

Principal Asset Management Company (Asia) Limited

Disclosure of Sustainability related risks

December 2024

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Principal Asset Management Company (Asia) Limited (“PAM”) has a purpose: we have learned that people live their best lives when they feel secure. Everything we do is built around this understanding. We strive to meet people where they are on their financial journey, understanding their progress, possibilities and hurdles – then offering choices for a clear path forward. We are committed to helping people and businesses be better prepared and equipped to weather the surprises that come their way. 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 sustainability related risks.

Governance Framework

Group Oversight and Resources



Nominating and Governance Committee of the Principal Financial Group Board

The Nominating and Governance Committee of the Principal Financial Group Board of Directors oversees our corporate environmental and sustainability commitment. The Committee monitors risks and mitigation related to our environmental, sustainability, and corporate governance (ESG) responsibilities.

Principal Financial Group Sustainability Task Force

Principal Financial Group has established a Sustainability Task Force which is made up of members appointed by Chairman, President, and CEO Dan Houston. The members are leaders across the organization and report quarterly to the Principal Board of Directors. The role of the Sustainability Task Force is to ensure that material issues are integrated into and help guide our business decisions, drive our comprehensive ESG strategy, and continually engage with stakeholders. This keeps the corporation aligned with internal goals and third-party standards, including those of the U.N. Global Compact, which Principal joined at the participant level in January 2021, as well as other business groups such as the Business Roundtable and the CEO Action for Diversity and inclusion.

Principal Asset Management Sustainable Investing Oversight Committee

The Sustainable Investing Oversight Committee classifies, reviews, approves, and assures implementation of products and strategies Principal Asset Management actively markets in accordance with appropriate sustainable investing definitions. It also reviews alignment of classified products and capabilities on a periodic basis to assure alignment remains appropriate. Additionally, the Committee reviews global policy accord recommendations and regulatory/industry policy submissions and identifies critical risks affecting sustainability support within the firm. The Committee meets at least quarterly.

Principal Asset Management Sustainable Investment Council

The objective of the Sustainable Investment Council is to be the connective hub of sustainable investing information in the firm; establish consistency across investment teams; share best practices and provide support to all investment teams; assist investment teams in formulating strategy and reporting; sharpen our sustainable investing stories at the firm and strategy level; and serve as the liaison between Principal Asset Management and the broader Principal organization. The Council meets quarterly.

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 meetings at least quarterly.

Investment and Risk Management

Principal 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. Each corporate issuer in the coverage universe is assigned a specific ESG score, with assessments captured via the ESG Scoring grid. That score is an

essential deliverable of the investment thesis. Both industries and issuers are scored using this model.

Principal Fixed Income integrates a sustainable investing perspective in all levels of the 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. 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 is factored into the fundamental's component of the FTV (fundamentals, technical, valuations) framework, and accounts for a meaningful portion of the total fundamental score.
- Implementation – a flexible investment process allows for multiple sustainable investing construction options; including screening, full ESG integration, impact investing, and thematic investing.

Principal Equities

For listed equities, the consideration of ESG factors currently takes place within our investment process as part of the fundamental research driving security selection. The analysts are best placed to determine the importance of such factors in relation to a specific security or sector. The analysts provide essential insights into industry and company-specific considerations integrating ESG factors into their final investment thesis. For 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 holdings with a sustainability risk level of either low, medium, or high. In arriving at this designation, they evaluate the company's relationships with 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 holdings 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, the team believes improving trends in sustainability risk can also be an important source of alpha potential.

To supplement independent assessments, the investment teams have integrated third party 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 is assigned 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 the third-party data providers provide more transparency into these scores with qualitative insights as researched by their specialists.

Engagement policy

Principal Asset Management, a trade name for Principal Global Investors, LLC., has been a signatory to Principles for Responsible Investment (“PRI”) since 2010, highlighting the firm’s dedication to Environmental, Social and Governance (ESG) issues. The PRI works to achieve a sustainable global financial system by encouraging the adoption of six principles and collaboration on their implementation; by fostering good governance, integrity and accountability; and by addressing obstacles to a sustainable financial system within market practices, structures and regulation. Over the years, the team’s processes have grown to include engagement with companies on ESG issues and 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 to making decisions that favor actions intended to maximize a company's shareholder value and contribute to overall research to develop a holistic fundamental view of the company. Principal Asset Management takes the commitment to community and society seriously. 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, Principal Asset Management commits 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.