PELLA
RESPONSIBLE INVESTING

INVESTMENT STEWARDSHIP

INVESTMENT STEWARDSHIP STRATEGIES

1. Investment Stewardship Policy

1.1. 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.[1]

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

1. Engagement
2. Voting
3. Advocacy
4. Transparency

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

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

Pella deepens its engagement in certain circumstances.

- Portfolio companies with MSCI ESG rating of B
- Portfolio companies with no MSCI ESG rating
- Severe controversies
- MSCI ESG-rating downgrade

[1] UNPRI, Introduction to responsible investing, an introduction to responsible investing stewardship

- Annual Key Initiative – Pella annually selects a key ESG-relate initiative to actively improve across its investment portfolio.

Refer to Engagement Policy for additional information on this subject.

1.3. Proxy Voting

Pella prefers owning voting shares over non-voting shares and 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.

1.4. Advocacy

Pella understands that investment decisions alone are insufficient to increase global sustainability and that investment managers have a responsibility to advocate for that cause through other methods. To fulfill this responsibility, Pella engages in other initiatives such as: Accreditations and Signatory, Public Commentary, Participation.

Refer to Advocacy Policy for further information on this subject.

1.5. Transparency

Pella regards transparency as a critical ingredient for Investment Stewardship and Responsible Investing more broadly. The company defines its Transparency Policy as '*providing all the requisite information for all stakeholders to be able to make timely and fully informed decisions about Pella and its funds' financial and responsible investing decisions and outcomes*'. To fulfill requirement Pella divides its communication strategy into the three Ps: (i) Policies; (ii) Portfolio; (iii) Practices. These data are made available in the following places

1. Pella website – access to Pella's various policies, monthly fund reports, opinion pieces, and the annual Responsible Investment Report.
2. Monthly fund reports – provides key investment and ESG data for the fund.
3. Quarterly report – provides the same data as the monthly reports and adds the full portfolio, with a one quarter lag.
4. Annual Responsible Investment Report – provides in-depth data and discussion about Pella's Responsible Investing activities, including: voting, reasoning behind key votes, Annual Key Initiative development, number of company interactions,

Refer to Transparency Policy for further information on this subject.

2. Engagement Policy

2.1. Introduction

Pella recognises its responsibility to engage with its investments to remain informed and contribute to the investees' long-term performance. The Engagement can take several forms, all of which are intended to monitor and provide feedback to companies and helps inform our voting decisions.

2.2. Application of Policy

Pella's engagement practices include:

1. regular and consistent meetings with executives from companies Pella invests in;
2. writing letters to companies.

Pella expects to engage with 100% of its portfolio companies at least annually. Pella's standard engagement practices involve discussing key ESG issues with the companies 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-relate 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.

2.3. Policy Limits

Pella's Engagement Policy does not apply in the following circumstances:

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

3. Proxy Voting Policy

3.1. Introduction

This Policy is based on fiduciary responsibilities to act in the best interest of clients as shareholders. It describes the approach taken by Pella Funds Management ('Pella') in relation to resolutions put forward by listed companies at Annual General Meetings (AGMs) and Extraordinary General Meetings (EGMs).

This policy applies to all relevant Pella employees involved in the proxy voting process. A copy of this Proxy Voting Policy and procedure will be provided to clients upon request.

3.2. Policy Statement

The purpose of this Voting Policy is to ensure Pella acts in the best interest of clients as shareholders and to help minimize the potential for Pella's investments to cause 'significant harm'.

Pella's policy is to vote participate in 100% its funds' investments votes. If Pella receives a direction from a client in relation to the appointment of a proxy and the way the proxy should be voted, Pella will use its best endeavours to implement the direction. In the absence of any direction, Pella may exercise or not exercise the right to vote as it sees fit, having regard to any direction in the investment mandate and taking into consideration: any material conflicts of interests identified, strategy, performance, risk, capital structure and corporate governances (including cultures and remuneration) of investee companies.

3.3. Process Overview and Procedures

- Proposed resolutions with explanatory notes are prepared and forwarded by the Pella's proxy voting service or middle office service provider.
- A member of Pella's Investment Team will review each material resolution on a case-by-case basis. In arriving at a recommendation three main principles are adhered to:
    - any resolution should treat shareholders equally;
    - any material conflicts of interest are addressed appropriately; and
    - resolutions should be individual and clearly stated. Composite resolutions are not regarded as optimal.
- To assist in decision making, Pella may subscribe to a proxy voting service which provides independent analysis and voting recommendations on key governance issues. Pella considers these recommendations when arriving at a decision.
- Pella may raise issues with company management prior to voting to resolve issues.
- Voting recommendations are approved by the Portfolio Manager (PM). When unable to physically approve, the PM can transfer the right of approval to one of the Analysts.
- Upon approval, votes are processed by Pella on an electronic proxy voting system.
- Pella will maintain a record of all voting on behalf of clients and report these to the client where requested.

