

Additional Information to the Product Disclosure Statement

Pendal Sustainable Australian Share Fund

APIR Code: WFS0285AU

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Issued 31 May 2022

Read this

The information in this document forms part of the Product Disclosure Statement for the Pendal Sustainable Australian Share Fund (Fund) dated 31 May 2022 (PDS). You should read this information together with the PDS before making a decision to invest into the Fund. This additional information is general information only and does not take into account your personal financial situation or needs.

1. Restrictions on withdrawals

There may be circumstances where your ability to withdraw from the Fund is restricted. The following text contains further information on restrictions on withdrawals and should be read in conjunction with the PDS.

If the Fund is illiquid (as defined in the Corporations Act), withdrawals from the Fund will only be possible if we make a withdrawal offer in accordance with the Corporations Act. We are not obliged to make such an offer. However, if we do, you are only able to withdraw your investment in accordance with the terms of a current withdrawal offer. If an insufficient amount of money is available from the assets specified in the withdrawal offer to satisfy withdrawal requests, the requests will be satisfied proportionately amongst those investors wishing to withdraw from the Fund. Under the Corporations Act, a trust is illiquid if it has less than 80% liquid assets (generally cash and marketable securities).

The constitution of the Fund also contains specific provisions that provide us with powers in relation to withdrawals. The specific provisions in the constitution are summarised below.

Provision	Explained
Payment of withdrawals by transfer of assets	We may transfer assets to you rather than pay cash in satisfaction of your withdrawal request. The assets must be of equal value to the total amount of your withdrawal based on a valuation done within 1 month before the proposed transfer date. We may require you to pay for the costs involved in the transfer of assets or we may deduct such costs from the amount payable to you.
Large withdrawals from a single investor	If we receive a withdrawal request from a single investor on a single Business Day which relates to more than 5% of the number of units on issue, we may treat that withdrawal request as 5 separate requests. Each of the 5 separate withdrawal requests will be regarded as a request for a one-fifth portion of the total number of units in the original request. Additionally, each of the 5 separate withdrawal requests will be taken to have been received on each of the 5 successive Business Days starting from the Business Day on which we received the original request.
Large withdrawals from multiple investors	If we receive a large amount of withdrawal requests that in total represent more than 10% of the units on issue over five consecutive Business Days, we can satisfy such withdrawal requests within 45 Business Days of when we received the requests.
Suspension of withdrawals	We may suspend withdrawals if and for so long as the Fund is illiquid. If we do so, the period we take to satisfy withdrawal requests will be extended by the period of the suspension. The withdrawal requests will receive the price that we determine immediately after we lift the suspension and accept the requests.

2. Indirect investors

The following text contains further information on indirect investors and should be read in conjunction with the PDS.

An investment in the Fund offered under the Fund's PDS through a master trust or wrap account does not entitle you to a direct interest in the Fund.

This means that the rights that apply to a person who invests directly in the Fund are not available to indirect investors but rather, to the operator or custodian of the master trust or wrap account. The operator or custodian of the master trust or wrap account will be recorded in the register as the investor and will be the person who exercises the rights and receives the benefits of an investor.

Persons who invest through a master trust or wrap account may be subject to different conditions from those referred to in the PDS, particularly in regard to:

- how to transact on your investment (initial and additional investments and withdrawals are determined by the master trust or wrap account operator);
- cooling-off period and rights (no cooling-off rights apply to any investments in the Fund acquired through a master trust or wrap account operator);
- timing of distributions, withdrawals and the processing of transactions are determined by the master trust or wrap account operator;
- cut-off times for transacting (eg applications and withdrawals) are determined by the master trust or wrap account operator;
- fund reporting and other documentation including notices about fee increases and other significant events (Fund reports and investor notices are sent to the master trust or wrap account operator who then provide this information to indirect investors);
- fees and other costs (additional fees and expenses may be charged by the operator or custodian of the master trust or wrap account).

Investors in the master trust or wrap account should contact their financial adviser or master trust or wrap account operator for any investor queries.

