

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 Responsible Equity Fund**

Legal entity identifier: **549300VJEKNWV9BBR441**

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, promoting environmental stewardship and company contribution towards the United Nations Sustainable Development Goals. The social characteristics considered by the Fund include, but are not limited to, public health, health and safety and workforce and community management.

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

Sustainability indicators

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

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

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

For assessing environmental stewardship, the Adviser checks the percentage of holdings in the Fund's portfolio that have committed themselves to setting a net zero emission target.

For assessing company contribution towards the United Nations Sustainable Development Goals, the Adviser checks the SDG contribution using a proprietary SDG tool with validation as part of the Adviser's fundamental investment process.

For assessing a company's practice on public health, health and safety and workforce and community management, the Adviser checks indicators on the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises and lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles.

In addition, the Adviser's investment strategy is expected to monitor ESG performance as measured by the Adviser's proprietary ESG performance tool and external ESG data providers.

- **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.

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.



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.



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

- Yes** the Adviser considers principal adverse impacts on sustainability factors by combining internal analysis of the Fund's 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 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 to be disclosed in the annual report for the Fund.

- No**

What investment strategy does this financial product follow?

The Fund seeks to achieve its objective by investing principally in equity securities domiciled in both developed and emerging markets that demonstrate positive fundamental change at attractive relative valuations.

Investee companies are considered to be displaying positive fundamental change (synonymous with 'businesses becoming better') where they are seen to be actively improving and becoming stronger. The first step in the process employed by the Adviser is to identify signs of positive change in an investee company. Indicators of positive change could be determined from sources such as accelerating sales volumes, increased market share or improved financial statements. The Adviser then seeks to identify the catalysts underlying the positive change through proprietary screening and determine whether they are internal catalysts (investee company driven) and/or external catalysts (industry driven). Internal catalysts could be driven by internal investee company operational initiatives that range from cost cutting to expanding distribution, better capital deployment and improved corporate governance. External catalysts could be driven by favourable product cycles, changing industry dynamics and regulatory changes. The foregoing analysis of catalysts enables the Adviser to assess the likely magnitude and durability of the catalysts and whether the change is likely to be structural or cyclical in nature. The Adviser will have an investment preference for investee companies whose catalysts are therefore likely to be long term and structural in nature i.e. will create fundamental positive change. This enables the Adviser to substantiate investee companies that are considered to be displaying positive fundamental change and whose valuation is therefore under-appreciated in the market relative to their potential for positive fundamental change.

The Adviser analyses potential investee companies identified pursuant to the foregoing process to determine whether they are consistent with the ESG considerations, as further detailed below, that are promoted by the Fund.

In order to meet the environmental and social characteristics promoted, the Adviser combines an assessment of ESG risks with screening and exclusion criteria to act as the binding elements considered as part of the Fund's investment strategy.

In order to consider ESG risk, the Adviser assigns an ESG risk level to each holding considered within the Fund. To assign the ESG risk levels, the Adviser evaluates an investee company's relationships with each of its stakeholders; shareholders, customers, employees, suppliers and their supply chains, their communities and the environment. The Adviser will use a proprietary methodology incorporating partnership with third party data providers (MSCI, ISS and Bloomberg etc.) to help provide consistent data across the investment universe when making these evaluations. The Adviser will also assign an ESG risk trend of

either improving, stable or deteriorating. This risk trend designation provides important context to the risk level and informs the Adviser's tolerance for that risk.

The Adviser subsequently uses these ESG risk levels to identify the key risks to the stakeholders and the associated positive change to the environmental and social characteristics to be considered in each holding and references these outcomes in investment decision making.

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 Adviser applies a carbon risk screening and exclusions in order to specifically consider greenhouse gas emissions and carbon footprints. The Adviser uses MSCI to identify the carbon risk score for investee companies and aims for an aggregate carbon risk level for the Fund that is 20% lower than MSCI AC World NTR. In addition to this carbon risk screening, the Adviser also excludes thermal coal producers from the Fund as defined by GICS Industry Sector classification.

A further set of fixed social exclusion criteria is in place to exclude companies or issuers from consideration for investment where their revenue is significantly derived from involvement in producing tobacco or involvement in the gambling sector, as defined by the GICS Industry Sector classification.

The Adviser will also exclude holdings where investee company involvement in controversial weapons is identified as defined by the ISS Controversial Weapons Research methodology.

○ ***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?***

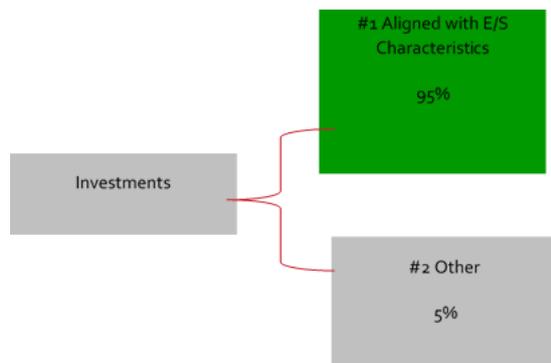
The Adviser identifies governance considerations as integral to the investment philosophy and process. Improving governance policies and practices are identified as providing a basis for an improved relative valuation, while governance dilution or deterioration represent an inherent source of risk and downward valuation. In order to ensure good governance, the Adviser engages with senior executives from investee companies within the Fund. The Adviser incorporates discussions on the ESG issues of greatest importance as identified by the proprietary ESG risk evaluation of the holding. The Adviser will both look for and ask for actions and plans that fit a SMART framework to address any ESG issues: Specific, Measurable, Attainable, Relevant and Time-bounded. Following this engagement with management, the Adviser will then re-assess the ESG risks to ensure a circular, continual process.



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.



#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.

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.

○ **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?

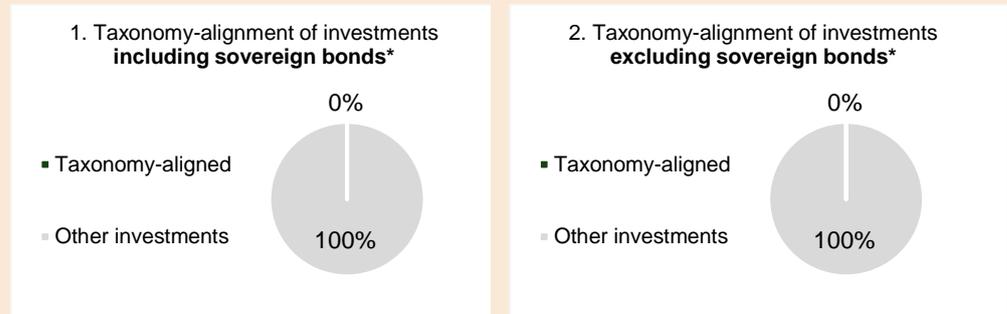
0%

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.

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.



* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

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 do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy?



0%.



What is the minimum share of socially sustainable investments?

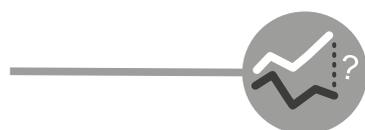
0%



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.

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?



Reference benchmarks are indexes to measure

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.

whether the financial product attains the environmental or social characteristics that they promote.

- ***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.

Where can I find more product specific information online?

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

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

