

Responsible Investing

Annual Report

2023



PELLA

RESPONSIBLE INVESTING

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Letter to Stakeholders

Welcome to Pella Funds Management's ('Pella') FY23 Responsible Investment Report ('RIR').

Responsible Investing (RI) marries sustainability targets with financial return targets. Both are important and delivering sustainability without returns, or vice-versa, is a failure. This dual mandate makes RI an equally rewarding and challenging strategy.

One of the most challenging aspects of RI is that it is not an exact science. Making RI decisions often requires judgment on questions like: is fast fashion unethical? Is Visa un-investable because it enabled payments to Pornhub (read our view here - [Visa, Porn, and our Red Line](#))? Are 'loot boxes' in computer games teaching children to gamble?

Just as effective law is often built on a solid constitution, the best RI decisions sit on top of an entrenched philosophy. In 2007, when we first entered the Ethical Investing industry (as it was known then), simply avoiding companies with harmful activities

was enough. Since then, the standards have progressed immeasurably. Today, RI requires deep incorporation of Environmental, Social, and Governance (ESG) factors, measuring of carbon intensity, appreciation, and implementation of Sustainable Development Goals (SDGs), voting transparency, and several other factors. Pella's philosophy is to embrace sustainability developments while recognizing that financial returns are equally important.

"The key is to identify companies with sustainability characteristics and generate attractive financial returns"

It is easy to invest in companies with sustainability characteristics, the difficulty is to identify companies that deliver both sustainability and attractive financial returns. This is unlikely to be consistently delivered by businesses that do not focus on Responsible Investing. It requires group-wide specialization and the appropriate corporate culture.

FY23 Responsible Investing Highlights ⁽¹⁾



Avoided all companies with activities or behaviour included in our exclusions list.



Aggregate ESG score of the Fund was superior to the Benchmark ⁽²⁾.



The Fund's carbon intensity was approximately 65% lower than the Benchmark ⁽²⁾.



Approximately 47% of the Fund was invested in companies with activities that unquestionably have a positive impact.



Pella voted in all the shareholder meetings and undertook projects to improve the behaviour of its investments.



Pella provided complete and timely communication on sustainability and financial performance.



Pella Global Generations Fund delivered greater financial returns than its Benchmark ⁽²⁾

(1) Past performance is not indicative of future performance

(2) MSCI ACWI (A\$, net)

The Harvard Business Review explains that corporate culture *expresses goals through values and beliefs and guides activity through shared assumptions and group norms*. Critically, these values, beliefs, assumptions, and norms need to take hold firmwide, rather than in a subset of the company.

“Firmwide commitment to behaviour that is consistent with RI philosophies is the best starting position to consistently deliver RI outcomes”

We believe that creating such a culture starts by doing internally what you seek others to do. A demonstrable firmwide commitment to behaviour that is consistent with RI philosophies is the best starting position to consistently deliver RI outcomes.

Firmwide commitment has an added benefit for investors in RI strategies. Firstly, it should increase their trust in the investment manager’s dedication to RI. Secondly, it implies that none of their money will be used to support activities contrary to their values.

A fund manager that moonlights in RI likely makes other investments that are contrary to RI characteristics. For example, while one fund is avoiding casinos and weapons, a sister fund is investing in those activities. This means the RI strategy might aid the non-RI strategy by sharing resources, or even helping to fund the growth of the non-RI funds.

Given the importance of a firmwide commitment to RI, one of Pella’s primary objectives during FY23 was to enhance the company’s sustainability structures. Examples of these actions include:

- Pella joined the [Pledge 1%](#) community of companies that pledge either 1% of their time, equity, product, or profit to philanthropic causes. Pella pledged 1% of employee time, by committing to one volunteer day per quarter.
- Volunteered at [Thread Together](#) (three times) and [ReLove](#) (once). Thread Together solves the problem of too much new clothing heading to the dump, by diverting it to people in need. ReLove provides furniture and furnishings to people in need such as those escaping domestic violence,

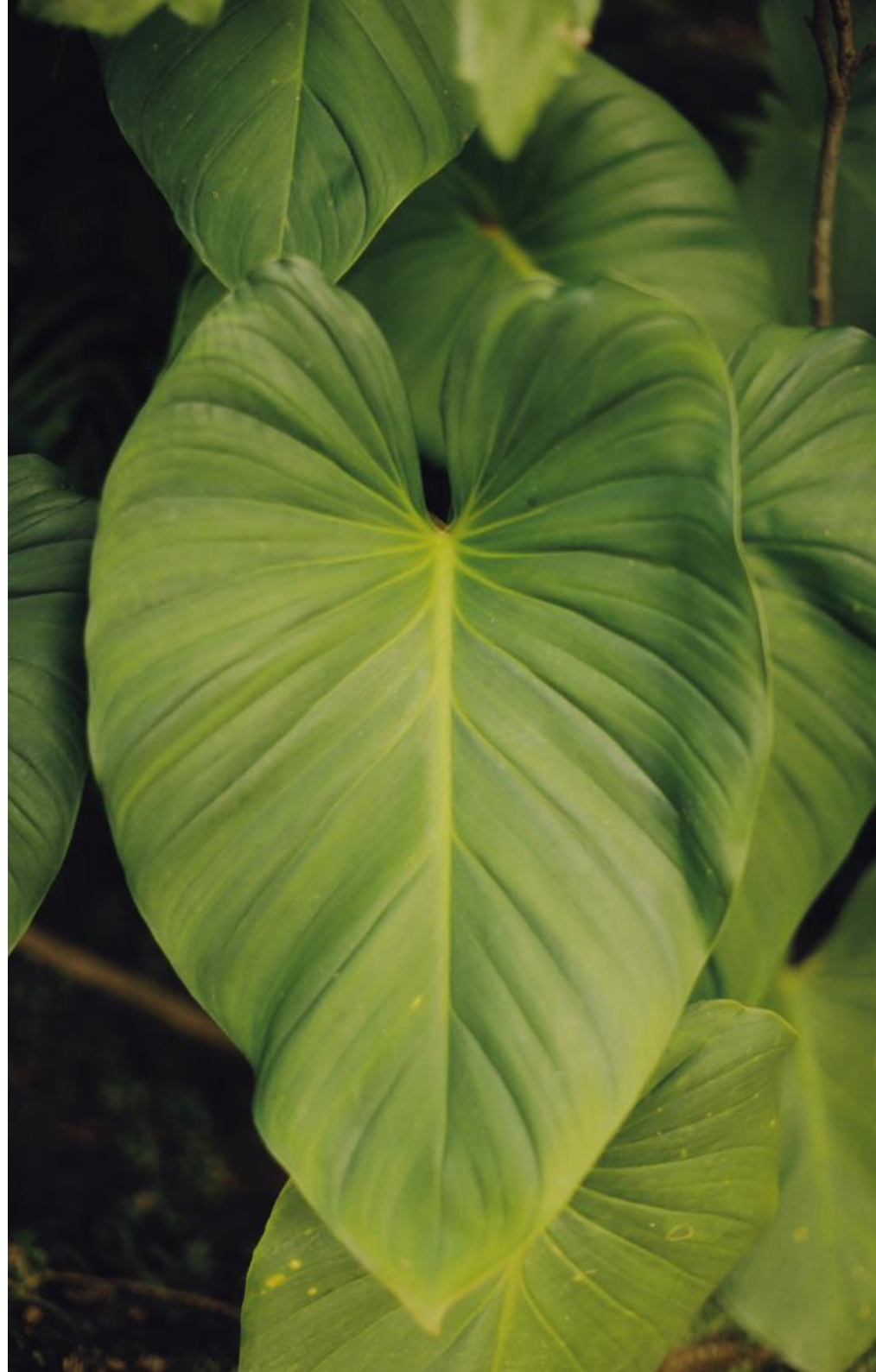
refugees, and individuals transitioning away from incarceration.

- Commenced the process to become verifiably carbon neutral. We appointed carbon neutral consultants, [Pangolin Associates](#), to assist us along this path.
- Remained a signatory to the United Nations Global Compact (UNGC) - the UNGC is a pact to get businesses to adopt sustainable and socially responsible policies, and to report on their implementation. Pella actively encourages all its investments to become signatories of the UNGC and believe we need to do likewise to have the authority to make that request.
- Remained a signatory to the United Nations Principles for Responsible Investment (UNPRI) - the UNPRI works to promote sustainable investment through the incorporation of ESG considerations into investment decision-making and ownership practice.
- Wrote the [Pella Code of Ethics](#).
- Wrote insight pieces on sustainability values, including: [Visa, Porn, and our Red Line](#), and [Conscious Capitalism Explained](#).

- Implemented several additional internal ESG policies and procedures, for example; recycling of electronic waste, default preference for environmentally friendly stationery, and paid paternity leave (in addition to existing maternity leave).

We believe Pella is delivering above the corporate average level of sustainability, which assists us to deliver our investment targets of superior sustainability and returns to the market.

The financial return performance is readily available and easily measured, with the key point that Pella outperformed its benchmark. The sustainability performance can't be boiled down to a single set of figures and this document discusses the Fund's performance across several sustainability criteria. We believe it communicates that the Fund has delivered superior sustainability to its benchmark.



About This Report

The RIR is an annual report Pella provides to offer clear, precise, and useful insight into our Responsible Investing activities and performance, with a focus on sustainability outcomes, over the preceding financial year.

