Principal Asset Management℠

PRINCIPAL LISTED INFRASTRUCTURE

Sustainability Report

OCTOBER 2024

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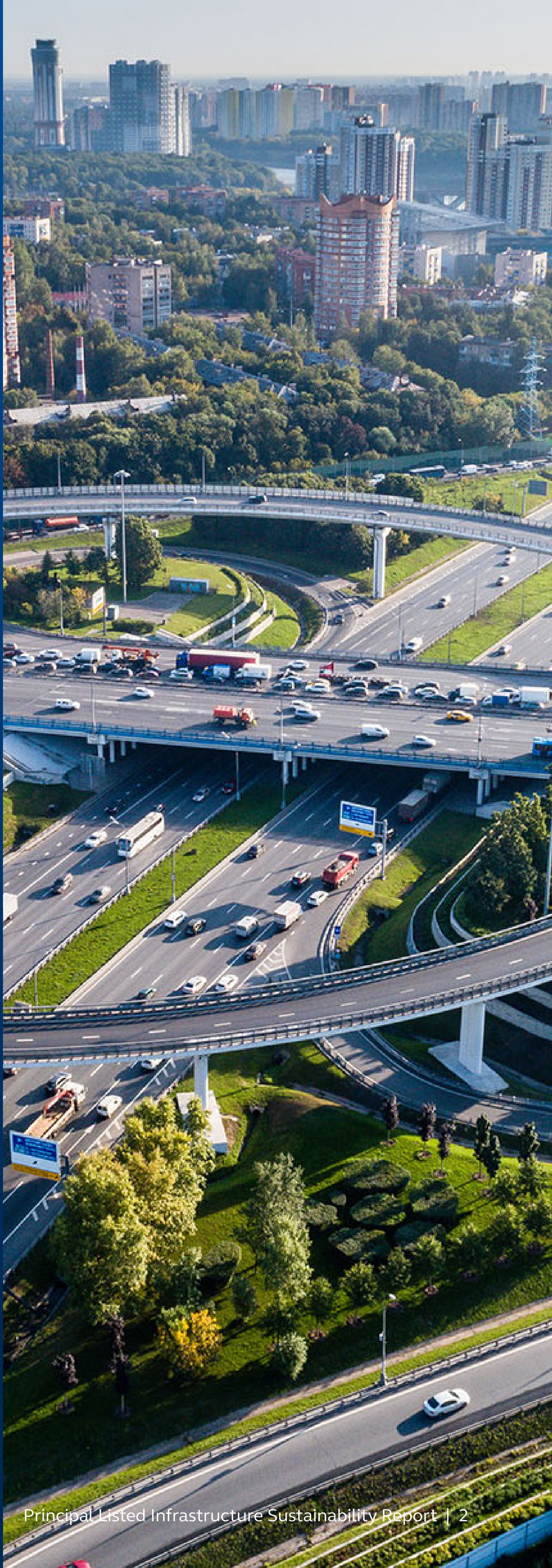

A LETTER FROM THE INVESTMENT TEAM

We are pleased to introduce the second annual publication of this report. Consistent with our initial aim, we intend to offer increased transparency into the critical role our portfolio companies are playing in the communities they serve and into the actions we are taking as shareholders to help drive long-term value creation.

The companies in which we invest largely operate as regulated or contracted monopolies, providing access to basic economic infrastructure and related services that are essential to the everyday functioning of our society. A typical infrastructure company's ability to capture new growth opportunities and deliver competitive financial returns over the long term is therefore intricately linked to its ability to address the needs of a wide range of stakeholders. Crucially, this remains our experience as investors, even as fractures in sentiment towards sustainability increasingly capture headlines, and the lack of consensus over terminology and analytical approaches at times appears to risk undermining real-world progress.

2024 further marks the achievement of our strategy's five-year investment track record. We continued to strive for excess financial returns for our clients and are proud of the contributions our portfolio companies are making in the social and environmental realms. We maintain conviction that delivering excess financial returns and positive sustainability outcomes need not be mutually exclusive. It is also our hope that our team's investment track record will increasingly serve as a testament to that potential.

This year's reporting effort comes together once again with support from valued members of the Principal Asset Management sustainable investing leadership team, and our summer intern, Eugene Burse. We very much welcome your feedback and perspectives as we continue to refine our sustainable investing practices.

Thank you for reading.

