

This document is important and requires your immediate attention. If you are in any doubt about the contents of this document, you should seek independent professional financial advice.

This Notice should be read by all the participating employers and employee members of Principal Central Provident Fund. Participating employers should notify their employees of the content of this Notice upon receipt.

Dear participating employers and members,

Re: Principal Central Provident Fund (the “Fund”)
– **Asia Pacific Equity Fund (the “Investment Portfolio”)**

Thank you for your continual support to the Fund.

1. Changes to the underlying fund of the Investment Portfolio

The Investment Portfolio invests directly in a single underlying investment vehicle, Principal Prosperity Series – Principal Asia Pacific High Dividend Equity Fund (the “**Underlying Fund**”).

(i) Re-classification of Underlying Fund as ESG fund

With effect from 31 July 2023 (the “**Effective Date**”), with a view to more accurately reflect the sustainable position of the Underlying Fund in light of the latest incorporation of the sustainable investing framework of the Underlying Fund’s investment manager, the Underlying Fund will seek to incorporate environmental, social and governance (“**ESG**”) factors as its key investment focus, and will integrate ESG characteristics into its investment process. The Underlying Fund will therefore be re-classified as an ESG fund. Concomitantly, the Underlying Fund will be renamed as “Principal Sustainable Asia Equity Income Fund” on the Effective Date.

As a result of the ESG investment focus of the Underlying Fund, the Underlying Fund and hence, the Investment Portfolio through its investment in the Underlying Fund may be subject to “*ESG investment policy risk*”.

(ii) Increased investment limit on China A-Shares

Moreover, in order to provide flexibility and tap into the opportunities of investment in the PRC, the investment policy of the Underlying Fund will also be amended on the Effective Date to provide that the Underlying Fund may from time to time invest up to 50% of its net asset value in equity securities issued in the PRC (including China A-shares) directly via the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect or the Qualified Foreign Investor (“**QFI**”) regime, and/or indirectly through access products or other collective investment schemes.

As a result, the Underlying Fund and hence, the Investment Portfolio through its investment in the Underlying Fund may be subject to increased “*Risks associated with investments/exposure to RMB currency and/or Mainland China*”, as currently set out in the section headed “4. Risk Factors” in the Principal Brochure. In addition, the Underlying Fund and hence, the Investment Portfolio through its investment in the Underlying

Fund may be subject to “*Risks associated with investment in ChiNext market and/or STAR board*” and “*Risks associated with investment made through the QFI regime*”.

(iii) Clarification on geographical focus

In addition, as the investment manager of the Underlying Fund does not intend to invest in Japan, with effect from the Effective Date, the investment policy of the Underlying Fund will also be updated to replace the reference to “Asia Pacific region” with reference to “Asia Pacific (ex Japan) region” to provide a more accurate description of the geographical focus of the Underlying Fund.

According to the investment manager of the Underlying Fund, save as described above, the changes to the Underlying Fund will not result in any other change to the features or any increase in risk level of the Underlying Fund and there will be no change in the operation and/or manner in which the Underlying Fund is being managed in practice. Also, the fee levels and fees and charges structure of the Underlying Fund will remain unchanged. Based on the above, the investment manager of the Underlying Fund is of the view that the above changes to the Underlying Fund will not materially prejudice the rights or interests of the existing investors of the Underlying Fund.

To reflect the above changes to the Underlying Fund, the objectives and investment policy of the Investment Portfolio and the risk disclosures in relation to the Investment Portfolio will be updated or enhanced on the Effective Date.

Please refer to the Annex to this Notice for the revised investment objectives and policies of the Investment Portfolio and its Underlying Fund.

2. Clarification on investment and borrowing restrictions

To align with the disclosures in the offering documents of the Underlying Fund, updates will be made to the investment and borrowing restrictions of the Investment Portfolio and its Underlying Fund as disclosed in the Principal Brochure. For the avoidance of doubt, the updates are for clarification only and there is no actual change to the investment and borrowing restrictions of the Investment Portfolio and its Underlying Fund.

Please refer to the Annex to this Notice for the revised disclosures about investment and borrowing restrictions of the Investment Portfolio and its Underlying Fund.

3. Availability of documents

The Principal Brochure will be amended by way of a second addendum (the “**Second Addendum**”) to reflect the changes set out in this Notice, enhance risk factors and/or other consequential and miscellaneous updates. The Second Addendum should be read in conjunction with and forms part of the Principal Brochure. Changes set out in this Notice are in summary form only. Please read the Principal Brochure (together with all addenda supplemental to it including the Second Addendum) carefully.

On or around the Effective Date, participating employers and members may obtain a copy of the Principal Brochure together the Second Addendum from our website at www.principal.com.hk¹ or request for a copy through our customer service hotline at 2802 2812 or 2885 8011.