The RIR is the parent of the Pella's Responsible Investing reporting regime. The other documents Pella uses to communicate with its stakeholders include:

- Monthly Fund Factsheets - top ten positions, major performance contributors, ESG rating distribution, portfolio carbon intensity, and sector, geography, market cap exposure.
- Quarterly Reports - all the items included in the Monthly Fund Factsheets and a full list of portfolio holdings, CIO opinion piece, Responsible Investing commentary, and a stock example.
- Investment and Portfolio Summary - overview of the portfolio and each holding. This is made available to the Fund's unitholders.

- Regular articles - during FY23 Pella prepared four articles covering several issues including sustainability, economic issues, and market insights.

This report begins with an overview of Responsible Investing and an introduction into Pella and its Responsible Investing philosophy. Following that is the analysis of each aspect of Pella's Responsible Investing performance over the financial year.

Pella operates a single strategy over two funds, Pella Global Generations Fund ('PGGF' - Australia domiciled), and Pella Global Securities Sustainable Fund ('PGSS' - Luxembourg domiciled).

The analysis in this document covers the whole of FY23, however, the PGSS was launched in Jan-23, meaning it only operated for part of the year. Regardless, these funds are intended to mirror each other, meaning the analysis in this document is applicable to both strategies. For ease and simplicity, this report refers to the Fund, which includes PGGF and PGSS.

The analysis includes:

Disclosure

Full disclosure of every position held by the Fund during FY23

Transparency

Full description of excluded activities

Explanations

Explanation of Pella's norms-based requirements and key issues faced during the financial year

Reporting

ESG performance and attribution and Carbon intensity

Stewardship

Pella provides a summary on stewardship activities

Positive impact

Pella has taken an extremely cautious approach to reporting the Fund's positive impact due to our concerns about the accuracy of such measures

Positive impact calculations are at high risk of 'Greenwashing'. We have observed companies like McDonald's being included in the anti-poverty impact, HelloFresh (a German meal kit company) as a resource efficiency investment, and J.B. Hunt (one of the US's largest semi-trailer trucking businesses) as a Sustainable Transport business. Pella believes these claims are spurious, which is a view shared with the major European regulators that are increasingly cracking down on greenwashing where funds make spurious positive impact claims.

Rather than lead you down a fictitious view of positivity this report will provide a conservative view of the companies that we believe have a meaningful positive impact. We are confident that if the full portfolio was measured using the more liberal models applied in the market the Fund's positive impact exposure would be materially higher.

We hope the RIR brings about honest consideration and lively debate of Pella's Responsible Investing performance while providing Pella with a platform to express its own performance assessment and targets.



Responsible Investing

The sustainability component of Responsible Investing involves incorporating the consideration of society, the planet, and people into investment decisions. This is critical because these factors should align with investors' values, and they can have a material impact on investment results.

A Fund's unitholders are shareholders in the Fund's investments and shareholders are the owners of the businesses. If you are not comfortable owning a factory that makes bullets, then you are most likely not comfortable owning shares in a company like Boeing, which makes bombs. If you would be wary investing in a company that has a history of product safety lapses, including one that resulted in a child fatality, and appears to operate manufacturing facilities that lack certifications from internationally recognized quality standards, then Peloton Interactive may not be right for you. The key message is that unitholders must ask themselves what types of businesses they are comfortable owning.

Values-based factors are meaningful investment return considerations. Investors that are concerned about the rising financial and regulatory costs of carbon would probably prefer to invest in a fund with low carbon intensity. Investors seeking to narrow the principal-agent costs should seek funds that hold companies with high governance scores. Those who believe shareholders can influence company economics in a positive way, should seek a fund that votes in an informed manner at all shareholder meetings.

There are a dizzying number of strategies and tautology that could be used in value-based investing, including: ethical; environmental, social and governance (ESG); socially responsible investing (SRI); sustainable; impact; exclusionary; and themed. It is rare to have consensus definitions of each strategy or for a value-based approach to be pigeon-holed into just one of these categories. To deal with this ambiguity Pella defines its strategy as *Responsible Investing*, which involves several strategies and approaches.



About Pella

Pella was established in 2021 with a team that goes back to 2015 and a process developed in 2005. Pella is a young company with an established heritage.

Pella is dedicated to Responsible Investing and one of the company's primary targets is to not harm the world, while recognising there is no such thing as a "perfect" company. To deliver this outcome Pella applies several measures, including ESG scores and ratings, analysis of specific ESG factors, portfolio carbon intensity, voting participation, corporate engagement, and transparent and timely reporting.

One of the primary reasons for establishing Pella was to build a company entirely dedicated to Responsible Investing. Investors in Pella's funds are not indirectly supporting a sister fund that invests in casinos, fossil fuels, or alcohol. This is important because it demonstrates that Pella is entirely committed to Responsible Investing, rather than simply creating another investment product to take advantage of a market opportunity.



Jordan Cvetanovski
CIO & Portfolio
Manager



Steven Glass, CFA
Managing Director &
Investment Analyst



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Ryan Fisher
Investment Analyst



Ronald, Yu, CFA
Investment Analyst



Anthony Hammond
Consulting COO



Dr. Ian Woods
Advisory Board
Former AMP, Co-Head of
Sustainable Invest.



Debbie Alliston
Advisory Board
Previous CIO AMP
Capital Multi-Asset



Prof. Greg Kaplan
Advisory Board
Prof. economics Uni. of
Chicago

Pella's principals have always believed that shareholders are business owners and, as owners, our investments must align with our values. In the early days that meant avoiding companies whose primary activities were at odds with our values, including casinos, armament, animal cruelty, coal-based electricity generation, and more. At the time, this was considered the vanguard of Responsible Investing.

Since those early days Responsible Investing has evolved and has become more sophisticated. Avoiding 'sin-companies' is now an entry ramp and investors demand far more. Today, Responsible Investing requires incorporation of Environmental, Social, and Governance factors into the investment process; strategies to reduce a fund's carbon footprint; informed participation in all shareholder votes; engaging with investee companies to improve their sustainability; and reporting all outcomes to stakeholders in a transparent and coherent manner.

Pella has embraced all these principles but acknowledges there is more to be done. Responsible Investing is a journey that we have embraced and are excited to be on. It is our hope that ten years from today we will look back on our performance communicated

in this report and acknowledge how much further we have developed. We invite you to join us on our journey as we seek to generate exceptional financial results applying unwavering values and helping investors thrive at no cost to current or future generations.



Analysis Scorecard

Table 1 summarises Pella’s FY23 Responsible Investing scorecard. Pella believes that it delivered against all key metrics ⁽¹⁾.

Following the FY23 performance, key projects for FY24, include:

- Prepare a submission at Marsh & McLennan’s AGM for that company to improve its fossil fuel related disclosure.
- Prepare a submission to the SEC to establish a requirement for retailers to disclose their tobacco-related revenue.
- Convince more investee companies to become UN Global Compact signatories.
- Pella (the company) to achieve carbon neutrality.

(1) Past performance is not indicative of future performance

Table 1 - FY23 Responsible Investment Scorecard

Area	Discussion
Transparency	Pella provided full fund portfolio positions in its Quarterly Reports and all positions held during FY23 in this report. Pella also shared key fund Sustainability data in each Monthly and Quarterly report.
Excluded activities	The Fund did not invest in any companies involved in excluded activities during FY23.
Norms-Based Requirements	The most severe investment controversy the Fund faced during FY23 relates to Visa’s lethargic response to allegations of facilitating payments for child Porn content. In response, Pella exited the position and prepared a piece to communicate our reasons and thinking behind the decision.
Environment, Social, Governance	The Fund’s Environment, Social, Governance, and Total MSCI ESG scores were superior to the Benchmark’s. This performance was predominantly delivered through stock selection rather than sector selection. In addition, 86% of the Fund’s investments were in companies rated higher than A and 100% of the Fund investments were in companies rated higher than BBB. The Fund had no exposure to companies rated BB, B or CCC.
Carbon Intensity	<ul style="list-style-type: none"> • The Fund - carbon intensity as measured by CO2/EV was 65% below the Benchmark, and as measured by CO2/Revenue was 69% below the Benchmark. • The company (Pella) - commenced the process to become verifiably carbon neutral. We appointed carbon neutral consultants, Pangolin Associates, to assist us along this path. A complete analysis of Pella’s



carbon footprint was completed, and we will purchase carbon credits to offset our carbon footprint.

Positive Impact

The Fund held positions in companies with positive impact whenever Pella identified such companies that satisfied its financial requirements. During FY23 Pella calculates that approximately 47% of the Fund was invested in companies that generated some revenue from activities falling within Pella’s positive impact themes; and 35% of the portfolio was invested in companies that generated at least 20% of their revenues from activities falling within Pella’s positive impact themes. The Fund’s largest positive theme exposure was *Improved Health*.

Voting

Pella submitted votes in all the meetings it was able to do so. This involved rectifying an issue we experienced in FY22 relating to Sweden-domiciled companies.

Pella was involved in four initiatives in FY23.

Initiatives

1. Pella’s ongoing efforts to encourage all the Fund’s investee companies to become signatories to the UN Global Compact.
2. Pella requested large prosthetic limb manufacturers to donate prosthetic limbs to the [United Ukraine Appeal](#) for civilian victims of the Russia/Ukraine conflict.
3. Seeking improved tobacco-related disclosure from retailers. This is an ongoing project and Pella is currently preparing a submission to the US Securities and Exchange Commission (SEC) and potentially other regulators to establish a requirement for retailers to disclose their tobacco-related revenue.
4. Continued efforts to make Marsh & McLennan disclose its fossil fuel related exposure.