3. Labour, environmental, social and ethical considerations

The following text contains further information on the labour, environmental, social and ethical considerations that we take into account when selecting, retaining or realising investments in the Fund and should be read in conjunction with the PDS.

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

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

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

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

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

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

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

All reasonable care has been taken to implement the Fund’s exclusionary screens to meet the criteria described above. We draw on internal and supplementary external research, believed to be accurate, to determine whether a company is subject to the exclusionary screens. We regularly monitor compliance by the Fund’s holdings with the exclusionary screens (usually monthly, but this timeframe is not fixed).

If we discover an investment no longer meets our criteria, the investment will usually be sold within three months, having regard to the interests of investors (but this may vary on a case by case basis). However, as the nature and conduct of businesses may change over time, and publicly available financial or other information is not always comprehensive or up to date, we do not guarantee that the Fund will meet all of these criteria at all times.

The sustainability criteria and exclusionary screens applied to the Fund’s investments may exclude some companies from the investable pool of the Fund’s portfolio. For this reason the Fund’s performance may vary when compared to other funds that are able to invest in these companies. This risk should be considered when deciding whether to invest in the Fund.

4. Additional information about fees and costs

The following section provides further information about the fees and costs that you may be charged in relation to your investment in the Fund. You should note that the fees and costs set out in the PDS are based upon information from the financial year preceding the date of the PDS, except performance fees, which are based upon the average of the past five financial years of performance fees.

Unless otherwise stated, all fees and costs quoted in the PDS are quoted on a GST inclusive basis and net of any applicable Reduced Input Tax Credits (RITCs). Taxes are set out in section 7 of the PDS.

Additional explanation of fees and costs

Management fees and costs

Management fees and costs are comprised of the Fund's management fee and any indirect costs and expense recoveries.

Management fee

The management fee is the fee we charge for managing the assets and overseeing the operations of the Fund. Although we have the power to change our fees without your consent, we have no present intention to do so. If we increase the management fee, we will give you 30 days' written notice.

Indirect costs

Indirect costs are certain costs which we reasonably estimate will reduce, directly or indirectly, the Fund's return. Indirect costs may include underlying investment manager fees and costs and certain derivative costs. If any indirect costs are incurred, they would be reflected in the unit price of the Fund and would not be charged to you as a fee nor retained by us.

Based on information available to us as at the date of this PDS and having regard to the past financial year, the Fund incurred no indirect costs.

This information may change from year to year and prior notice will not ordinarily be provided. For the latest indirect costs, please visit www.pendalgroup.com, click on 'Products,' and refer to the 'Fees and Costs' document under 'Important Information.'

Expense recoveries

We are entitled to be reimbursed for expenses we incur in the proper performance of our duties and in connection with the day-to-day operation of the Fund.

At the date of this PDS, we pay these recoverable expenses (excluding any GST payable on our fees) out of our management fee and do not recover them from the Fund. However, if we decide to recover these expenses, in addition to the management fee in the future, we will give you 30 days' written notice.

Transaction costs

Transaction costs are the cost of buying and selling the Fund's assets. Transaction costs such as brokerage, bid-offer spreads on securities traded, settlement costs, clearing costs, over-the-counter (OTC) option costs and government charges may be incurred as a result of changes in a Fund's investment portfolio, either in relation to implementing the Fund's investment strategy or investors entering or exiting the Fund.

When the Fund changes its investment portfolio, transaction costs are paid out of the Fund's assets and are reflected in the daily unit price. They are not charged to you as an additional fee.

If you choose to enter or exit the Fund (to buy or sell units) some or all of the associated transaction costs will be recouped via the Fund's buy-sell spread (being the difference between the Fund's entry and exit unit prices). The transaction costs set out in the PDS are net of any amount recovered by the buy-sell spread.

For the past financial year, the estimated total transaction costs for the Fund were 0.08%¹. We estimate that the full amount was recouped via the buy-sell spread. Transaction costs and buy-sell spreads may vary from year to year depending upon market conditions, the market impact of transacting and volumes traded.

