

Pella Funds Management – Pella Global Generations Fund (Class B)

Ethical Survey, as voted by members of the Ethical Advisers Co-Op



Poor | Disappointing | Average | Appealing | Excellent

As voted by Ethical Adviser Co-op members. Find a specialised ethical adviser near you: www.ethicaladviserscoop.org/find-an-adviser.html

Fund Overview

The Fund is actively managed and invests in global listed international equities. It aims to beat its Benchmark (MSCI ACWI) across three dimensions: sustainability, returns, and volatility. To deliver the sustainability target the Fund applies several strategies including: exclusion screen, norms-based requirements, ESG integration, carbon intensity requirements, stewardship and transparency requirements, and positive impact targets. The returns and volatility targets are delivered by investing in a diversified portfolio of cash generative and growing businesses that are assessed as trading on attractive valuations.

Ethical Concerns

Investments

- ✘ Some investments in the Fund may be problematic for ethical investors, such as:
 - Mining companies – the Fund may invest in extractive companies that have strong ESG characteristics and are aligned with building out a low carbon future such as copper. Extraction of fossils fuels is a hard exclusion
 - Fertilizer companies – the Fund may invest in companies that manufacture complex fertilizers that boost the productivity of agriculture. It does not invest in companies that only produce simple fertilizers where there is no payback for the carbon impact.
 - BMW – luxury auto manufacturer. BMW aims to have 50% of unit sales EV by 2030.
 - Dollar General – discount retailer in the U.S, selling food, home products and apparel. Tobacco products sold.
 - Epiroc – drilling, excavation and conduction equipment for the mining and construction industries. Some exposure to oil and gas drill rigs.
 - Vinci – large European infrastructure business owning toll roads & airports. Vinci has a construction & engineering division.

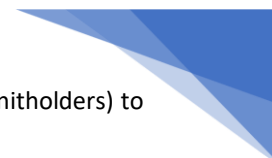
Other concerns

- Nothing of concern identified

Good Points

- ✓ Equally emphasizes sustainability, returns, and volatility meaning investors do not compromise on those factors.
- ✓ Pella Funds Management only specialise in ethical investments.
- ✓ Application of norms-based requirements – will not invest in or will exit positions involved in severe controversies.
- ✓ Carbon intensity (scope 1 and 2) requirements – the portfolio's carbon intensity, measured relative to revenue and enterprise value, should be at least 30% lower than the Benchmark (MSCI ACWI). To date, the Fund's carbon intensity has been approximately 70-75% lower than Benchmark, as measured relative to sales and enterprise value.
- ✓ Stewardship – votes in 100% of shareholder votes and provides full voting disclosure.
- ✓ Strong record of voting for climate change and social resolutions.
- ✓ Engagement – each quarter requests all positions in the Fund that are not signatories to the UN Global Compact, to become signatories. To date succeeded to convince Samsung Electronics, Sunrun, and Flow Traders to become signatories. As required, actively seeks to improve ESG/ethical characteristics for investments. Prepared an improved-environmental disclosure resolution for the Marsh & McLennan (MMC.US) Board of Directors, which they agreed to consider in their Jan-23

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Board meeting. Pella commits to engage with other companies (including at the request of the Fund's unitholders) to improve their ESG/environmental practices.

- ✓ Disclosure – provides disclosure of all positions held during a quarter and over a year. Monthly and quarterly reports provides summary of the Fund's sustainability credentials. Quarterly report provides fully voting disclosures, and ESG and carbon intensity (relative to revenue and enterprise value) attribution analysis. Annual Responsible Investment Report offers in-depth assessment of the Fund's responsible investing activities. Portfolio and Investment Summary document explains the portfolio position's activities and ESG characteristics.
- ✓ Responsible Investing Manual that explains the full responsible investing policy and process is made publicly available.
- ✓ Commitment to transparency by being [UNPRI](#) (LINK) signatory and [RIAA](#) (LINK) certified.
- ✓ Guarantees some exposure to positive impact companies – at least 10% of the Fund is invested in companies with at least 20% of their revenue derived from positive impact themes that relate to U.N. Sustainable Development Goal (SDG) targets. Requires companies with lower ESG ratings to provide meaningful exposure (>20% or >50% of revenue) to positive impact themes for potential Fund inclusion.
- ✓ The fund preferences sustainability leaders, selecting companies from several positive industries including renewables.