Source - Pella

Investments

Table 2 lists every investment held by the Fund during FY23. The list includes the sector the company operates in, which can be helpful

for identifying excluded activities, the company's MSCI ESG rating and its carbon intensity relative to enterprise value and revenue.

Table 2 - Fund investments during FY23 ⁽¹⁾

Name	GICS Sector	ESG rating	CO2/EV ⁽²⁾	CO2/Revenue ⁽³⁾	Name	GICS Sector	ESG rating	CO2/EV ⁽²⁾	CO2/Revenue ⁽³⁾
3i Group Plc	Financials	AAA	0.0	0.2	IQVIA Holdings	Health Care	A	0.5	2.6
Adobe	Information Technology	AAA	0.2	4.0	JD Sports Fashion	Consumer Discretionary	A	4.6	6.8
Adyen NV	Information Technology	A	0.0	0.4	Marsh & McLennan Cos.	Financials	A	1.5	7.1
AIA Group Ltd.	Financials	AA	0.2	0.6	Microsoft Corp.	Information Technology	AAA	2.4	29.0
Albemarle Corp.	Materials	BBB	31.0	270.1	Novo Nordisk A/S	Health Care	AAA	0.3	3.6
Alphabet	Communication Services	BBB	1.0	7.3	Nutrien Ltd.	Materials	AA	280.9	500.4
Amedisys	Health Care	AA	20.9	31.2	Ørsted A/S	Utilities	AAA	42.4	185.6
Antofagasta Plc	Materials	AA	93.5	312.4	Ping An Insurance (Group) Co.	Financials	A	0.8	1.9
Ashtead Group Plc	Industrials	AA	10.8	44.6	RingCentral	Information Technology	AA	0.6	7.8
ASML Holding NV	Information Technology	AAA	0.6	8.7	Samsung Electronics Co.	Information Technology	A	64.5	85.8
Atlas Copco AB	Industrials	AA	2.0	10.1	Schneider Electric	Industrials	AAA	3.2	8.9
B&M European Value Retail SA	Consumer Discretionary	A	9.3	15.7	STMicroelectronics	Information Technology	AAA	26.5	98.8

BMW	Consumer Discretionary	AA	4.6	6.6	Stora Enso Oyj	Materials	AAA	124.1	202.4
Boliden AB	Materials	AAA	74.7	102.1	Sunrun	Industrials	AA	2.7	25.5
CME Group	Financials	BBB	0.3	4.3	TSMC	Information Technology	AAA	27.8	197.8
Deutsche Börse	Financials	AAA	0.1	0.8	Texas Instruments	Information Technology	AAA	13.1	113.6
Dollar General	Consumer Staples	BBB	28.9	51.7	The Cigna Group	Health Care	AA	1.0	0.6
Enphase Energy	Information Technology	A	0.4	6.7	The Mosaic Co.	Materials	A	240.7	366.6
Epiroc AB	Industrials	AA	1.8	9.6	Thermo Fisher Scientific	Health Care	BBB	2.6	16.9
Fiserv	Financials	A	1.4	7.5	UnitedHealth Group	Health Care	AA	0.8	1.5
Flow Traders Ltd.	Financials	A	1.0	2.0	VINCI SA	Industrials	A	24.8	41.0
Halozyme Therapeutics	Health Care	BBB	2.6	37.2	Visa	Financials	A	0.2	2.6
HDFC Bank ⁽⁴⁾	Financials	BBB	0.6	1.6	Vulcan Materials	Materials	BBB	41.0	206.2
Intuit	Information Technology	AAA	0.1	1.1	Weyerhaeuser	Real Estate	AA	33.4	91.4
Intuitive Surgical	Health Care	A	1.2	20.1					

Source - Pella, MSCI

(1) Alphabetical order

(2) CO₂ to EV = millions of tonnes of carbon emissions (scope 1 and 2) per US\$m of enterprise value

(3) CO₂ to sales = millions of tonnes of carbon emissions (scope 1 and 2) per US\$m of sales

(4) MSCI does not provide ESG rating or carbon intensity for HDFC Bank, therefore Pella used HDFC Life Insurance as a proxy

Excluded Activities

Negative Screens are applied at the start of the research process. Companies generating revenue from the activities listed in Table 3 are excluded from Pella's investment universe. Pella identifies these companies using its own fundamental analysis, supplemented with research from external research providers. Pella calculates there are approximately 740 companies with market capitalizations of >US\$1.5Bn that fall into the excluded activities list.

Pella's investment process starts with an analysis of key revenue drivers so that Pella doesn't waste time researching companies that fall into the exclusion list. The exclusion list is also activated if a company in Pella's investment universe moves into one of the excluded activities, which would trigger an automatic sell if the company was in the portfolio.

During the year in review Pella did not invest in any companies whose activities fell into the excluded list. One company that Pella did invest in that requires some discussion is Orsted, which is a Danish

electricity generator that is the world's largest offshore wind developer and is a bellwether renewable electricity company.

As explained in Table 3, Pella supports businesses transitioning away from thermal coal and will allow electricity generators that generate <5% of their revenue from thermal coal generation but are transitioning away from thermal coal and will fully exit thermal coal powered generation within three years from Pella's initial investment in the company. Orsted fulfills these requirements as Pella calculates that coal accounts for <5% of the company's electricity generation and it is actively exiting that exposure and should be entirely out within the next 2 years.

Activity exclusions



Uranium



Tobacco



Animal Cruelty



Weapons



Gambling



GMO Seeds



Fossil Fuels*



Prisons



Pornography



Alcohol



Norms-Based



Deforestation

Table 3 - Negative screen revenue materiality

Activity	Revenue materiality	Rationale
Alcoholic beverages manufacturing	0%	Research shows alcoholic beverages can be consumed in moderation but provide minimal health or societal benefits while being the cause of several severe negative outcomes. Pella excludes companies that generate revenue from manufacturing alcoholic beverages.
Animal cruelty	0% for cosmetic testing, crowd entertainment, intensive animal husbandry	There is no need to test cosmetics on animals or to use animals for live crowd entertainment. Pella does not oppose humanely farming for human consumption (food or by-products) however, those animals should be treated with dignity and have a good quality of life.
Correctional facilities	0%	Pella believes that profiting from the incarceration of people is a breach of human rights. Further, there is evidence that the profit motive can encourage an increase in the number and term of incarcerations.
Deforestation	0%	An old-growth forest has attained great age without significant disturbance and exhibits unique ecological features. Pella believes that cutting down these forests cause unnecessary damage as specialised tree plantations can be used for wood and existing farmland can be used more productively. Pella excludes companies with direct exposure to destroying old-growth forests, including paper and pulp companies that use old-growth wood, transporters of such wood, and manufacturers that use old growth palm trees.
Fossil fuel generation	0% - thermal coal ⁽¹⁾ 15% - gas	Fossil fuels are leading sources of greenhouse gas emissions and other environmental damage, including ecological damage from oil spills. The developed world is rapidly approaching a point where it is technically and economically possible to replace fossil fuels with sustainable alternatives for most of our energy and manufacturing needs. To encourage this transition Pella excludes companies that generate revenue from thermal coal power generation and companies that generate more than 15% of their revenue from gas-fired generation. The 15% threshold reflects the use of standby gas generation for peak load scenarios, which often cannot be provided by renewable energy. This threshold will decline as batteries become a viable alternative to gas for peak load electricity generation.
Fossil fuel mining/exploration	0%	Pella opposes growth in fossil fuel usage and mining extraction of these commodities and excludes companies with any direct exposure to fossil fuel exploration.
Gambling	0%	Gambling provides no societal benefits and comes as a material cost to portions of society. Pella regards it as an activity that causes unnecessary harm and excludes enterprises that generate any revenue from direct exposure to slot machines, casino operations (online and/or physical), lotteries, sports/other betting.

GMO seeds manufacturing	0%	Pella has two primary concerns with GMO seeds: (i) excessive corporate dominance as farmers become locked into the seed manufacturers; (ii) potential negative environmental impact from GMO seeds usurping traditional seeds in the ecosystem.
Norms-Based	0%	Norms-based screen involves identifying and excluding companies that do not meet minimum standards of business practices based on international norms and conventions, primarily based on the UN Global Compact (UNGC).
Porn	0%	Porn provides no societal benefits and comes at a material cost to portions of society. Pella regards it as an activity that causes unnecessary harm and excludes enterprises that generate any of revenue from Porn related activities.
Tobacco	0%	Tobacco products provide minimal if any health or societal benefits while being the cause of several severe negative health outcomes. Pella excludes companies involved in the production of tobacco or with significant ownership in such companies.
Uranium mining	0%	Uranium has a half-life of 4.5 billion years and is the cause of significant environmental damage if not properly contained during that time. Furthermore, uranium is the key input for atomic weapons. Pella has zero tolerance for weapons, and it is increasingly economically and technically possible to replace uranium with sustainable energy.
Weapons	0%	There is no productive use for any weapon designed to kill, maim, or otherwise severely injury people. Pella excludes companies that generate any revenue from selling or distributing such weapons or weapon delivery systems. This exclusion is all encompassing and includes weapons and delivery systems that that comply with weapon treaties including: Treaty on the Non-Proliferation of Nuclear Weapons (1968), Biological Weapons Convention (1975), Ottawa Treaty (1997), Chemical Weapons Convention (1997), and Convention on Cluster Munitions (2008).

