



Principal Asset Management Company (Asia) Limited
Additional Information for Principal Sustainable Asian
Income Fund

February 2023

Sustainable characteristics

Principal Prosperity Series – Principal Sustainable Asian Income Fund (“Sub Fund”)

The Sub-Fund will primarily invest in a diversified portfolio of fixed income securities and fixed income-related securities of companies and issuers in Asia which are considered to be outperforming their peers with respect to sustainability performance based on environmental, social and governance (“ESG”) factors (“ESG leaders”) as well as ESG-focused exchange traded funds (“ETF”) and other collective investment schemes (“CIS”) which primarily invest in debt securities and companies or issuers that maintain better ESG profiles than their corresponding traditional counterparts (collectively “ESG-focused ETF/CIS”), and provide a return consisting of income and capital growth over medium to long term.

The methodologies used to assess sustainable characteristics

The Sub-Fund adopts a best-in-class strategy under which the investment manager (“the Manager”) will screen all securities investable by the Sub-Fund with the aim of identifying ESG leaders. The Manager will assign ESG scores on potential companies/issuers by using a proprietary ESG methodology. Companies/issuers which are in the higher Quartile 1 or 2 within their respective sectors based on ESG scores as ranked by the Manager’s internal rating system or have a minimum MSCI ESG rating of BBB are considered to be ESG leaders.

The ESG scores are measured through the use of proprietary research and ESG data from third-party providers. The ESG scores represent the Manager’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. To calculate the ESG score of a potential company/issuer, the Manager will first seek to 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 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 handling when ESG data is not available

If ESG data are not available or comprehensive, the Manager would provide a subjective qualification of ESG outlook, based on case studies, publicly available information, company visits and relevant assessment reports, among other sources of information.

How ESG focus is monitored

The Manager shall regularly monitor how the Sub-Fund has attained its ESG focus. As mentioned in the investment strategy above, the Manager will base on the availability of both third party ESG data and internal model to build and maintain the portfolios. Periodic ESG assessment will be conducted at least annually. The year-end assessment result will be published to demonstrate the overall ESG performance of the Sub-Fund, the actual proportion of the underlying investments that are commensurate with the Sub-Fund's ESG focus and the actions taken by the Sub-Fund in attaining the Sub-Fund's ESG focus etc. That said, ESG data may not change frequently, and the Manager may rebalance the portfolios when opportunities come. ESG criteria screening may reduce the investment universe by at least 20%. The Sub-Fund will not invest in companies deriving majority of its revenue from "sin sectors" that include tobaccos, casinos and gaming and controversial weapons and will also exclude companies deemed to have governance concerns. "Sin sectors" exclusion will be monitored by the Manager where appropriate and in accordance with the investment guidelines.

How the sustainable characteristics are met

The Sub-Fund aims to maintain a minimum of 70% of the Sub-Fund's Net Asset Value invested in fixed income securities and fixed income-related securities issued by ESG leaders as well as ESG-focused ETF/CIS. The issuers of the securities are in Asia region.