or corruption incidents are reported to law enforcement agencies or regulators for consideration of prosecution where:

- Pental is compelled to do so under legislative requirements;
- It is in the best interests of Pental's shareholders and other stakeholders; or
- Pental is required to fulfil its obligations as a good corporate citizen.

Confirmed fraud, bribery or corruption incidents are reported to the relevant Pental Group and Pental Boards and Committees.

9 Effectiveness of Fraud, Bribery and Corruption

The effectiveness of fraud, bribery and corruption prevention in Pental is monitored in the following ways:

- Risk & Compliance performs regular monitoring of controls and procedures, and analysis of suspected and confirmed fraud, bribery or corruption incidents;
- Ongoing monitoring and review of service providers;
- Annual internal audit reviews of Pental's control environment; and
- Annual external audit of Pental's control environment.

For more information contact Risk & Compliance
key account manager or visit pendalgroup.com

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