Source - Pella

(1) Pella supports businesses transitioning away from thermal coal and will allow electricity generators that generate <5% of their revenue from thermal coal generation but are transitioning away from thermal coal and will fully exit thermal coal powered generation within three years from Pella's initial investment in the company

Norms-Based Requirements

Norms-Based Requirements involves excluding companies that do not meet minimum standards of business practices based on international norms and conventions. These practices are identified by analysing controversies.

Pella applies these controversy screens to identify norms-based breaches at the start of its fundamental research and monitors compliance throughout an investment's holding period. Pella primarily focuses on compliance with the UN Global Compact.

The most significant norms-based consideration Pella encountered during FY23 relates to Visa Inc.

Newswires reported that Visa allegedly knowingly enabled payments for child Porn on Pornhub. In our research, Pella did not identify anything to suggest that Visa had any specific knowledge of, or was complicit in, the alleged illegal behaviour by MindGeek (owner of Pornhub). However, we were concerned about Visa's apparent delayed and inconsistent response to the allegations. Given child Porn is a severe

controversy, Pella determined that Visa's lethargic response to the allegations was a breach of Norms-Based requirements, and we fully exited Visa. For further explanation please refer to ['Visa, Porn, and our Red Line'](#).

In the [FY22 Responsible Investment Report](#), we communicated that Pella would seek to resolve a controversy related to Marsh & McLennan ('MMC'), an insurance broker the Fund has a position in. During FY22, MMC facilitated insurance for a controversial oil pipeline in Africa, which we learned about following an article prepared by The Bureau of Investigative Journalism.

Pella's position is that MMC's behaviour was not a breach of the Norms-Based requirements because MMC's role is peripheral to the pipeline and there is an opportunity to work with MMC to improve the insurance broking industry's approach to these matters. However, we were concerned about the lack of disclosure.

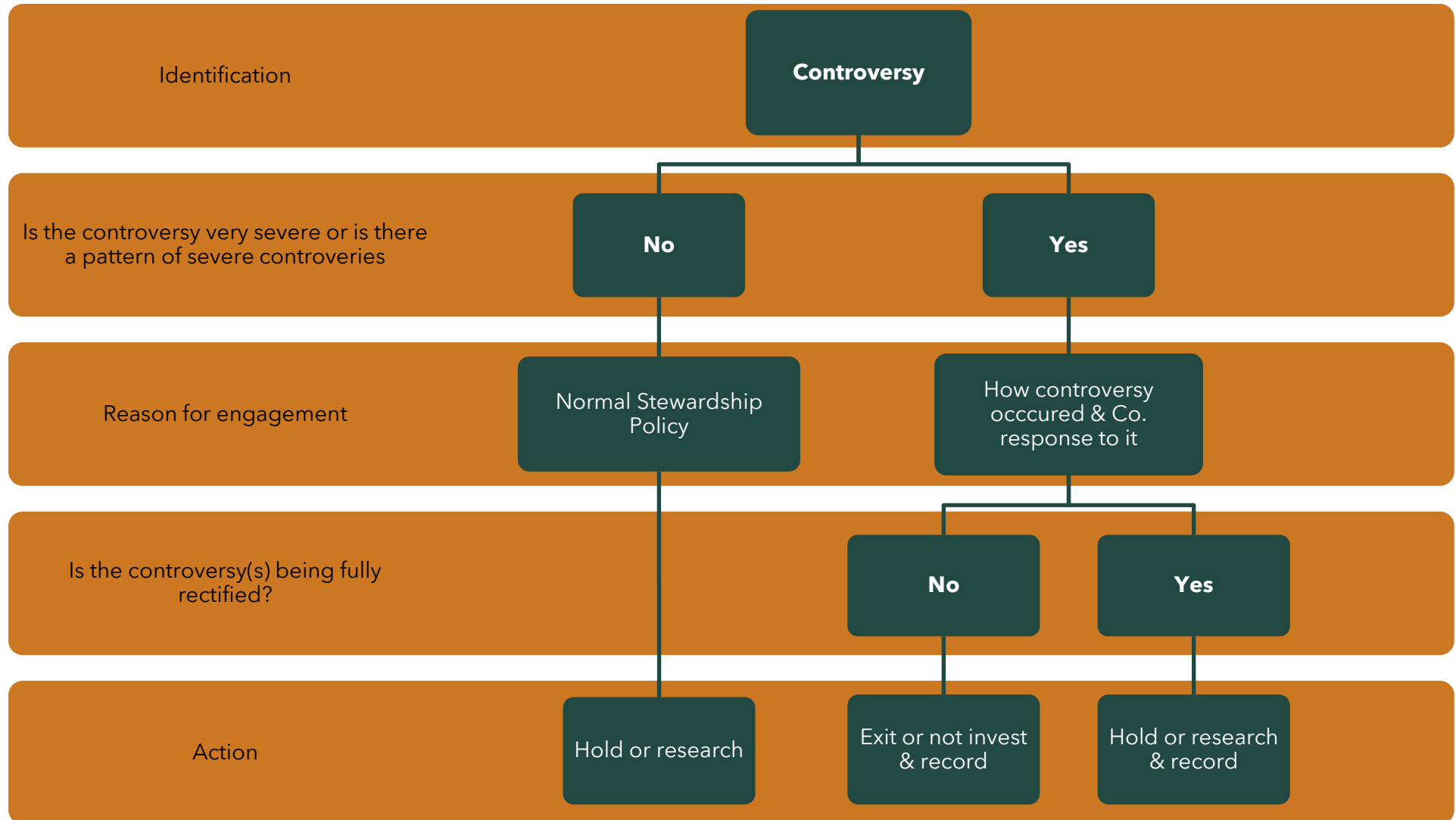
Our initial intention was to submit a resolution to that effect at MMC's AGM.

However, we learned that Pella had not held a sufficiently large position in that company for long enough to submit the proposal at MMC's next AGM, in 2023.

In lieu of that, Pella prepared a letter for MMC's ESG Committee requesting that MMC *"makes additional disclosures regarding its exposure to the fossil fuel sector. Specifically, Pella is requesting that MMC issue a report, at reasonable cost and omitting proprietary information, addressing whether and how it intends to measure, disclose, and reduce the GHG emissions associated with its underwriting, insuring, and investment activities in alignment with the Paris Agreement's 1.5°C goal."*

MMC responded that it does *"not currently plan to disclose engagements (or related revenue) with any specific industries at this time"*. Pella is unsatisfied with MMC's response. We now satisfy the requirements to submit a resolution at MMC's AGMs, which we intend to do for its 2024 AGM.

Figure 1 - Pella process for managing controversies and norms-based issues



Source - Pella

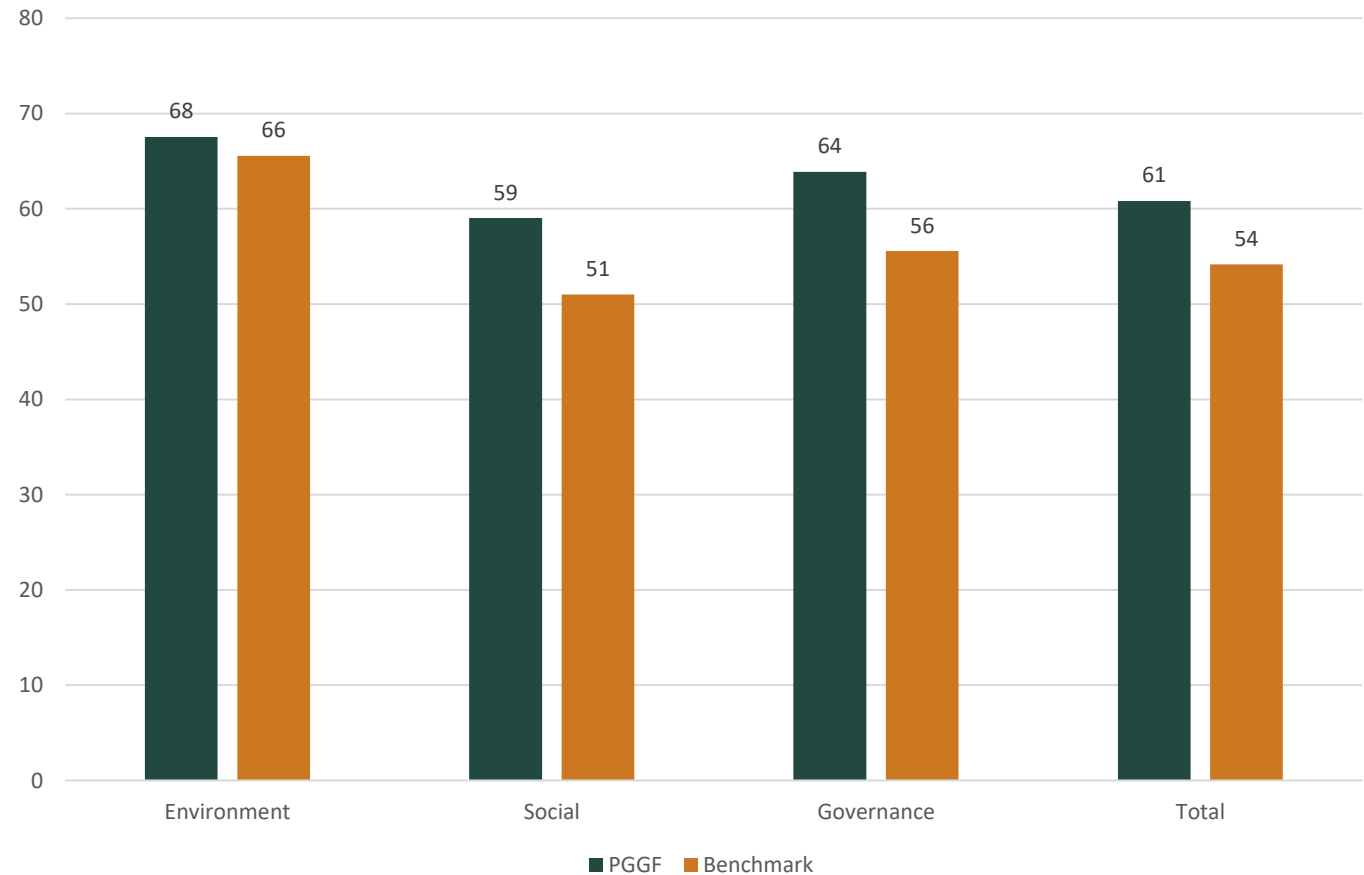
ESG Performance

ESG Score Vs Benchmark

Figure 2 illustrates the MSCI ESG scores for the PGGF and its Benchmark. The figures are calculated using the average weights of each stock over the period of analysis and the rating as at the end of the financial year.

