

Principal Asset Management Company (Asia) Limited

Disclosure of
Environmental, Social and Governance (“ESG”) Related Risks
August 2022

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Principal Asset Management Company (Asia) Limited (“PAM”) has a purpose: to foster a world where financial security is accessible to all. We are committed to increasing the number of people reaching financial security around the globe. This purpose guides us as we work with customers, investors, communities, and employees. We remain dedicated to our commitments to corporate sustainability and the social, environmental, and economic impacts we have on our stakeholders. PAM has delegated part of the investment management function, including fund-level risk management to Principal Global Investors, LLC and its affiliates. PAM leverages the group resources in helping to manage investment risks, including ESG related risks.

Governance Framework

ESG Task Force

Principal Financial Group (“Principal”) has established an ESG Task Force to ensure that material issues are integrated into and help guide the group business decisions, drive our comprehensive ESG strategy and engagement with stakeholders. This keeps the corporation aligned with the internal goals and third-party standards. The ESG Task Force meets regularly to discuss the approach to sustainability reporting frameworks, such as GRI, SASB, TCFD, and CDP, public policy engagement, social and environmental key performance indicators, goal setting, performance against our ESG commitments and the company’s long-term purpose strategy. The ESG Task Force is made up of members across the organization and reports quarterly to the Principal Board of Directors.

In 2021, through the ongoing efforts of our ESG Task Force, we solidified our strategic pillars and announced multiyear corporate responsibility commitments focused on employee empowerment, financial inclusion, and sustainability. Principal has made considerable progress on integrating our ESG commitments into our ongoing business operations, strategy, and decision-making, managing the challenges and barriers for these commitments. We developed our ESG strategies in alignment with several of the United Nations Sustainable Development Goals (U.N. SDGs). The U.N. SDGs are an urgent,

universal call to action to end poverty, improve health and education, reduce inequality, and spur economic growth.

Group Oversight and Resources

In 2021, Principal Global Investors (“PGI”) established the ESG Oversight Committee to assure alignment of new and existing investment options and strategies with the appropriate Principal Global Investors-wide ESG framework. The PGI ESG Oversight Committee reviews global policy accord recommendations and regulatory/industry policy submissions. The PGI ESG Investment Council supports sharing of ESG best practices among investment professionals when constructing and managing client portfolios. In 2021, PGI built out a dedicated and centralized ESG Leadership team focused on ensuring PGI investment professionals have the information and resources needed to create and maintain ESG investment products and solutions for clients.

Local committees

The PAM Management Committee (“PMMC”) and the Hong Kong Executive Investment Committee (“HKEIC”), as delegated by the Board of Directors of PAM, are responsible for overseeing the incorporation of sustainability related considerations into the investment and risk management processes. The PMMC monitors the status and progress of efforts to manage sustainability risk and provide oversight to the sustainability risk framework. Meanwhile the HKEIC reviews and approves the risk management policy and provides oversight of our portfolios’ sustainability risks. The committees hold meeting on quarterly basis.

Investment and Risk Management

Principal Global Fixed Income

In fixed income, ESG integration within the investment process is utilized for the purposes of risk management and alpha generation. The research teams are organized by areas of industry sector specialization, and the analysts are responsible for providing essential insights into industry trends and company-specific considerations, which may include

certain ESG issues deemed material and relevant to the evaluation of sustainable earnings trends, sentiment, and valuation. Every corporate issuer in the coverage universe is assigned a specific ESG score. That score is an essential deliverable of the investment thesis. Both industries and issuers are scored using this model.

Principal Global Fixed Income integrate our ESG perspective in all levels of our investment process.