EMILY FOSHAG, CFA
Portfolio Manager,
Head of Listed Infrastructure
New York

ALEX MOTTERSHEAD, CFA
Portfolio Manager
New York

RISHIKA DAVDA, CFA
Senior Analyst
London

BING HAN, CFA
Senior Analyst
New York

CARLOS VASQUEZ-VELASCO
Research Associate
New York

Our approach to sustainable investing

Our approach to sustainable investing is informed by our investment team's infrastructure sector focus, our experiences analyzing sustainability considerations and our observations of the world around us. It remains grounded in our fiduciary responsibility to our clients.

We invest exclusively in publicly traded companies that operate infrastructure businesses—utilities, toll roads, airports, rail operators, energy and communications infrastructure. These companies comprise a small subset of publicly traded companies globally. More than 85 percent of our investment universe's market capitalization is concentrated in 100 companies.[1]

In addition to infrastructure sector expertise, we bring differentiated sustainability experience to our roles, having contributed to environmental, social and governance initiatives at predecessor firms and/or studied sustainability issues at the graduate level. This experience enhances our efforts to analyze sustainability in a manner that remains additive to financial returns.

The key pillars of our approach are as follows:

A FORWARD-LOOKING, IMPACT-ORIENTED APPROACH

Given the dominant role infrastructure plays in supporting global sustainability agendas and the monopolistic nature of these businesses, listed infrastructure companies have potential for positive impact on society and the environment that is not always well captured by traditional environmental, social and governance scores or historical metrics. We prioritize investment in companies that add differentiated value to their communities, and that we expect to continue to do so over the long-term. We also strive to build a portfolio that remains in touch with the challenges and opportunities present in the real economy, rather than one that simply screens well on the surface.

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Read more about the unique role listed infrastructure companies can play in driving sustainable impact.

[1] Investment team research

INDEPENDENT THINKING

Analyzing a company's environmental, social and governance practices and impact potential in a manner that remains additive to financial returns is a complex task. Our investment team owns the rigor around this important analysis. We employ a proprietary ratings framework which seeks to benchmark companies against best-in-class practices and identify the more compelling opportunities for progress, ideally opportunities that are not well understood by other market participants. We also map the contributions of our portfolio companies to the Sustainable Development Goals, focusing on those goals where infrastructure is generally accepted to be a key contributor.[2] The proprietary research produced by our analysts is ultimately instrumental in guiding our engagement activities.

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Read why we chose the SDGs as our framework for demonstrating portfolio contributions. >

VALUATION DISCIPLINE

Our investment process explicitly links our independent views of a company's fundamentals, including sustainability practices, with its market valuation. While we are happy to own sustainability leaders, when market valuations of such companies become disconnected from fundamentals, we aim to reallocate capital to companies whose market valuations, in our view, do not reflect their impact potential. We believe our valuation discipline can increase the likelihood that a company making positive social and environmental contributions retains access to fairly priced capital across market cycles.

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Read more about our portfolio's carbon footprint and our expectations for emissions reductions >

ACTIVE OWNERSHIP

Stewardship activities are essential to our role as active, long-term investors. We typically find that our sector focus and expertise enhance our engagement efforts. Company executives may be more likely to respond to constructive dialogue if we first demonstrate a deep knowledge of their business and respect for the challenges they face. Establishing these relationships requires regular discussions over the course of many years.

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Read more about how our team conducts active ownership activities and our current engagement priorities. >

LONG TERM INVESTMENT HORIZON

We invest in companies with the intention to remain shareholders for the long-term. Relative to other shareholder types, our focus can support a company in focusing on long-term value creation rather than on meeting quarterly expectations. Infrastructure capital investment cycles are lengthy and require decades of planning, and investors may require patience before sustainable impact potential is realized. We may also participate in capital raises for companies that are out of favor with other market participants and participate in initial public offerings that are less appealing to short-term investors.

[2] Our SDG mapping framework leverages the guidance published by the CFA Asset Owners Society and GRESB in 2020. Source: https://gresb.com/nl-en/sdg-esg-infrastructure-investment framework/?msclkid=873249c1a9ed11ec8a4a37f23aa68c6c

A DIVERSE AND INCLUSIVE INVESTMENT TEAM

Investment team diversity is frequently linked to strong investment performance, and we believe diversity of thought is key to our ability to drive positive outcomes for society over time. We also recognize that building a diverse investment team today affords us an opportunity to model change for the asset management industry. We aspire for people that identify as women or racially or ethnically diverse to continue to comprise at least 50 percent of our investment team as we grow.