Based on these figures, the PGGF delivered higher scores across the Environment, Social, and Governance measures, resulting in a superior overall ESG score.

Figure 2 - ESG scores - Pella Global Generations Fund & Benchmark ⁽¹⁾



Source - Pella, MSCI ESG Manager

(1) Past performance is not indicative of future performance

ESG Score Attribution

Table 4 is the PGGF's ESG score attribution analysis. The role of this analysis is to identify the primary drivers of the PGGF's and its Benchmark's ESG rating differential. The table demonstrates that most of the PGGF's superior ESG score is from stock selection rather than sector allocation. This means the PGGF selected the companies with higher ESG scores within the sectors that Pella invested in.

Measured by the Stock Selection metric, the Fund performed particularly strongly in the Information Technology segment, which was explained by the PGGF's investment in high-ESG scoring companies such as ASML, Texas Instruments, Adobe, STMicroelectronics, and TSMC.

The Fund's weakest sector by Stock Selection was Consumer Staples. The Fund only had one position in that sector, Dollar General, whose ESG score was below its peers.

This analysis demonstrates that the Fund delivered a higher MSCI ESG score than its Benchmark.

Table 4 - ESG score attribution analysis ⁽¹⁾

	Weighted ESG Score		Attribution		
	PGGF	Benchmark	Sector Allocation	Stock Selection	Total
Health Care	62	57	5	1	6
Industrials	63	57	3	1	3
Materials	61	53	2	1	3
Financials	60	53	2	1	4
Information Technology	68	57	-1	2	1
N/A	0	12	0	0	0
Utilities	83	66	-1	0	-1
Real Estate	55	60	-1	0	-1
Consumer Discretionary	51	51	-1	0	-1
Communication Services	44	49	-1	0	-2
Consumer Staples	47	54	-2	0	-2
Energy	0	57	-3	0	-3
Total	61	54	1	6	7

Source - Pella

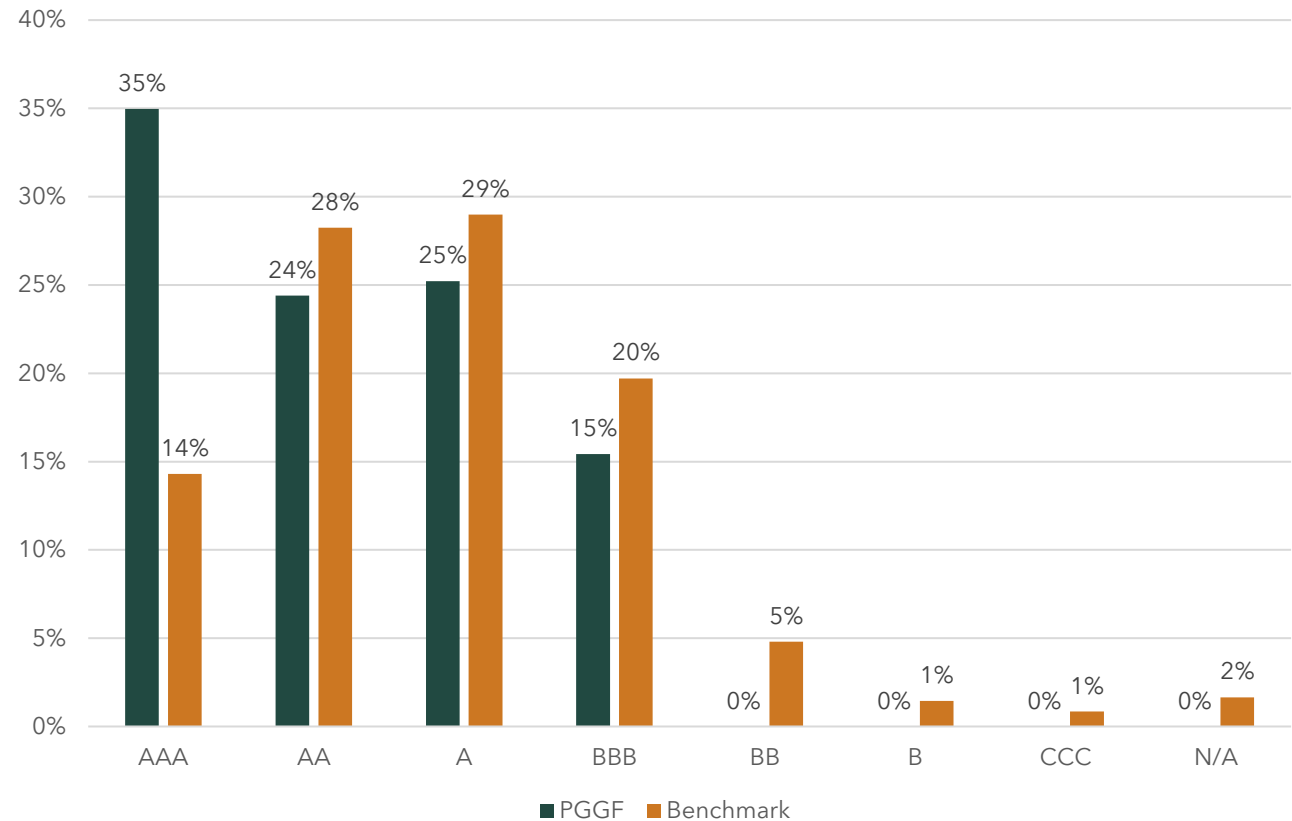
(1) Past performance is not indicative of future performance

ESG Rating Distribution

Figure 3 illustrates the ESG rating distribution for the Fund and the Benchmark. The data points to the Fund having 85% of its invested portion in stocks rated 'A', 'AA', or 'AAA', which is materially ahead of the required 30% floor. Further, 100% of the invested portion of the Fund was invested in stocks rated 'BBB' or higher, which is ahead of the required 70% limit. The Fund had zero exposure to stocks rated BB, B, or CCC.

This analysis demonstrates that the Fund complied with this ESG rating targets.

Figure 3 - ESG rating distribution ^{(1), (2)}



Source - Pella, MSCI ESG Manager

(1) PGGF is grossed up for cash and Benchmark is grossed up for stocks that are not rated by MSCI

(2) Past performance is not indicative of future performance

Carbon Intensity

The Fund

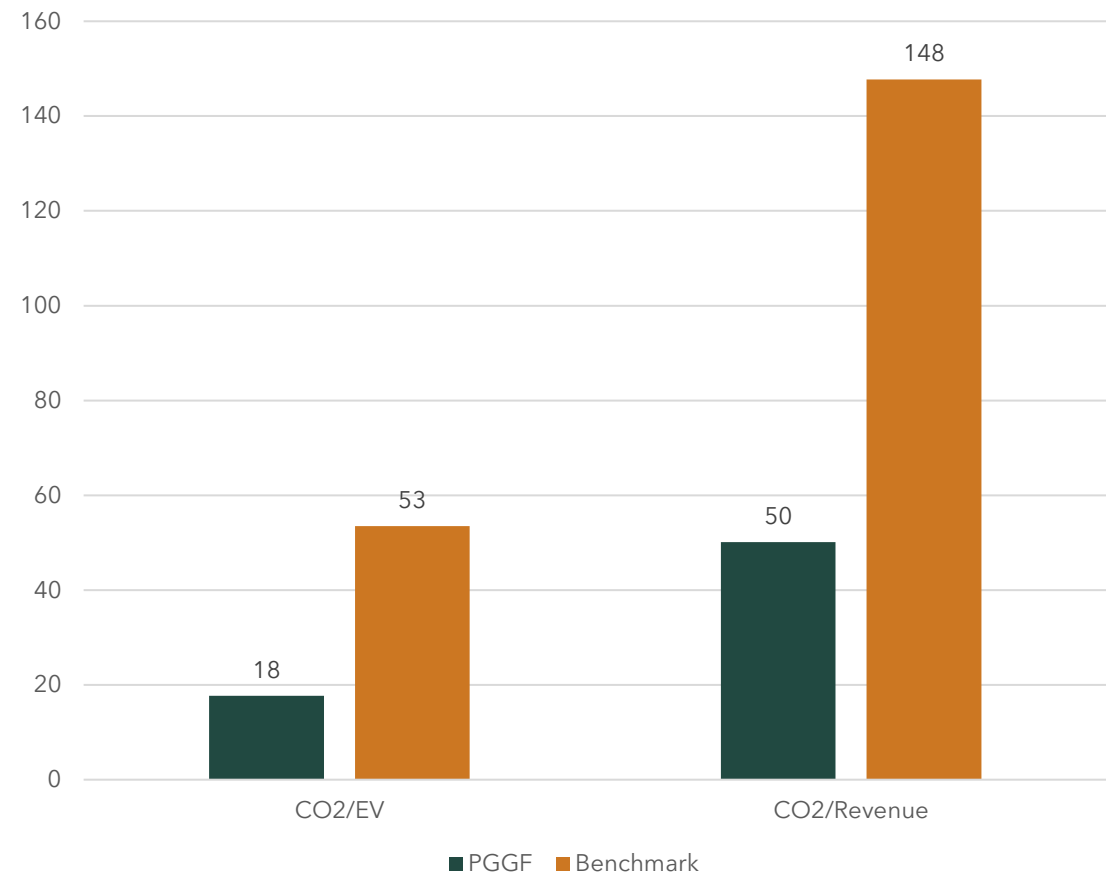
Pella targets portfolio CO₂ intensity to be at least 30% below the Benchmark with CO₂ intensity measured using Scope 1 and Scope 2 carbon emissions relative to revenue as calculated by MSCI.