- Assign a specific ESG score for each issuer – this score, a numeric based system ranging from 1-poor to 10-excellent, indicates that analyst’s overall assessment of the company’s ESG standing. Our analysts raise any concerns about ESG issues, and other fundamental concerns, during meetings with corporate management teams. The response feeds into the assessment of the company’s outlook and potential fit for the portfolio.
- Explicitly utilize independent ESG score withing FTV framework – the analyst’s independent ESG score factored into the fundamental component of the FTV (fundamentals, technical, valuations) framework, and accounts for a meaningful portion of the total fundamental score.
- ESG implementation – our flexible investment process allows for multiple ESG construction options; including screening, full ESG integration and impact/thematic investing.

Principal Global Equity

The integration of ESG considerations is embedded within the fundamental research conducted by our analysts, as we feel they are best placed to determine the importance of such factors in relation to a specific company or industry. The analysts provide the essential insights into industry trends and company specific consideration including ESG issues. These insights are crucial to the evaluation of sustainable competitive advantages and risks at a company-specific and industry level. The analysts have discretion to focus on the considerations and concerns they feel are most important and impactful to

sustainable earnings, sentiment and relative valuation. For each of our holdings and prospective investments, the investment teams require the team members to assess the sustainability culture and risks and engage with management to encourage and facilitate further progress.

- Sustainability Risk Level – The analysts assign each holding with a sustainability risk level of either low, medium, or high. In arriving at this designation, they evaluate the company’s relationships with each of its stakeholders – shareholders, customers, employees, suppliers and their supply chains, their communities, and the environment and identify those key risks that could undermine the company’s existence and the positive change they are seeking.
- Sustainability Risk Trend – The analysts assign each holding with a sustainability risk trend of either improving, stable or deteriorating. This risk trend designation provides important context to the risk level and informs the tolerance for that risk. Consistent with the investment philosophy for positive change.

To supplement independent assessments, the investment teams have integrated MSCI ESG analytics in the process and monitoring tools at the company specific level and portfolio level. This equips the analysts and portfolio managers with company-specific ESG scores, but more importantly with trends in the scores and underlying measures over time, as well as notification of potential controversies and other notable ESG risk considerations. Each company has an overall ESG score, along with the underlying scores of Environmental, Social and Governance which they have integrated directly on a central research dashboard. Additionally, links to a full ESG tear sheets from MSCI provide more transparency into these scores with qualitative insights as researched by the MSCI specialists.

Engagement policy

PGI has been a signatory to Principles for Responsible Investment (“The PRI”) since 2010, highlighting the firm’s dedication to Environmental Social and Governance (ESG) issues. The PRI works to provide a sustainable global financial system by encouraging adoption of six principles and collaboration on their implementation, fostering good governance, integrity and accountability, and addressing obstacles to a sustainable financial system within market practices, structures and regulation. Over the years, our processes have grown to include engagement with companies on ESG issues and we believe that direct communication between investors and companies on ESG matters is an important element of the portfolio management services provided to clients. Engagement may lead us to make decisions that favor actions intended to maximize a company's shareholder value and contribute to our overall research to develop a holistic fundamental view of the company. We take seriously our commitment to our community and society. We believe that we must take responsibility for educating others and ourselves by addressing a range of ESG issues that influence the wellbeing of our community and society and may enhance shareholder value. As a result, we commit to:

- Engage and collaborate with the companies we invest in using our shareholder advantage to encourage responsible ESG practices by the company when aligned with our investment thesis of the company.
- Encourage greater transparency by the companies on their ESG practices.
- Encourage companies to manage risks related to ESG factors and react swiftly to achieve a competitive advantage relative to peers regarding remuneration, boards/directors, audit issues, regulations, litigations, another market factors that could impact a company.
- Encourage companies to disclose through public reporting relevant ESG metrics and how it may fit into the company’s overall business activities

considering such importance will vary significantly depending upon industry and geography.

- Seek out ESG research that will further the overall knowledge on a company.
- Keep records or notes on relevant engagement activities

Review Frequency

PAM will review and/or update this disclosure at least annually and when considered appropriate. PAM will also inform investors of any material changes as soon as practicable.