Timeline of Principal Listed Infrastructure's sustainable investing activities

Our sustainable investing practices have evolved since our strategy's inception in 2019 and we intend to continue to build upon our sustainable investing processes and reporting in the years to come.

Before 2019

Principal Asset Management began managing custom-screened, socially responsible mandates for institutional clients and became a signatory to the Principles for Responsible Investing (PRI)

Listed Infrastructure team members began analyzing sustainability considerations at predecessor firms and through graduate level education

2019

The Principal Listed Infrastructure strategy was founded with a strong foundation of integration of environmental, social and governance factors, including proprietary ESG ratings framework

2021

Implemented SDG alignment framework to enhance research efforts related to sustainability and support impact reporting

Launched European domiciled Fund labeled as Article 9 fund under the SFDR disclosure regime/or/regulation

Implemented portfolio temperature alignment framework to assess transition risk

Adopted proxy voting policies consistent with driving long-term value creation and increased transparency on sustianbaility risks and opportunities

2022

First reported on SDG alignment at the portfolio level

Refined engagement framework to emphasis specific priorities and tracking of outcomes

Launched US mutual fund with disclosures aligned to the SEC's ESG-focused category

2023

Published first strategy sustainability report

Partnered with SEO Career to provide historically excluded students with access to internships

2024

Achieved 5-year investment track record for strategy

Expanded dedicated investment team to five individuals, 80 percent of which identify as women and/or racially diverse

2023 highlights

85 BILLION

USD invested by portfolio companies in infrastructure and related services

6.8 MILLION

customers provided sewage and sanitation services

32.1 PERCENT

of portfolio company workforces were subject to collective bargaining agreements

29 ENGAGEMENTS HELD

that were dedicated to environmental, social and governance topics

NEARLY 100 MILLION

utility customers received electric and/or natural gas service from portfolio companies

OVER 11 GW

in new renewables capacity commissioned by portfolio companies

10.3 MILLION

customers were served clean drinking water

35 SHAREHOLDER MEETINGS VOTED,

including 13 with against management votes

33.5 PERCENT

of board members at portfolio companies identified as women

80 PERCENT

of investment team members identify as women and/or racially diverse

100 PERCENT

of portfolio companies have adopted quantitative carbon emissions reduction targets

All figures are aggregated based on company reports covering fiscal year 2023 or the most recent data if 2023 figures are not yet available, unless otherwise indicated.

Our mapping framework

We believe infrastructure is uniquely positioned at the intersection of environmental, social, and economic progress. A 2018 study from the Inter-American Development Bank makes the case that infrastructure has the potential to explicitly and directly support progress toward over 70 percent of the 169 Sustainable Development Goal (SDG) targets outlined in the United Nation's 2030 Agenda for Sustainable Development.[3] OECD calculations demonstrate that nearly seven trillion of annual investment in infrastructure will be required in the coming decade to support economic growth while meeting the SDGs.[4]

Before recommending a security for investment, we evaluate and document a company's alignment with the SDGs, ensuring its contributions to social and environmental progress are in line with our expectations for an infrastructure company operating in the relevant subsector and country. Given our explicit infrastructure sector focus, we have identified 6 of the SDGs to which sustainable infrastructure companies are most likely to contribute, as well as the individual targets and indicators that are most applicable to each company and which vary depending on subsector and/or country of operation. Contributions must be measurable and disclosed at the time of investment, or we must be able to identify a clear path for future measurability and disclosure through our engagement activities.

The SDGs where we focus our alignment research include:

Importantly, our alignment research incorporates the concept of misalignment, such that we are continuously evaluating the numerous positive and negative contributions our portfolio companies are making. Ultimately, we seek to invest only in companies that we believe have a net positive impact on society.

Why the SDGs?

GLOBALLY RECOGNIZABLE AND APPLICABLE

The SDGs and underlying targets are recognized globally and universally applicable, considering different national realities, capacities and levels of development and respecting national policies and priorities. The framework lends itself well to a global investment portfolio that allocates capital to both developed and developing countries, recognizing that the pathway towards a sustainable future may look different depending on a country's starting point but that all efforts that further the 2030 Agenda should be celebrated.

FORWARD-LOOKING

The SDGs are framed as goals, which are necessarily forward-looking and focused on potential rather than the current state. In this framework, where a company is today is less important than where it is going, which is consistent with how we evaluate investment opportunities more broadly and our ambition to drive positive impact.

INTEGRATES ALL THREE PILLARS OF SUSTAINABILITY

The 17 SDGs and 169 targets are explicit in their intention to the three dimensions of sustainable development: economic, social and environmental. We believe any framework that examines each pillar in isolation may prove less practical when the goal is real world progress.

