

INVESTMENT STEWARDSHIP POLICY

Introduction

Pella refers to the UNPRI definition of Investment Stewardship:

*Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders – often collaboratively – to maximise overall long-term value. This includes the value of the common economic, social and environmental assets on which returns and clients’ and beneficiaries’ interests depend.*⁵

Pella applies three primary tools to fulfill its Investment Stewardship responsibilities, including:

1. Engagement
2. Voting
3. Public advocacy

Pella incorporates Investment Stewardship considerations and behaviours into all the investments made by the funds it manages.

Engagement

Engagement can take several forms, all of which are intended to monitor and provide feedback to companies and helps inform our voting decisions. Pella’s engagement practices include:

- regular and consistent meetings with executives from companies Pella invests in;
- writing letters to companies; and

Pella expects to engage with 100% of its portfolio companies at least annually. Pella’s standard engagement practices involve discussing key ESG issues with companies Pella invests in to deepen Pella’s understanding of the issues and how the company is managing them.

In addition to the above, Pella deepens its engagement in certain circumstances.

Portfolio companies with MSCI ESG rating of B - engage with these companies to explain to them where their areas of ESG weakness are and to encourage the company to take remedial action.

Portfolio companies with no MSCI ESG rating - engage with the companies and, when possible, ESG rating companies, to encourage them to be rated.

Severe controversies - engage with companies to understand the nature of the controversy, how the company intends to resolve it, and to proactively encourage remedial action.

MSCI ESG-rating downgrade - apply same strategy as with ‘Severe controversies’.

Annual Key Initiative - Pella annually selects a key ESG-related initiative to actively improve across its investment portfolio. For example, in 2022, Pella actively sought to encourage its investments to become signatories to the UN Global Compact (UNGC). This initially involved Pella becoming a signatory to the UNGC. Following that Pella tracks which of its investments are signatories and sends letters to the ones that are not yet. Pella selects the annual initiative in January of each year.

⁵ [UNPRI, Introduction to responsible investing, an introduction to responsible investing stewardship](#)

Pella's Corporate Engagement policy also does not apply in the following circumstances:

- ESG rating downgraded to CCC - triggers an automatic sell
- Breach of norms-based screen and company does not fully rectify the breach - triggers an automatic sell
- Involved in a controversy, which Pella does not regard as serious - no further engagement required
- Company breaches Pella's negative screen - triggers an automatic sell
- Company hits Pella's stop loss limits - triggers an automatic sell down of the position size

Proxy Voting

Pella participates in all votes at its investments' Annual General Meetings and other shareholding meetings. Pella's voting position is informed by research provided by third party proxy voting advisors and Pella's internal research. In instances where Pella intends to vote contrary to the advice provided by the Board of Directors of our investments' Pella formally communicate to the company of its intention and thinking behind it prior to the meeting, to give the company an opportunity to amend their approach to the matter.

Refer to [Proxy Voting Policy](#) for additional information on this subject.

In addition, Pella participates in 100% of its investments' shareholder votes, and prefers owning voting shares over non-voting shares. Pella's voting decisions are informed by internal research, supplemented with ISS Corporate Governance and Sustainability research.

Advocacy

Pella contributes to the public discourse about subjects that impact companies' long-term value through regular thought pieces and public presentations. The thought pieces are made publicly available on Pella's website (www.pellafunds.com/blog), LinkedIn (www.linkedin.com/company/pellafunds) and several media outlets, including Livewire Markets.

Pella's principals also seek to make regular public commentary on these matters through other media outlets, including CNBC, Bloomberg TV, Ausbiz, and several written format news outlets.

Finally, Pella seeks to be an active member/signatory of industry associations that strive to maximise overall long-term value. This includes the UN Global Compact, UN Principals of Responsible Investment, and Responsible Investment Association Australasia (RIAA).

Transparency

Pella officially releases its key Investment Stewardship actions in its annual Responsible Investment Report. This includes the number of company interactions, development of the Annual Key Initiative, how Pella voted and our reasoning behind Pella's votes on key issues.