Figure 4 illustrates the Fund's and its Benchmark's carbon intensity (Scope 1 and 2) measured relative to enterprise value (EV) and revenue. Based on both measures the Fund's carbon intensity was c65% lower than the Benchmark, which exceeds the target 30% lower than the Benchmark.

The Company

Pella has always purchased carbon neutral energy and purchased carbon credits to offset the carbon footprint of its employees' flights. In 2023, Pella commenced the process to become verifiably carbon neutral. We appointed carbon neutral consultants, [Pangolin Associates](#), to assist us along this path. A complete analysis of Pella's carbon footprint was completed, and we will purchase carbon credits to offset our carbon footprint.

Figure 4 - Carbon intensity ^{(1), (2), (3)}



Source - Pella, MSCI ESG Manager

(1) CO₂ to sales = millions of tonnes of carbon emissions (scope 1 and 2) per US\$m of sales

(2) CO₂ to EV = millions of tonnes of carbon emissions (scope 1 and 2) per US\$m of enterprise value

(3) Past performance is not indicative of future performance

Positive Impact

Pella actively seeks positive impact companies and will invest in them whenever they satisfy Pella's financial requirements. Further, Pella can only invest in companies with a BB ESG rating if they generate more than 20% of their revenue from positive impact activities, and Pella can only invest in companies with a B ESG rating if they generate more than 50% of their revenue from positive impact activities.

To help guide investment into positive impact companies Pella identified six investable themes that generate positive outcomes for current or future generations. These themes relate to several SDG targets, which are summarised in Table 5. The themes are dynamic and could expand as new opportunities arise.

Pella's Positive Impact Themes

- 1. Cleaner Energy** - replace fossil fuel derived energy with energy from renewable sources such as wind or solar. This theme also includes

batteries where the batteries can be charged with renewable energy.

- 2. Conservation & Resource Efficiency** - assist in the conservation of the natural environment by using fewer natural resources.
- 3. Improved Health** - goods and services that have positive health outcomes, including medicines, medical and health-related equipment, and health-related services.
- 4. Safety** - technologies and services that improve societal safety, including technologies that reduce pollution, increase vehicle safety, or improve water quality.
- 5. Inclusiveness** - services, products or conduct that create equal opportunities for all women, men, and children.
- 6. Economic participation** - activities that serve lower demographics or encourage economic growth in emerging markets.



Table 5 - Pella's positive impact themes and SDG targets that relate to these themes

Themes	Related SDG Targets
Cleaner Energy	<ul style="list-style-type: none"> • SDG 7.2 - increase share of renewable energy. • SDG 7.3 - double global rate of improvement in energy efficiency.
Conservation	<ul style="list-style-type: none"> • SDG 3.9 - reduce number of deaths from hazardous chemicals and air, water, and soil pollution. • SDG 6.4 - increase water efficiency. • SDG 7.3 - double global rate of improvement in energy efficiency. • SDG 8.4 - improve global resource efficiency in consumption and production. • SDG 15.2 - ensure the conservation, restoration, and sustainable use of ecosystems. • SDG 15.b - encourage conservation of forests. • SDG 11.6 - reduce adverse environmental impact of cities including air quality and waste management.
Improved Health	<ul style="list-style-type: none"> • SDG 3.3 - end communicable diseases. • SDG 3.4 - reduce premature mortality from non-communicable diseases and promote mental health & well-being. • SDG 3.8 - achieve universal health coverage.
Safety	<ul style="list-style-type: none"> • SDG 3.6 - halve number of deaths and injuries from road traffic. • SDG 3.9 - reduce number of deaths from hazardous chemicals and air, water, and soil pollution. • SDG 6.1 - universal and equitable access to safe and affordable drinking water. • SDG 13.1 -strengthen resilience and adaptive capacity to climate-related hazards and natural disasters.
Inclusiveness	<ul style="list-style-type: none"> • SDG 4.3 - equal access for women and men to education. • SDG 4.4 - increase the number of youth and adults with relevant skills. • SDG 5.5 - women's full and effective participation and equal opportunities for leadership. • SDG 8.5 - full and productive employment and decent work for all women and men, including young people and persons with disabilities. • SDG 8.6 - reduce the proportion of youth not in employment, education, or training.

**Economic
Participation**

- SDG 2.4 - sustainable food production systems and resilient agricultural practices.
- SDG 2.c - ensure proper functioning of food commodity markets and their derivatives.
- SDG 6.1 - universal and equitable access to safe and affordable drinking water.
- SDG 7.1 - universal access to affordable, reliable, and modern energy services.
- SDG 7.b - expand infrastructure in developing countries
- SDG 8.1 - sustain per capital economic growth, particularly in the least developed countries
- SDG 8.10 - encourage and expand access to banking, insurance, and financial services for all.
- SDG 9c - increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries.
- SDG 17.3 - mobilize additional financial resources for developing countries.

Source - Pella, UN Global Compact

Positive Impact Exposure

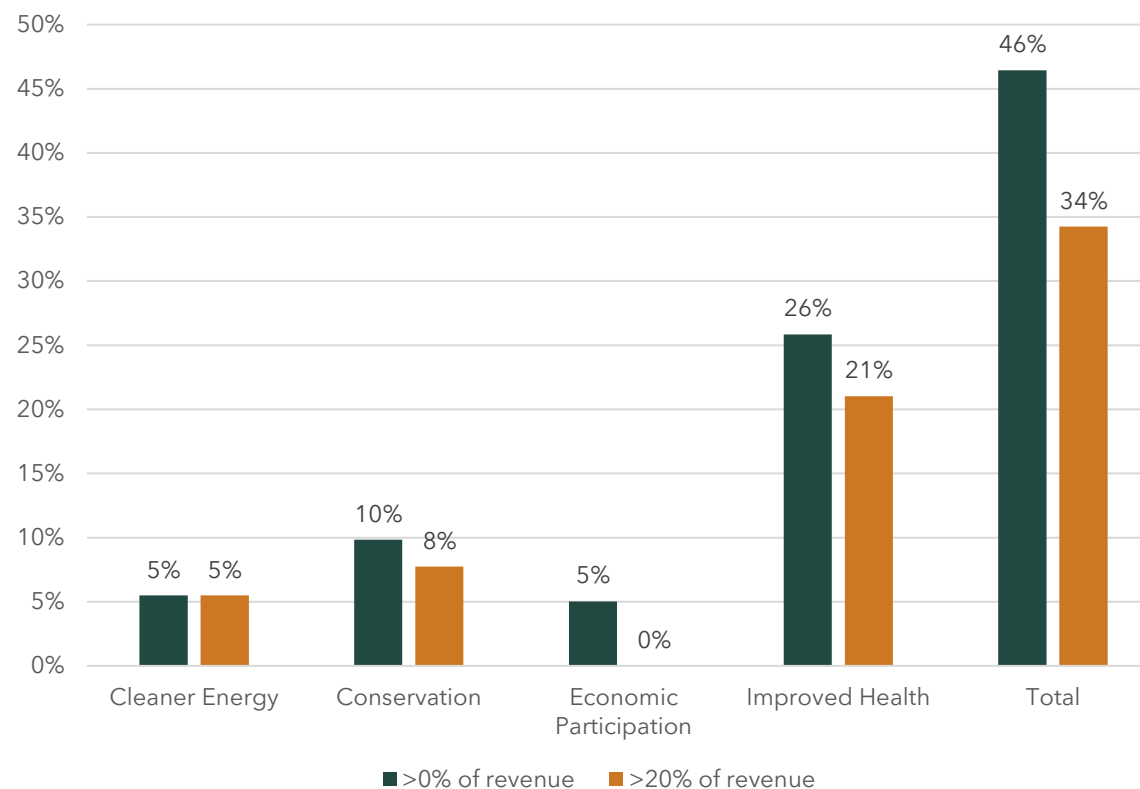
Pella calculates that during FY23 46% of the Fund was invested in companies that generate at least some of their revenues from activities that fall in Pella’s positive impact themes and 34% of the Fund was invested in companies that generate more than 20% of their revenues from positive impact activities.

The Fund’s largest positive theme exposure was Improved Health, followed by Conservation and Cleaner Energy.