No amendment is required to be made to the Master Trust Deed in respect of the changes set out in this Notice. However, copies of the Master Trust Deed are available for inspection free of charge at the office of the Administrator at 30/F, Millennium City 6, 392 Kwun Tong Road, Kwun Tong, Kowloon. Copies of the Master Trust Deed can be purchased from the Administrator on payment of a reasonable fee.

Terms used in this Notice have the same meanings as in the latest version of the Principal Brochure, unless otherwise specified in this Notice.

¹ Please note that the website has not been reviewed by the SFC.

If you have any queries on the changes made to the Fund, please contact the above customer service hotline or email to hkinfo@principal.com.

Thank you for your continuous support.

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Yours faithfully,
For and on behalf of
Principal Trust Company (Asia) Limited
30 June 2023

Annex

Revised investment objectives and policies, and investment and borrowing restrictions of the Asia Pacific Equity Fund (changes are shown in mark-ups)

Objectives

The Asia Pacific Equity Fund (the “**Investment Portfolio**”) aims to achieve high current income through investing in a diversified portfolio of listed securities in the Asia Pacific region, through its investment in an underlying investment vehicle, will primarily invest in a diversified portfolio of listed securities of companies and issuers in the Asia Pacific (ex-Japan) region which are considered to be outperforming their peers with respect to sustainability performance based on environmental, social and governance (“**ESG**”) factors (“**ESG achievers**”) as well as exchange traded funds (“**ETFs**”) and collective investment schemes (“**CISs**”), which primarily invest in equity securities of companies and issuers that maintain better ESG profiles than their corresponding traditional counterparts (collectively “**ESG achiever ETFs/CISs**”). The Investment Portfolio will also seek to achieve high current income and capital appreciation with a focus on high dividend yielding stocks.

Investment policy

The Investment Portfolio invests directly in a single underlying investment vehicle, Principal Prosperity Series – Principal Sustainable Asia Pacific High Dividend Equity Income Fund (the “**Underlying Fund**”). The Underlying Fund will invest in a diversified portfolio of listed securities in the Asia Pacific (ex-Japan) region, including but not limited to the following regions: Australia, Greater China (including PRC, Hong Kong, Macau and Taiwan), Indonesia, India, Malaysia, New Zealand, the Philippines, Singapore, South Korea, Taiwan and Thailand. The investment manager of the Underlying Fund does not currently intend to invest in Japan but may do so in the future if suitable investment opportunities arise. The investment manager of the Underlying Fund will focus on ESG achievers companies which demonstrate strong corporate fundamentals and offer the potential for superior dividend yields. The Underlying Fund will may also seek to achieve capital appreciation with relatively moderate to high volatility commensurate with investing in equities. The Underlying Fund aims to maintain a minimum of 70% of its NAV invested in listed securities issued by ESG achievers as well as ESG achiever ETFs/CISs. The aggregate investment of the Underlying Fund’s investment in ETFs and CISs (including ESG achiever ETFs and CISs) will be less than 30% of its NAV.

The investment manager of the Underlying Fund adopts a best-in-class strategy under which the investment manager of the Underlying Fund will screen all securities investable by the Underlying Fund (including ETFs and CISs) with the aim of identifying ESG achievers and ESG achiever ETFs/CISs.

The investment manager of the Underlying Fund will assign ESG scorings on potential companies/issuers by using a proprietary ESG methodology. Companies/issuers which are in the higher Quartile 1 or 2 within Asia Pacific (ex-Japan) region, or within their respective sectors of sub-regions (i.e. Greater China, Asia developed markets and Asia emerging markets (ex-Greater China)) based on ESG scores as ranked by the investment manager of the Underlying Fund’s internal rating system will be considered to be ESG achievers. The ESG scores are measured through the use of proprietary research and ESG data from third-party providers (including but not limited to MSCI). The ESG scores from the investment manager of the Underlying Fund’s internal rating system represent the investment manager of the Underlying Fund’s ESG view based on key sustainability risks (i.e. climate change, human capital, corporate governance on ESG matters, etc.) associated with the specific companies/issuers. In order to calculate the ESG score of a potential company/issuer, the investment manager of the Underlying Fund will first identify the material risks and opportunities factors of the potential company/issuer based on its industry or sector which are spread across Environmental, Social and Governance categories (“**ESG risks/opportunities factor(s)**”). The weights assigned to each sector-specific ESG risks/opportunities factor will vary based on its contribution to making positive ESG impact. Governance is an important consideration for all institutions, and it is the one category that is universally applicable across all sectors. A potential company/issuer’s exposure to each of the identified ESG risks/opportunities factor will be ranked against its peers and such level of exposure is translated into an underlying score. For each potential company/issuer, a weighted average

score will be calculated based on the underlying scores and weights of the ESG risks/opportunities factors identified. The higher the scores a potential company/issuer receives for each of the ESG risks/opportunities factors, the higher the overall ESG score of a potential company/issuer will be.

