

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: **Post Short Duration High Yield Fund**

Legal entity identifier: **549300KCO3ML8KZWYI59**

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 promoted by the Fund are carbon footprint, air and water pollution, deforestation and waste management. The social characteristics promoted by the Fund are human rights and labour standards.

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

For assessing an investee company's practice on carbon footprint, the Investment Adviser checks indicators on GHG emissions, carbon footprint and greenhouse gas (GHG) intensity.

For assessing an investee company's practice on air and water pollution, the Investment Adviser checks indicators on GHG emissions, carbon footprint, GHG intensity, water emissions and hazardous waste.

For assessing a company's practice on deforestation, the Investment Adviser checks indicators on biodiversity.

For assessing an investee company's practice on waste management, the Investment Adviser checks indicators on hazardous waste.

For assessing an investee company's practice on human rights, the Investment Adviser checks indicators on the UN Global Compact violation and the UN Global Compact monitoring.

For assessing a investee company's practice on labour standards, the Investment Adviser checks indicators on the UN Global Compact violation, the UN Global Compact monitoring, the gender pay gap and board gender diversity.

- **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 Fund 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 of the Fund.

- No**

What investment strategy does this financial product follow?

The Fund seeks to achieve its objective by investing primarily in a portfolio of short-term, lower volatility high yield debt securities with an average effective duration of approximately 1 – 2.5 years. These securities will generally be rated below investment grade. The portfolio will be diversified, consisting from time to time of securities including fixed and floating rate corporate bonds, debt issued in the leveraged loan market such as bank loan assignments and participations, convertible bonds, commercial paper, private placements, such as Rule 144A securities (including Rule 144A securities which have not been issued with an undertaking to register them with the U.S. Securities and Exchanges Commission, provided that they are eligible investments for the Fund), preferred securities, hybrids and taxable municipal bonds. The Fund may also invest in other sub-funds of the Unit Trust in order to obtain its objective.

The Adviser analyses potential investee issuers identified pursuant to the foregoing process with ESG considerations which are promoted by the Fund, as further detailed below.

In order to meet the environmental and social characteristics promoted, the Investment Adviser incorporates a proprietary ESG scorecard, as further described below, into their investment opportunity evaluation, which is combined with additional screening and exclusion criteria.

The ESG scorecard is used to evaluate ESG-related risk and opportunity based on a broad range of criteria spanning environmental, social and governance issues. As well as qualitative internal analysis, the Investment Adviser will use third party data providers (Bloomberg, MSCI, Sustainalytics, etc) to help provide consistent data across the Fund's investment universe when making these evaluations. The Investment Adviser subsequently assigns an ESG risk score out of 100, which provides important context to the risk level and informs the Investment Adviser's tolerance for that risk.

The Investment Adviser uses these ESG risk scores to identify key risks and references these outcomes in investment decision making. Typically, securities that attract a score of less than 40 are considered for inclusion in the portfolio, with scores of 40 or above considered high risk and subject to more extensive qualitative analysis on underlying factors prior to being considered for investment.

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 Investment Adviser applies screening to specifically consider carbon intensity. The Investment Adviser uses MSCI data to identify the carbon intensity rating for investee companies and will maintain a weighted average carbon intensity for the Fund that is at least 15% lower than the BofA Merrill Lynch 0-5 Year US High Yield Constrained Index.

A further set of fixed environmental and social exclusion criteria is in place to exclude companies or issuers from consideration for investment where more than 10% of their revenue is derived from involvement in producing conventional firearms, alcohol, adult entertainment, thermal coal. The Investment Adviser will also exclude companies or issuers involved in the production of controversial weapons (as defined by the ISS Controversial Weapons Research methodology) and the tobacco/vaping products (as defined by the Barclays Level 4 Sector classification).

In addition to the above exclusions, the Investment Adviser also excludes companies or issuers that engage in (and have not subsequently changed their policies and/or activities) animal welfare violations, deforestation, human rights violations, contentious handling of relationships between management and unions and a persistent lack of funding to satisfy retirement and benefit obligations.

- **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?**

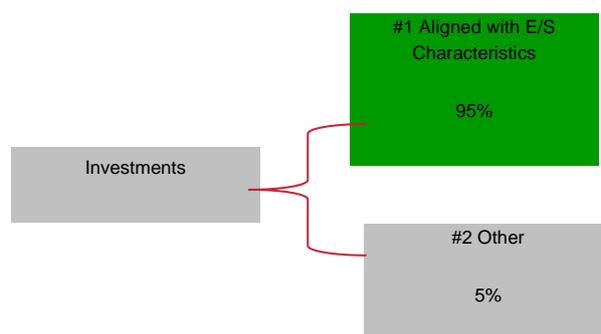
The Investment Adviser identifies governance considerations as integral to the investment philosophy and process. In order to ensure good governance, the Investment Adviser will analyse the governance structure of an investee company, considering factors such as the composition of a company's board of directors and their independence, as well as assessing its culture, behaviour, strategy and intentions of its corporate executives. The Investment Adviser also engages with senior executives from these investee companies.



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.



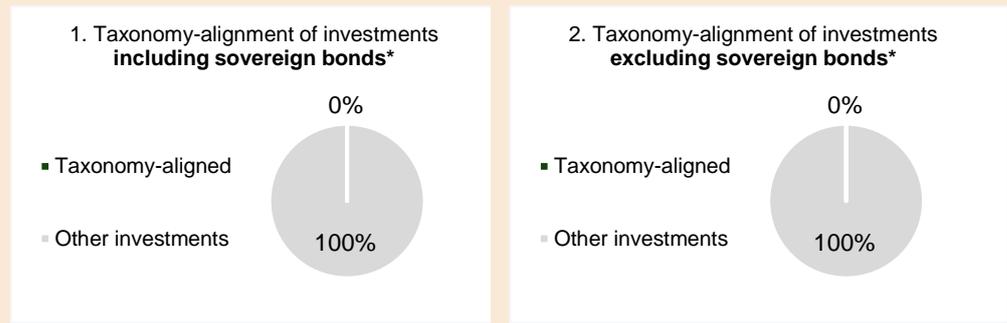
To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

0%

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

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.

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

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.



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 whether the financial product attains the environmental or

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?**

social characteristics that they promote.

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>.