The FY23 exposure was an improvement relative to FY22 when 38% of the Fund was invested in companies that generated at least some of their revenues from positive impact themes and 32% of the Fund was invested in companies that generate more than 20% of their revenues from positive impact themes.

Pella continues to increase its exposure to positive impact theme companies. However, exposure to those companies will be influenced by Pella’s requirement that all companies in the Fund **must always** also satisfy Pella’s financial requirements and we will not invest in a company based on positive impact alone.

Figure 5 - Fund exposure to companies with positive impact themes ^{(1), (2), (3)}



Source - Pella

- (1) Measured by each investments’ weight in the portfolio and revenue exposure to the positive impact theme
- (2) The Total figure for ‘>0% of revenue’ is not additive because some of the Fund’s investments generate revenue from more than one positive impact theme and it would be double counting to include both exposures to the portfolio total exposure
- (3) Past performance is not indicative of future performance

Stewardship

Pella targets submitting votes in all shareholder meetings with our voting position informed by research provided by a third-party proxy voting advisor (ISS) and Pella’s internal research.

To ensure Pella participates in all shareholder meetings in an informed manner, Pella instructed its proxy adviser, ISS, to vote on Pella’s behalf using ISS’s recommendations when Pella does not submit votes.

During FY23 Pella submitted votes in all the meetings Pella was eligible to vote in. In FY22 Pella was unable to vote in three meetings due to issues with Pella’s sub-custodian in Sweden. Specifically, Pella was informed after the fact that we need to establish a Power of Attorney in Sweden to submit our votes. Pella resolved that issue and was able to participate in Swedish votes during FY23.

Table 6 - Pella Global Generation Fund’s FY23 voting track-record

Name	Meeting Type	Vote String
3i Group	Annual	FFFFFFFFFFFFFFFFFFFFFFFF
Adobe	Annual	FFFFFFFFFFFFFFFF1A
Adyen	Annual	FFFFFFFFFFFFFFFFFFFF
AIA Group	Annual	FFFFFFFFFFFFFFF
Alphabet	Annual	FFFAAFFFFFFFFFAA1FAFFFFFFFFAFAFF
Antofagasta	Annual	FFFFFFFFFFFFFFFFFFFFFFFF
Ashtead Group	Annual	FAFFFFFFFFFFFFFFFFFFFF
ASML	Annual	FFFFFFFFFFFFFFFFFFFF
Atlas Copco	Annual	FFFFFFFFFFFFFFFFFFFFFFFFFAFFFAAF
B&M European Value Retail	Annual	FFFFFFFFFFFFFFFFFFFFFFFF
BMW	Annual	FFFFFFFFFFFFFFFFFFFFFFFF
Boliden	Annual	FF FFFFFFFFFAF
Cigna Corp.	Annual	FFFFFFFFFFFFFF1FFFF
Deutsche Börse	Annual	FFFFFFFFF
Dollar General	Annual	FFFFFFFFF1FFAF
Enphase Energy	Annual	FFFFF
Epiroc	Annual	FF FFF
Intuitive Surgical	Annual	FFFFFFFFFFFF1FF
IQVIA	Annual	FFFFFFFFF
JD Sports Fashion	Annual (2022)	FFFFFFFFFFFFFFFFFFFFFFFF

JD Sports Fashion	Special	FFF
JD Sports Fashion	Annual (2023)	FFFFFFFFFFFFFFFF
Marsh & McLennan	Annual	FFFFFFFFFFFFFFFFA1F
Microsoft	Annual	FFFFFFFFFFFFFFFFAAFAAA
Mosaic	Annual	FFFFFFFFFFFFFFFF1FF
Novo Nordisk	Annual	FFFFFFFFFBBFFFFFFFA
Nutrien Ltd.	Annual	FFFFFFFFFFFFFF
Orsted	Annual	FFFFFBFFFFFFFF
Ping An Insurance	Annual	FFFFFFFF
RingCentral	Annual	FFFFFFFFFFFA1A
Samsung Electronics	Special	FF
Schneider Electric	Annual/Special	FFFFFFFFFAFFFFFFFFFAAFFFFF
Texas Instruments	Annual	FFFFFFFFFFFFFF1FFFA
Thermo Fisher Scientific	Annual	FFFFFFFFFFFFFF1FFF
TSMC	Annual	FFAF
UnitedHealth Group	Annual	FFFFFFFF1FFFF
VINCI	Annual/Special	FFFFFFFFFFFFFFFFFFFFFFFF

Source - ISS

It is impractical and unnecessary for Pella to provide explanations for all its votes. Most of the resolutions are procedural, or unlikely to be of material interest to the readers of this document. Further, it would require material use of space to explain each vote.

However, several of the votes are likely to be of interest to you. This includes instances where Pella voted contrary to the investee companies' Directors recommendations, or resolutions that have notable ESG implications. Table 7 is a list of

these resolutions and an explanation for Pella's vote.

Table 7 - List of resolutions Pella voted differently to Directors' recommendations

Company	Vote	Pella's vote	Explanation
Adobe	Report on Hiring of Persons with Arrest or Incarceration Records	Against	Pella believes people who have previously been arrested or incarcerated have paid their penalty and should not face additional potential discrimination.
Alphabet	Elect Director John L. Hennessy	Against	Votes against governance committee members are warranted due to the company maintaining a multi-class share structure with disparate voting rights, which is not subject to a reasonable time-based sunset.
Alphabet	Elect Director Frances H. Arnold	Against	Votes against governance committee members are warranted, due to the company maintaining a multi-class share structure with disparate voting rights, which is not subject to a reasonable time-based sunset.
Alphabet	Amend Omnibus Stock Plan	Against	<ul style="list-style-type: none"> • The plan cost and three-year average burn rate are excessive. • The disclosure of change-in-control vesting treatment is incomplete or is otherwise considered discretionary. • The plan allows broad discretion to accelerate vesting.
Alphabet	Advisory Vote to Ratify Named Executive Officers' Compensation	Against	An annual bonus program was established based on ESG goals. However, pre-set goals were not disclosed, and the award was based on the committee's discretionary assessment of performance.
Alphabet	Publish Congruency Report on Partnerships with Globalist Organizations and Company Fiduciary Duties	Against	Shareholders would benefit from more disclosure on the company's lobbying efforts, but the requested report is overly broad and would likely not produce useful information on the company's direct and indirect lobbying.
Alphabet	Report on Framework to Assess Company Lobbying Alignment with Climate Goals	For	The request is not considered overly onerous or prescriptive, and shareholders would benefit from greater transparency of the company's framework for addressing misalignments between its climate goals and lobbying, and how the company would plan to mitigate any risks that might be identified.
Alphabet	Report on Risks Related to Fulfilling Information Requests for Enforcing Laws Criminalizing Abortion Access	For	The company is legally required to comply with information requests but could be doing more to protect consumers data privacy and protect the company from potential reputational risks.

Alphabet	Report on Risks of Doing Business in Countries with Significant Human Rights Concerns	For	Shareholders would benefit from increased disclosure regarding how the company is managing human rights-related risks in high-risk countries.
Alphabet	Publish Independent Human Rights Impact Assessment of Targeted Advertising Technology	For	An independent human rights assessment would help shareholders better evaluate the company's management of risks related to the human rights impacts of its targeted advertising policies and practices.
Alphabet	Disclose More Quantitative and Qualitative Information on Algorithmic Systems	For	The company has faced scrutiny over biases in its algorithmic systems and increased reporting would assist shareholders in assessing progress and management of related risks.
Alphabet	Report on Alignment of YouTube Policies With Online Safety Regulations	For	Increased reporting would provide shareholders with more information on the company's management of related risks.
Alphabet	Commission Independent Assessment of Effectiveness of Audit and Compliance Committee	For	An independent assessment of the Audit and Compliance Committee's capacities and performance would allow shareholders to gain more information on how the company is overseeing and managing related and prevailing risks.
Ashtead	Approve Remuneration Report	Against	The actions taken by the Remuneration Committee in response to the significant levels of dissent recorded against the remuneration-related resolutions at the 2021 AGM are not considered sufficiently addressed.
Ashtead	Re-elect Lucinda Riches as Director	Against	As the Chair of the Remuneration Committee, she is ultimately responsible for the Company's remuneration practices. Pella's vote was driven by the Remuneration Committee's lack of action towards the shareholders' concerns voice over the Company's remuneration practices at the last AGM.
Atlas Copco	Reelect Johan Forssell as Director	Against	Johan Forssell sit on the audit committee as non-independent members while the committee's aggregate independence (33%) is insufficient.
Atlas Copco	Reelect Hans Straaberg as Director	Against	<ul style="list-style-type: none"> Hans Straaberg is considered over boarded. Hans Straaberg sits on the remuneration committee as non-independent member while the committee's aggregate independence (0%) is insufficient.