If a Fund is not offered for a full 12 months before the 30 June, then costs are based upon a reasonable estimate using the past year's transaction costs from the Fund inception date to 30 June and adjusted across a one-year period.

Rebates/waivers for interfunding arrangements

The Fund may invest from time to time in other funds that we, or a related entity manage (related fund). Our current policy is:

- no contribution fee is payable to the related fund
- management fees are either not collected by the Fund or if they are, they are rebated in full to the Fund
- where the related fund charges expense recoveries outside the management fee, these will also be rebated to the Fund.

However, we may change these arrangements at any time, in which case, we will give you 30 days' notice.

Differential fees

We may negotiate a rebate on all or part of our management fee with wholesale clients (as defined by the Corporations Act). The payment and terms of rebates are negotiated with wholesale clients and are at our discretion subject to the Corporation Act and ASIC policy.

Some funds may have a separate class of units to facilitate the negotiation of the management fee amount and means of payment by relevant investors.

Fees paid to master trusts, wrap accounts, financial advisers and other persons

Indirect investors – additional master trust or wrap account fees

For indirect investors accessing the Fund through a master trust or wrap account, additional fees and costs may apply. These fees and costs are stated in the offer document provided to you by your master trust or wrap account operator.

Product access payments and fund manager payments

From the fees we receive, we may pay product access payments (as a flat dollar amount each year) to wrap platforms, master trusts or other investment administration services (Platforms) for making the Fund available on their investment menus.

The amount of these payments may change during the life of the PDS. As these amounts are paid by us out of our own resources, they are not an additional cost to you.

Direct remuneration – financial advisers

Pendal does not pay commissions to financial advisers who provide financial product advice to retail investors.

Non-monetary benefits

We may make non-monetary payments or benefits (including sponsorships, gifts, and entertainment) to financial advisers, dealer groups and platform providers who provide financial product advice to retail investors where those payments are less than \$300 or are given in relation to providing information technology support or software used for professional development, or for genuine educational and training purposes.

If these amounts or benefits are provided, they are payable out of the fees and costs we are entitled to receive and are not an additional cost to you.

Register of non-monetary benefits

We maintain a register that outlines all the non-monetary payments or benefits that we make to financial advisers, dealer groups and platform providers or receive from them with a value between \$100 to \$300.

You can obtain a copy of this register by contacting our Client Services team.

Incidental fees and costs

Standard Government fees, duties and bank charges may also apply to your investments and withdrawals including dishonour fees and conversion costs.

¹ These costs are expressed as a percentage of the assets of the Fund and are based on a one-year period for the past financial year.

5. How managed investment schemes are taxed

Taxation

Investing in the Fund is likely to have tax consequences. Before investing in the Fund, you should obtain professional tax advice about the Australian tax consequences applicable to you, and if appropriate, any foreign tax consequences that may apply to you based on your particular circumstances.

The taxation information contained in this document reflects Australian tax laws and their interpretation as at the date of issue of this document.

Attribution Managed Investment Trust (AMIT) Regime

The AMIT tax regime is designed specifically for managed funds, to provide certainty and flexibility to managed funds and their investors.

We have elected that the Fund be an AMIT.

As an investor in the Fund, you will be taxed on the income of the Fund that has been attributed to you on a 'fair and reasonable basis' for each financial year that the Fund qualifies as an AMIT.

The AMIT Member Annual (AMMA) statement provided to you after the end of the financial year will set out the details of taxable income that has been attributed to you.

Taxation of the Fund

We intend to manage the Fund so that the Fund is not subject to Australian tax.

We do not expect the Fund to be subject to tax on the income of the Fund (other than in relation to withholding tax on foreign income or other taxes in respect of non-resident investors) as we intend that:

- when the Fund is an AMIT: all taxable income of the Fund will be 'attributed' to investors on a 'fair and reasonable' basis in each financial year and be reflected in the AMMA statement provided to investors; and
- when the Fund is not an AMIT: investors will continue to be presently entitled to all the net income of the Fund in each financial year and an investor's share of the net taxable income of the Fund will be reflected in the tax statement provided to the investor.

