

## ANNEX II

### Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

#### Sustainable investment

means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

#### The EU

**Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



Product name: **Global Property Securities Fund**

Legal entity identifier: **5493005ON3FC5B6DDH22**

#### Environmental and/or social characteristics

##### Does this financial product have a sustainable investment objective?

**Yes**

**No**

It will make a minimum of **sustainable investments with an environmental objective**: \_\_\_%

**It promotes Environmental/ Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of \_\_\_% of sustainable investments

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It will make a minimum of **sustainable investments with a social objective**: \_\_\_%

It promotes E/S characteristics, but **will not make any sustainable investments**

##### What environmental and/or social characteristics are promoted by this financial product?

The environmental characteristics considered by the Fund include, but are not limited to:

- Reduction of greenhouse gas emissions
- Water conservation
- Increasing usage of renewable energy sources.

The social characteristics considered by the Fund include, but are not limited to:

- Increased diversity and inclusion in the workplace and on company boards.

### Sustainability indicators

measure how the environmental or social characteristics promoted by the financial product are attained.

- Greater adoption of policies to eliminate the practice of forced labour.

No reference benchmark has been designated for the purposes of attaining the above characteristics promoted by the Fund.

- *What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?*

The Investment Adviser uses the following indicators to measure the attainment of each of the characteristics promoted by the Fund:

#### *Environmental:*

For assessing an investee company's practice on carbon footprint, the Investment Adviser checks indicators on GHG emissions of the portfolio, GHG emission reduction targets and the policies of investee companies as well as the GHG intensity of investee companies.

For assessing an investee company's practice on water conservation, the Investment Adviser checks indicators on Water consumption of investee companies.

For assessing an investee company's practice on increasing usage of renewable energy sources, the Investment Adviser checks indicators on the share of non-renewable energy consumption of investee companies.

#### *Social:*

For assessing an investee company's practice on increased diversity and inclusion in the workplace and on the board of directors of the investee company, the Investment Adviser checks indicators on inclusion and diversity policies set by the investee companies and the percentage of female directors on respective board of the investee companies.

For assessing an invest company's practice on adoption of policies to eliminate the practice of forced labour, the Investment Adviser checks indicators on forced labour policies set by investee companies.

- *What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?*

Not applicable as the Fund does not intend to make sustainable investments.

- *How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?*

Not applicable as the Fund does not intend to make sustainable investments.

- *How have the indicators for adverse impacts on sustainability factors been taken into account?*

Not applicable as the Fund does not intend to make sustainable investments.

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Not applicable as the Fund does not intend to make sustainable investments.



**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



### **Does this financial product consider principal adverse impacts on sustainability factors?**

- Yes,** the Investment Adviser considers principal adverse impacts on sustainability factors by combining internal analysis of fund holdings and third-party data against all mandatory indicators in Table 1 of SFDR Annex 1 and selected optional indicators in Table 2 and 3 of SFDR Annex 1.

The principal adverse impacts on sustainability factors are considered as part of the Investment Adviser’s proprietary ESG scoring methodology and as such, the indicators are reviewed at regular intervals or when newly reported information becomes available.

Consideration of principal adverse impacts on sustainability factors will be confirmed as part of the periodic reporting disclosed in the annual report for the Fund.

- No**

### **What investment strategy does this financial product follow?**

The Fund will seek to achieve its objective by investing primarily in a global portfolio of publicly traded securities of companies engaged in the property industry or whose value is largely derived from property assets.

The Fund's investment process seeks consistent positive excess returns driven by bottom-up stock selection and constructing a portfolio with diversified sources of active return. Top-down and quantitative elements are also incorporated but represent a minor role in the investment process. The Investment Adviser performs a fundamental style of investing that is characterised by quality, with an emphasis on owning companies at average or below average relative valuations (ie, owning quality companies at a reasonable price).

The investment process consists of a number of stages, beginning with fundamental research which is carried out by the Investment Adviser's analysts. This research supports the analyst's investment recommendations, which serve as the Investment Adviser's primary source of idea generation for the portfolio. There are three primary areas of focus in this analysis: (i) quality assessment of fundamentals, (ii) relative valuation and (iii) recognition catalysts.

The quality assessment of a company's key fundamental attributes is expressed as a Quality Score (with a 1 – 5 ranking). This score is produced by the Investment Adviser's analysts and covers ESG as one of six categories. The ESG input in the Quality Score is the rating a company receives by the Investment Adviser's analysts based on its proprietary ESG scoring framework, as all companies are required to have an ESG score based on a 1 – 10 rating scale (10 being the highest score, 1 the lowest). The proprietary ESG scoring framework incorporates metrics to assess the E & S characteristics promoted by the Fund. To facilitate the ESG score, the analysts evaluate each company against such metrics to establish the key ESG attributes, opportunities, risks, or controversies for a given company. The Fund will invest at least 60% of its assets in companies with an ESG score of 6.0 or greater. This ensures a material percentage of the assets in the portfolio will be invested in companies that exhibit higher quality, above peer average ESG attributes.

Data to produce the ESG score is sourced from (i) primary research which includes company management discussions through engagement, asset inspections, the study of company filings, and company issued sustainability reports, (ii) third party data providers from organisations (such as GRESB, MSCI, ISS and others) and (iii) in a limited fashion consistent with the Investment Adviser's overall research efforts, ESG research from sell-side research firms.

The next stages are security selection and portfolio construction, wherein the Investment Adviser's portfolio management team works to identify the best ideas and construct an integrated global portfolio, whereby the best ideas are weighted consistently with a global perspective. As part of the portfolio construction process, the Investment Adviser is mindful of top-down, macro factors such as economic conditions, interest rates, geopolitical events, as well as style risks and calibrates portfolio weights as needed. Risks by factor, style or ESG are analysed which can influence portfolio positioning based on the Investment Adviser's views of market conditions and available opportunities.