			<ul style="list-style-type: none"> Hans Straaberg sits on the audit committee as non-independent member while the committee's aggregate independence (33%) is insufficient.
Atlas Copco	Reelect Peter Wallenberg Jr. as Director	Against	Peter Wallenberg Jr. sits on the remuneration committee as non-independent members while the committee's aggregate independence (0%) is insufficient.
Boliden	Approve Alternative Equity Plan Financing	Against	It would entail unnecessary additional costs, while lowering the majority requirement compared to the primary financing alternative.
Cigna	Reduce Ownership Threshold for Shareholders to Call Special Meeting	For	Lowering the ownership threshold from 25% to 15% would improve shareholders' ability to use the special meeting right.
Cigna	Report on Congruency of Political Spending with Company Values and Priorities	For	More information comparing Cigna's public policy statements and its political contributions and nonprofit organization participation would enable shareholders to have a more comprehensive understanding of how the company oversees and manages risks from political activities conducted by its partners.
Dollar General	Amend Right to Call Special Meeting	Against	There appears to be no compelling reason to support this shareholder proposal as the one-year holding period is not especially problematic, is consistent with SEC requirements for filing shareholder proposals, and provides a reasonable safeguard against abuse of the right.
Dollar General	Oversee and Report a Workplace Health and Safety Audit	For	The company has been placed on Occupational Safety and Health Administration 'severe violator' list and an independent audit would help shareholders evaluate the effectiveness of the company's related policies and practices and management of potential risks.
Intuitive Surgical	Report on Gender/Racial Pay Gap	For	Shareholders could benefit from the unadjusted median pay gap statistics that would allow them to compare and measure the progress of the company's diversity and inclusion initiatives.
Marsh & McLennan	Advisory Vote to Ratify Named Executive Officers' Compensation	Against	Significant concerns regarding the amendment to the CEO's outstanding awards in connection with his announced retirement. This discretionary decision provides more favourable vesting treatment of his outstanding awards and resulted in an incremental value disclosure of more than \$7 million and total CEO pay that is outsized at more than \$32 million.

Microsoft	Report on Cost/Benefit Analysis of Diversity and Inclusion	Against	It is not standard industry practice for a company to disclose a detailed cost-benefit analysis of its diversity and inclusion efforts, and Microsoft already provides sufficient information to assess its diversity and inclusion efforts.
Microsoft	Report on Hiring of Persons with Arrest or Incarceration Records	Against	Pella believes people who have previously been arrested or incarcerated have paid their penalty and should not face additional potential discrimination.
Microsoft	Assess and Report on the Company's Retirement Funds' Management of Systemic Climate Risk	For	The information requested would not only complement and enhance Microsoft's existing commitments regarding climate change, but also allow shareholders to better evaluate the company's strategies and management of related risks.
Novo Nordisk	Product Pricing Proposal	Against	The proposal is overly prescriptive and not in the best interest of shareholders
Novo Nordisk	Re-elect Kasim Kutay as Director	Abstain	Novo Nordisk is not refreshing its board, and Kasim Kutay is an incumbent nomination committee member.
Novo Nordisk	Re-elect Sylvie Gregoire as Director	Abstain	Novo Nordisk is not refreshing its board, and Sylvie Gregoire is an incumbent nomination committee member.
Orsted	Re-elect Thomas Thune Andersen (Chair) as Director	Abstain	Pella abstained from the vote due to a lack of board diversity.
RingCentral	Advisory Vote to Ratify Named Executive Officers' Compensation	Against	Excessive NEO pay primarily consisting of time-vesting equity awards.
RingCentral	Amend Omnibus Stock Plan	Against	<ul style="list-style-type: none"> • The plan permits repricing and exchange of grants, and cash buyout of awards without shareholder approval. • The equity program is estimated to be excessively dilutive. • The plan contains an evergreen feature. • The plan cost is excessive. • The estimated duration of available and proposed shares exceeds six years. • The plan allows broad discretion to accelerate vesting.
Schneider Electric	Re-elect Leo Apotheker as Director	Against	Pella believes Mr Apotheker's performance track record warrants a vote against his re-election.

Schneider Electric	Authorize Board to Increase Capital in the Event of Additional Demand Related to Delegation Submitted to Shareholder Vote Under Items 19-21	Against	Pella believes that the company's capital position implies that it should not need to raise any additional capital.
Schneider Electric	Authorize Capital Increase of up to 9.81 Percent of Issued Capital for Contributions in Kind	Against	Pella believes that the company's capital position implies that it should not need to raise any additional capital.
Texas Instruments	Report on Due Diligence Efforts to Trace End-User Misuse of Company Products	Against	The company provides sufficient disclosure on its current due diligence and compliance programs that manage related risks.
TSMC	Amend Procedures for Endorsement and Guarantees	Against	The proposed amendment may expose the company to unnecessary risks and the company has failed to provide a compelling rationale for such changes.
United Health Group	Report on Third-Party Racial Equity Audit	For	Additional disclosure could help shareholders assess the impacts of the company's policies and practices on racial and ethnic minority communities.
United Health Group	Report on Congruency of Political Spending with Company Values and Priorities	For	A report on the company's value alignment with political expenditures would enable shareholders to have a greater understanding of how the company oversees and manages risks related to its political affiliations.
United Health Group	Submit Severance Agreement (Change-in-Control) to Shareholder Vote	For	The proxy does not disclose a policy or requirement that payments in excess of amounts provided under the policy are subject to shareholder approval. Without such a requirement, shareholders do not have adequate assurances that the company's current practice safeguards against excessive severance payments.

Source - Pella, ISS

Initiatives

United Nations Global Compact (UNGC)

The UNGC is a non-binding UN initiative to encourage businesses to adopt sustainable and socially responsible policies, and report on their implementation. Pella believes that the first steps for businesses to adopt those practices is to become signatories of the UNGC.

During FY23, Pella wrote to all the companies in the Fund that were not currently signatories to the UNGC on two occasions (Table 8). The following companies have responded with their intention to take Pella’s request into consideration: 3i, Adobe, Alphabet, Dollar General, Enphase Energy, JD Sports Fashion.

We are pleased to share that ASML became a UNGC signatory following Pella’s request. We intend to re-engage with all the remaining investments held by the Fund that have not yet become signatories, to encourage them to do so.

Table 8 - Companies Pella encouraged to become a UNGC signatory

Company	Date (1)	Date (2)	Company	Date (1)	Date (2)
3i Group	n/a	1-Jun-23	Intuit	n/a	1-Jun-23
Adobe	13-Sep-22	1-Jun-23	Intuitive Surgical	13-Sep-22	1-Jun-23
Adyen	n/a	1-Jun-23	JD Sports Fashion	13-Sep-22	1-Jun-23
Alphabet	13-Sep-22	1-Jun-23	Marsh & McLennan	13-Sep-22	1-Jun-23
Antofagasta	13-Sep-22	1-Jun-23	Ping An Insurance	13-Sep-22	1-Jun-23
Ashtead Group	13-Sep-22	1-Jun-23	Texas Instruments	13-Sep-22	1-Jun-23
ASML	13-Sep-22	1-Jun-23	UnitedHealth	13-Sep-22	1-Jun-23
B&M European Retail	13-Sep-22	1-Jun-23	CME Group	13-Sep-22	n/a
Dollar General	13-Sep-22	1-Jun-23	Fiserv	13-Sep-22	n/a
Enphase Energy	n/a	1-Jun-23	RingCentral	13-Sep-22	n/a
			Weyerhaeuser	13-Sep-22	n/a

Source - Pella

n/a = The Fund did not have a position on the date that the letter was sent

Donation of Prosthetics to Civilian War Victims

Pella engaged with large prosthetic limb manufacturers (Enovis, Globus Medical, Integra Lifesciences, Johnson & Johnson, Medtronic, NuVasive, Ossur, Smith & Nephew, Stryker, Zimmer Biomet) to request prosthetic donations to the [United Ukraine Appeal](#) for civilian victims of the Russia/Ukraine conflict. Some of the companies (Medtronic, Ossur) are already providing support, while Stryker responded that it would consider the initiative.

Tobacco related disclosure

Pella is seeking improved tobacco-related disclosure from its investments in retailers. During 1Q23 we wrote to Dollar General and B&M European Value Retail requesting them to disclose the proportion of revenue they generate from tobacco sales.

Neither company committed to comply with our request as they do not consider these disclosures an industry standard. In response, we intend to make a submission to the US Securities and Exchange Commission (SEC) and potentially other regulators to establish a requirement for retailers to disclose their tobacco-related revenue.

Pella believes that there is a strong argument for the SEC to support the initiative. Tobacco-related revenues represent a business risk given the ongoing tobacco-related regulation, and the SEC requires companies to disclose their material risks.

Marsh & McLennan (MMC) Shareholder Proposal

MMC is a global professional services firm with a core expertise in insurance broking. In May-22 it was revealed that MMC was arranging insurance for the East African Oil Pipeline. This pipeline will be built across Uganda and Tanzania and is controversial due to the possibility of it displacing communities and wildlife, as well as enabling continued use of fossil fuels.

Pella's considers MMC's involvement as a controversy but not a breach of norms-based practices, and we weighed an exit vs engagement strategy. Pella chose to pursue the latter in the belief that it is an opportunity to implement positive change.

Our initial intention was to submit a resolution to that effect at MMC's AGM. However, we learned that Pella had not held a sufficiently large position in that company for long enough to submit the proposal at MMC's next AGM, in 2023.

In lieu of the inability to submit a shareholder resolution, Pella prepared a letter for MMC's Board's ESG Committee requesting that MMC *"makes additional disclosures regarding its exposure to the fossil fuel sector. Specifically, Pella is requesting that MMC issue a report, at reasonable cost and omitting proprietary information, addressing whether and how it intends to measure, disclose, and reduce the GHG emissions associated with its underwriting, insuring, and investment activities in alignment with the Paris Agreement's 1.5°C goal."*

MMC responded that it does *"not currently plan to disclose engagements (or related revenue) with any specific industries at this time."* Pella is not satisfied with MMC's response. We now satisfy the requirements to submit a resolution at MMC's AGMs, which we intend to do for its 2024 AGM.



PELLA

RESPONSIBLE INVESTING

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