While the Fund is an AMIT, we have the discretion to accumulate income (instead of, or in addition to, distributing income to investors), and if we do so, the accumulated income will be reflected in the Fund's unit price. Our policy is generally to distribute the net income of the Fund (including net realised capital gains) for each financial year to investors.

If you disagree with our attribution of taxable income, you may write to the Commissioner of Taxation within 4 months of the end of the relevant income year. You will be required to provide us with a copy of this submission at the same time.

Taxation of Financial Arrangements (TOFA)

Broadly, the TOFA rules may affect the time at which gains and losses from financial arrangements are recognised for income tax purposes, including whether the gains and losses are recognised on an accruals rather than realisation basis or whether the gains and losses are on revenue account. The Fund should be subject to the TOFA rules and depending on the types of financial arrangements it holds, it may be required to recognise gains and losses from these financial arrangements on an accruals basis.

Individuals should not be directly subject to TOFA in respect of their investment, unless they have elected for the TOFA rules to apply.

Other investors may be directly subject to the TOFA rules in respect of their investment. Prospective investors should seek their own advice in relation to the potential applicability of TOFA in respect of their particular circumstances.

Withholding taxes

The Fund may derive income from foreign sources which is subject to foreign withholding taxes in those jurisdictions. Such taxes may be reduced under tax treaties which may exist between Australia and the respective foreign jurisdiction. The benefit of foreign taxes paid by the Fund will be attributed/ allocated to investors as foreign tax credits to the extent permitted by Australian tax laws.

Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS)

Foreign Tax Residency Information

We are required to identify tax residents of a country or countries other than Australia in order to meet account information reporting requirements under domestic and international laws.

If at any time after account opening, information in our possession suggests that you, or the entity or any individual who holds ownership and/or control in the entity of 25% or more (Controlling Person), may be a tax resident of a country or countries other than Australia, you may be contacted to provide further information. Failure to respond may lead to certain reporting requirements applying to the account.

A Controlling Person refers to the individual(s) that directly or indirectly own a legal interest in the entity of 25% or more and/or exercises actual effective control over the entity, whether from an economic or other perspective such as through voting rights. Where no individuals are identified as exercising control of the entity through ownership interests, the Controlling Person of the entity is deemed to be the individual(s) who hold the position of senior managing official. In the case of a trust, a Controlling Person includes the settlor(s), trustee(s), appointer(s), protector(s) or classes of beneficiaries and in the case of an entity other than a trust, the term includes persons of equivalent or similar positions.

Quoting your Tax File Number (TFN) or Australian Business Number (ABN)

Investors are not obliged to provide us with their TFN or ABN (if applicable), but if you are an Australian resident for tax purposes and you do not provide either, and do not claim a valid exemption, we are required to deduct tax from distributions that are paid as cash, reinvested or amounts attributed to you, at the highest marginal tax rate, plus the Medicare levy and other applicable levies.

Australian companies and other entities that invest in the course or furtherance of their registered business may provide us with their ABN instead of their TFN.

6. Terms used in this PDS

In this PDS:

‘ASIC’ means the Australian Securities and Investments Commission;

‘Bank Account’ means an account with an Australian Authorised Approved Deposit Taking Institution (which includes a building society and credit union);

‘Business Day’ means a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Sydney;

‘Fund’ means the Pental Sustainable Australian Share Fund ARSN 097 661 857;

‘Net Asset Value (NAV)’ means the total value of the assets minus the total liabilities of the Fund, as determined in accordance with the constitution;

‘responsible entity’ means Pental Fund Services Limited ABN 13 161 249 332, AFSL 431426;

‘we’, ‘our’, ‘us’ or ‘Pental’ means the responsible entity of the Fund and, where appropriate, Pental Institutional Limited;

Asset values of the Fund for the purposes described in this PDS are determined in accordance with the Fund’s constitution.