A fixed exclusion criteria is in place to exclude owners and operators of private prisons.

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The following are considered the binding elements of the Fund's investment strategy:

*Proprietary ESG Scoring:*

The Investment Adviser's proprietary ESG scoring framework incorporates metrics to assess the environmental and social characteristics promoted by the Fund. The Investment Adviser commits that a minimum of 60% of the Fund's exposure (as measured by portfolio weight) will be invested in companies with an ESG score of 6.0 or greater based on a 1- 10 rating scale.

*Carbon reduction:*

The Fund will invest at least 60% of its assets in companies which have a publicly reported GHG emissions or carbon emission reduction target.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

Not applicable as there is no committed minimum rate to reduce the scope of investments

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

- ***What is the policy to assess good governance practices of the investee companies?***

The Investment Adviser identifies governance considerations as integral to the investment philosophy and process. Improving governance policies and practices are identified as providing a basis for an improved relative valuation, while governance dilution or deterioration represent an inherent source of risk and downward valuation. In order to ensure good governance, the Investment Adviser engages with senior executives from investee companies within the Fund supplemented with third party specialist research.

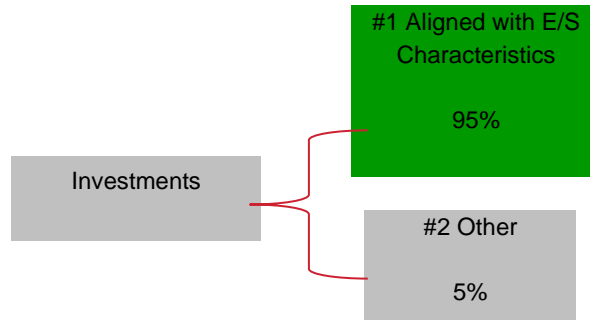
As part of the Investment Adviser's ESG scoring framework investee companies are rated specifically on corporate governance factors deemed relevant and material for listed REITs and real estate companies. Examples of the factors considered are the following: management structure (internal or external management), track record of shareholder friendly behaviour, shareholder capital management, structural takeover defences, alignment with shareholder interests, executive compensation practices, and corporate disclosures.



## What is the asset allocation planned for this financial product?

**Asset allocation** describes the share of investments in specific assets.

In accordance with the binding elements of the investment strategy, 95% of investments made will be aligned to the E/S characteristics, whilst the remaining 5% will be cash, cash equivalents and hedging instruments.



Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristic, have no minimum environmental or social safeguards, nor are qualified as sustainable investments.

○ **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Not applicable as derivatives are not used to attain the environmental or social characteristics.

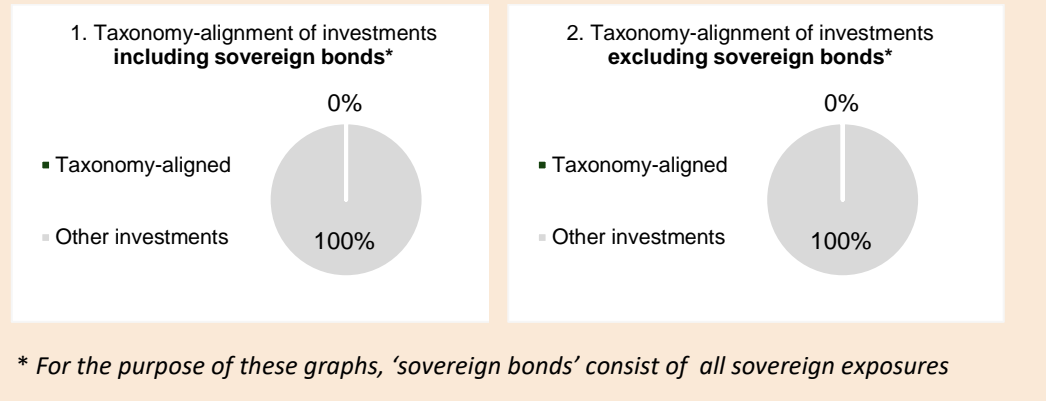
**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.




## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

0%

**The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.**




**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

 are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

○ **What is the minimum share of investments in transitional and enabling activities?**  
0%

 **What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**  
0%

 **What is the minimum share of socially sustainable investments?**  
0%

 **What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?**

The investments included under "#2 Other" are cash, cash equivalents and hedging instruments which are not subject to environmental and/or social screening or any minimum environmental or social safeguards. Cash and cash equivalents do not affect the promoted environmental and / or social characteristics of the Fund. The assessment of issuers and of counterparties for cash and hedging instruments focusses on the creditworthiness of these parties, which can be impacted by sustainability risks.



**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

No. There is no specific index designated as a reference benchmark to determine whether the Fund is aligned with the environmental and/or social characteristics that it promotes.

- ***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***

Not applicable. There is no specific index designated as a reference benchmark to determine whether the Fund is aligned with the environmental and/or social characteristics that it promotes.

- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

Not applicable. There is no specific index designated as a reference benchmark to determine whether the Fund is aligned with the environmental and/or social characteristics that it promotes.

- ***How does the designated index differ from a relevant broad market index?***

Not applicable. There is no specific index designated as a reference benchmark to determine whether the Fund is aligned with the environmental and/or social characteristics that it promotes.

- ***Where can the methodology used for the calculation of the designated index be found?***

Not applicable. There is no specific index designated as a reference benchmark to determine whether the Fund is aligned with the environmental and/or social characteristics that it promotes.



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**More product-specific information can be found on the website:**

<https://www.principalam.com/eu/about-us/esg>