Fund ESG Summary

UNPRI Signatory	Yes, and Pella is also a signatory of the UN Global Compact			
Full Holdings Disclosure		Availability	Updated	Data provided
	RIAA website	Public = RIAA website	Monthly with one month lag	Companies invested in
	Quarterly report	Public – Pella website	Quarterly with one month lag	Companies invested in
	Annual Responsible Investing Report	Public – Pella website	Annual	Companies invested in
	Portfolio & Investment Summary report	Private – provided to unitholders and their advisers	Monthly	Companies invested in and their in-depth ESG / Sustainability characteristics
RIAA Certification	Yes			
Disclosure of Voting	Yes – Quarterly reports and Annual Responsible Investing Report			
Ethical Screening Process	<p>(click on link to view document take from Pella's website)</p> <p>Responsible Investing Charter</p> <p>Policies - Sustainable Investing Policy</p> <p>Responsible Investment Report – 2022 Report</p>			
Exclusions	<p>Climate change screens</p> <ul style="list-style-type: none"> × Fossil fuels – oil, gas and thermal coal extraction and generation × Logging of old growth forest × Uranium mining <p>Ethical screens</p> <ul style="list-style-type: none"> × Tobacco × Alcoholic beverage manufacturing × Animal cruelty (cosmetic testing, using animals for live crowd entertainment, intensive animal husbandry) × Correctional facilities (for profit) × GMO seeds manufacturing × Pornography × Tobacco products manufacturing × All weapons (i.e. not just controversial weapons) manufacturing and distribution 			
Materiality/Exposure Limits	<ul style="list-style-type: none"> • Almost all the exclusions apply a 0% threshold • The exceptions are for electricity generators – 			

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- Thermal coal electricity generation (5%) - 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
- Gas electricity generation (15%) - 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.

About the 'Ethical Survey'

About the Ethical Advisers Co-Op

The Ethical Advisers Co-op is a group of 35 financial advisers who are passionate about ethics and finance. The Co-op was established as a not-for-profit over 10 years ago to enable likeminded financial advisers to work together to represent the voice of the consumer. We work to shift the super and investment industry into being more ethically aligned with their clients' objectives. The Co-op's nationwide membership of ethical financial advisers help over 3,300 Australians make financial decisions and invest in line with their ethical values.

How the Leaf-System Works

The ethical rating is voted by Australian financial advisers who specialise in ethical investments (Co-op members). The advisers assess if fund ethics suit their average ethical client, and if it matches with the average client's expectations and objectives. The advisers consider how successful the fund is at; 1) removing industries and stocks harmful to the environment and society 2) including companies with environmental or social benefits, and 3) providing evidence of actions from the fund which benefit society and/or the environment. The quality of information the fund provides on its ethical policies, companies invested in, and proxy voting is important in assessing if a fund is as ethical as claimed. The final rating is an average of these votes.

Financial advisers are voluntarily participating to help ethical consumers gain a quick understanding of how the clients of a group of industry professionals view the ethics of each fund. The Co-op and the advisers do not receive any form of remuneration or reward for participating.

Further Research

Does your fund walk the talk?

The Australasian Centre for Corporate Responsibility (ACCR) – a not-for-profit shareholder advocacy organisation – pushes for transparency around whether your super fund 'walks the talk' on issues such as climate and human rights. They published a detailed report looking at the voting records of major Super funds in June 2020. You may find information relating to your super fund [here](#) (see page 18 & 19).

Is your fund investing in fossil fuels?

Market Forces is a not-for-profit delivering transparency on fossil fuel lending, insuring and investing within super funds, banks and insurance companies. You can see how exposed your super fund, bank or insurance company is to the fossil fuel industry [here](#).

If the fund is certified by the Responsible Investment Association Australasia (RIAA)

You can find more ethical and investment information for certified funds [here](#).

More information on this fund

For exact details of the fund's claimed ethics, costs and legal details see the fund's Product Disclosure Statement - available on their website.

Vote based on information last updated 1st March 2019