3.4. Routine Proposals

Routine proposals are those which do not affect the structure, by laws, or operations of the corporation to the detriment of shareholders. Given the routine nature of these proposals, proxies will nearly always be voted with management. Traditionally, routine proposals include:

- Approval of independent auditors;
- Name changes;
- Election of directors (subject to competency, independence and limited number of board positions); or
- Coupling executive compensation with financial performance.

3.5. Non-Routine Proposals

Issues in this category are more likely to have a greater impact on shareholder value.

Pella' main concern is to protect the value of its clients' investments. These resolutions are subject to scrutiny on case-by-case basis. These types of resolutions may include:

- Mergers and acquisitions;
- Restructuring; or
- Employee share purchase plans

3.6. Corporate Governance Proposals

Pella will generally vote against any management proposals that have the effect of restricting the full potential of its clients' investments. These would include but not limited to:

- Excessive senior executive and non-executive management remuneration;
- Golden handshakes;
- Special interest representation on the board;
- Share and Option schemes that do not reflect:
    - the responsibilities of the executive;
    - comparability to market practice;
    - appropriate performance hurdle benchmarks;
    - appropriate disclosure;
- Unequal voting rights; or
- Takeover Protection – e.g. Poison Pills – generally involves issuing preferred stock purchase rights or warrants unilaterally declared as a dividend without shareholder participation or approval. Poison pills can be used to insulate existing management against competitive bids.

3.7. Avoiding Significant Harm

Pella's policy is to vote in accordance with the concept of '*avoiding significant harm*'. Pella defines significant harm as '*activities that come at a material cost to current or future generations*'. This means Pella will vote against any activities that could be a breach of the UN Global Compact, the OECD Guidelines for Multinational Enterprises or any other internationally accepted behavioural norms. If the said activity is not explicitly voted on, Pella will prioritise the consideration of the matter in its decision on how to vote on executive remuneration and director re(election). Finally, Pella will seek to engage with the company on the matter, outside of the formal voting process.

3.8. Engagement with Companies

In addition to voting, Pella may enter dialogue with a company to voice concerns in relation to actions or directions a company is taking in relation to performance, corporate governance and other matters affecting shareholders' interests.

3.9. Conflicts of Interest

If a Pella employee detects a material conflict of interest in connection with voting on the resolutions, then the employee should escalate the matter to the Portfolio Manager and COO. In such circumstances Pella may abstain from voting if that action is deemed to be in its client's best interest.

3.10. Socially Responsible Policy Issues

Pella may decide to vote on such issues on a case-by-case basis recognising that social responsibility issues may impact the value of the shareholders' investment.

Generally, Pella does not apply specific socially responsible investment or methodologies screens, unless specifically directed by the client.

3.11. Class Actions

Pella does not direct clients' participation in class actions. The Portfolio Manager will determine whether to return any documentation inadvertently received regarding clients' participation in class actions to the sender, or to forward such information to the appropriate clients.

4. Advocacy Policy

4.1. Introduction

Pella understands that investment decisions alone are insufficient to increase global sustainability and that investment managers have a responsibility to advocate for that cause through other methods.

4.2. Application of Policy

To fulfill its Advocacy responsibilities, Pella engages in initiatives such as:

- **Accreditations and signatory** – Responsible Investment Association of Australia (RIAA), UN Principles of Responsible Investing (UN PRI), UN Global Compact (UNGC).
- **Public commentary** – Pella prepares public commentary on key ESG issues, all of which are available in Pella's website, Pella's LinkedIn profile, and some of which will be in the public media.
- **Participation** – Pella seeks to be an active participant in local organizations that promote corporate sustainability. Pella also encourages every member of its team to participate in an ESG-related initiative and everyone has been provided with one paid workday per quarter to participate in that initiative.

5. Transparency Policy

5.1. Introduction

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5.2. Application of Policy

Pella divides its transparency policy into the three Ps: (i) Policies; (ii) Portfolio; (iii) Practices. These data are made available in the following places:

1. Pella website – access to Pella's various policies, monthly fund reports, opinion pieces, and the annual Responsible Investment Report.
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5.2.1. Policies

The policies provide guidance of Pella's approach to key Responsible Investing considerations and should always be available to Pella's stakeholders. Pella makes its RI policies publicly available and easily accessible on its website.

5.2.2. Portfolio

Portfolio data is made available in Pella's funds' monthly and quarterly reports. The monthly reports disclose the fund's top ten holdings and key fund aggregate exposures including sector, market cap, geography, carbon intensity, and MSCI ESG rating. The quarterly report provides similar data to the monthly with the exception that the quarterly discloses the full portfolio holdings, with a quarterly lag. The quarterly report also includes additional ESG related data such as the number of severe controversies per company, whether the company is a signatory to the UNGC, and several other Responsible Investing data deemed most relevant by Pella.

5.2.3. Practices

Practices relate to Pella's corporate engagement. Pella's policy is to disclose its corporate engagement, including how Pella voted and, when Pella votes against Director recommendations, why it did so, and explanations of Pella's response to severe controversies.