The investment manager of the Underlying Fund supplements the ESG scores with qualitative assessment. In the event that ESG data are not available or comprehensive, the investment manager of the Underlying Fund would provide a subjective qualification of the company's/issuer's ESG outlook, based on case studies, publicly available information, company visits and relevant assessment reports. Companies/issuers demonstrating strong or improving ESG fundamentals or a propensity to address ESG issues, e.g. whose business principles or activities align with one or more sustainable investment themes associated with the UN Sustainable Development Goals, would be favoured over companies/issuers with deteriorating ESG outlook. As a result of all of the above ESG criteria for screening, except for ETFs and CISs, it is expected that the size of the investment universe of the Underlying Fund will be reduced by at least 20% in terms of number of companies/issuers. The investment manager of the Underlying Fund will then apply its own internal analysis based on fundamental analysis and valuation approach to select securities from the eligible investment universe. The Underlying Fund will exclude companies that (i) are classified by the GICS Industry Sector classification to fall within the tobacco, casinos and gaming sub-industries; (ii) have more than 10% of the revenue derived from direct manufacturing and production of controversial weapons (including but not limited to landmines, cluster munition, bio-weapons and nuclear weapons) or their key component, based on the data from third-party providers (including but not limited to MSCI); and (iii) are deemed to have governance concerns through discovery during engagement process and company research.

ESG achiever ETFs/CISs will be identified by using the investment manager of the Underlying Fund's internal screening process. Only ETFs/CISs with available information on full holdings of underlying securities will be eligible for the internal screening process. The investment manager of the Underlying Fund will first distinguish whether the eligible ETFs/CISs track an index with ESG focus or feature ESG related theme or focus, and select ETFs/CISs that incorporate the key ESG focus or feature ESG related theme or focus of the Underlying Fund and also adopt investment objectives or strategies that are consistent with the Underlying Fund's best-in-class approach. The investment manager of the Underlying Fund will then assess the ESG profiles of the selected ETFs/CISs and choose the ESG achiever ETFs/CISs with more than 70% of the underlying securities qualified as ESG achievers (as described above).

Up to 30% of the Underlying Fund's NAV may be invested in (a) equity securities of companies and issuers (i) outside the Asia Pacific (ex-Japan) region and/or (ii) not considered to be ESG achievers (as described above) but demonstrate improving sustainability attributes (e.g. companies/issuers which demonstrate the potential for improvement in sustainability practices and performance through the implementation and execution of a formal engagement plan), or whose business principles or activities align with one or more sustainable investment themes associated with the UN Sustainable Development Goals, or green/sustainable financing instruments, or securities issued by companies in the green sector such as renewable companies, and/or (b) ETFs/CISs (i) outside the Asia Pacific (ex-Japan) region and/or (ii) not considered to be ESG achiever ETFs/CISs (as described above) but demonstrate attributes consistent with a minimum ESG fund rating of BBB or its equivalent based on: (1) ESG fund rating from third-party providers (including but not limited to MSCI) or, (2) only in the circumstances when ESG fund rating from third-party providers is not available, the investment manager of the Underlying Fund's internal ESG fund quality scores which are calculated by using the ESG rating data of the relevant underlying investments derived from third-party providers (including but not limited to MSCI) and the investment manager of the Underlying Fund's factor adjustments based on the ESG rating trend and rating distribution of the underlying investments, and/or (c) cash and cash equivalents, such as deposits and instruments with floating or fixed rates such as certificates of deposits, bankers' acceptances and commercial paper.

The Underlying Fund may from time to time invest up to 50% of its NAV in equity securities issued in the PRC (including China A-shares) directly via the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect or the Qualified Foreign Investor ("QFI") regime, and/or indirectly through access products or other ETFs/CISs.

The Underlying Fund may also on an ancillary basis from time to time hold cash, deposits and instruments with floating or fixed rates such as certificates of deposits, bankers' acceptances and commercial paper.

Investment and borrowing restrictions

The Investment Portfolio will not enter into financial futures contracts and financial option contracts directly. However, it may, via the Underlying Fund, enter into financial futures contracts, financial option contracts and currency forward contracts for hedging or investment purposes, provided that financial option contracts, together with any financial warrant contracts, entered into for investment purposes must not constitute more than 15% of the NAV of the Underlying Fund.

The investment manager of the Underlying Fund may borrow, for the account of the Underlying Fund, up to 1025% of the latest available NAV of the Underlying Fund in accordance with the UT Code to acquire investments. The assets of the Underlying Fund may be charged or pledged as security for any such borrowings. In addition, the assets of the Underlying Fund may be charged to secure a guarantee given in favour of unitholders in the Underlying Fund.

Please refer to section 3.2 of the Principal Brochure headed "**INVESTMENT AND BORROWING RESTRICTIONS**" for details relating to the investment and borrowing restrictions of the Investment Portfolio.