[3] https://publications.iadb.org/publications/english/document/What_is_Sustainable_Infrastructure__A_Framework_to_Guide_Sustainability_Across_the_Project_Cycle.pdf

[4] https://www.oecd.org/finance/Sustainable-Infrastructure-Policy-Initiative.pdf

Contributions to the Sustainable Development Goals

Alignment and contributions

PORTFOLIO SUMMARY

While we analyze alignment and contributions to the SDGs at the individual company level, the pages that follow aggregate, where possible, the positive contributions to our strategy's focus SDGs across the portfolio. We also provide company examples that demonstrate positive contributions to key SDG targets. In some instances, portfolio level aggregation is difficult given the current state of data availability and comparability and/or the potential for such contribution may not apply broadly across the portfolio.

Focus SDG alignment of our portfolio

	% of portfolio aligned	Utilities	Transportation	Energy	Communications
% of total portfolio		48%	25%	12%	15%
Clean water & sanitation	43%	30%	6%	6%	0%
Affordable & clean energy	87%	44%	22%	9%	13%
Decent work & economic growth	98%	48%	25%	9%	15%
Industry, innovation & infrastructure	98%	48%	23%	12%	15%
Sustainable cities & communities	86%	42%	25%	4%	15%
Climate action	78%	34%	25%	5%	13%

As of December 31, 2023. Percentages are excluding cash and may not equal 100% due to rounding.

Overall SDG alignment across the portfolio

Data as of 31 December 2023. Sustainable Development Goals (SDGs) are a collection of 17 global goals set by the United Nations General Assembly. This is provided for information only and hsould not be construed as specific investment advice, a recommendation to buy, sell or hold, or be relied on in any way as a guarantee, promise, forecast or prediction of future events regarding an investment or the markets in general.

All figures are aggregated based on company reports covering fiscal year 2023 or the most recent data if 2023 figures are not yet available.

SDG 6—Clean Water and Sanitation

10.3 MILLION

customers served clean drinking water

compared to 14.4 milliion in 2022, reflecting the divestment of one of three water utility companies

6.8 MILLION

customers provided sewage and sanitation services

compared to 14.7 milliion in 2022, reflecting the divestment of one of three water utility companies

1.1 BILLION

USD invested in water distribution and sanitation infrastructure

compared to 1.3 billion in 2022, reflecting the divestment of one of three water utility companies

56 PERCENT

of companies have water risk management programs in place, including 100 percent of companies with operations in geographies experiencing high water stress

compared to 53 percent in 2022

Sources: Company reports, MSCI ESG research, investment team estimates. Figures represent 2023 actuals or latest available data if 2023 figures have not yet been reported.

COMPANY SPOTLIGHT(S)

Company Name

Severn Trent

Business Overview

Severn Trent is primarily engaged in the provision of regulated water and wastewater services in the UK. Its supplies water to about 4.5 million households and businesses in its service territories, mostly in the Midlands region of the UK (central England) and in Wales through its smaller subsidiary Hafren Dyfrdwy.

Challenge(s)

Increasingly volatile weather patterns attributable to climate change are creating challenges for water utility companies as they seek to continue to deliver clean and affordable water for customers. In the UK, storm overflow spills are receiving increasing attention from stakeholders in recent years. Tackling challenges related to water supply and water quality requires innovative solutions in terms of both capital projects and operational processes, and such outcomes must be achieved without sacrificing customer affordability.

Contributions

As of its fiscal year ending March 2024, Severn Trent is on track to meet key 2025 targets related to river health, leakages and reductions in per capita water use consumption. Severn Trent has also adopted sector-leading and SBTi certified carbon emissions reduction targets across all three scopes, with the company having achieved a 30 percent reduction in scope 1 & 2 emissions relative to a 46 percent reduction target by 2030. Further, the company achieved its 2027 goal to improve the biodiversity of 10 thousand hectares three years early.

In October 2023, the company submitted its new business plan to the UK water regulator, Ofwat, which will cover the years 2025-30. Details of the plan suggest that Severn Trent remains committed to leading the charge when it comes to sustainable contributions. In particular, the company's investments will prioritize the resilience of raw water resources for future generations. It has also proposed to invest over £2 billion to improve the health of the rivers located in the region where it operates. Severn Trent plans to reduce the impact and frequency of spills from storm overflows and through a reduction in phosphate at its wastewater treatment works.

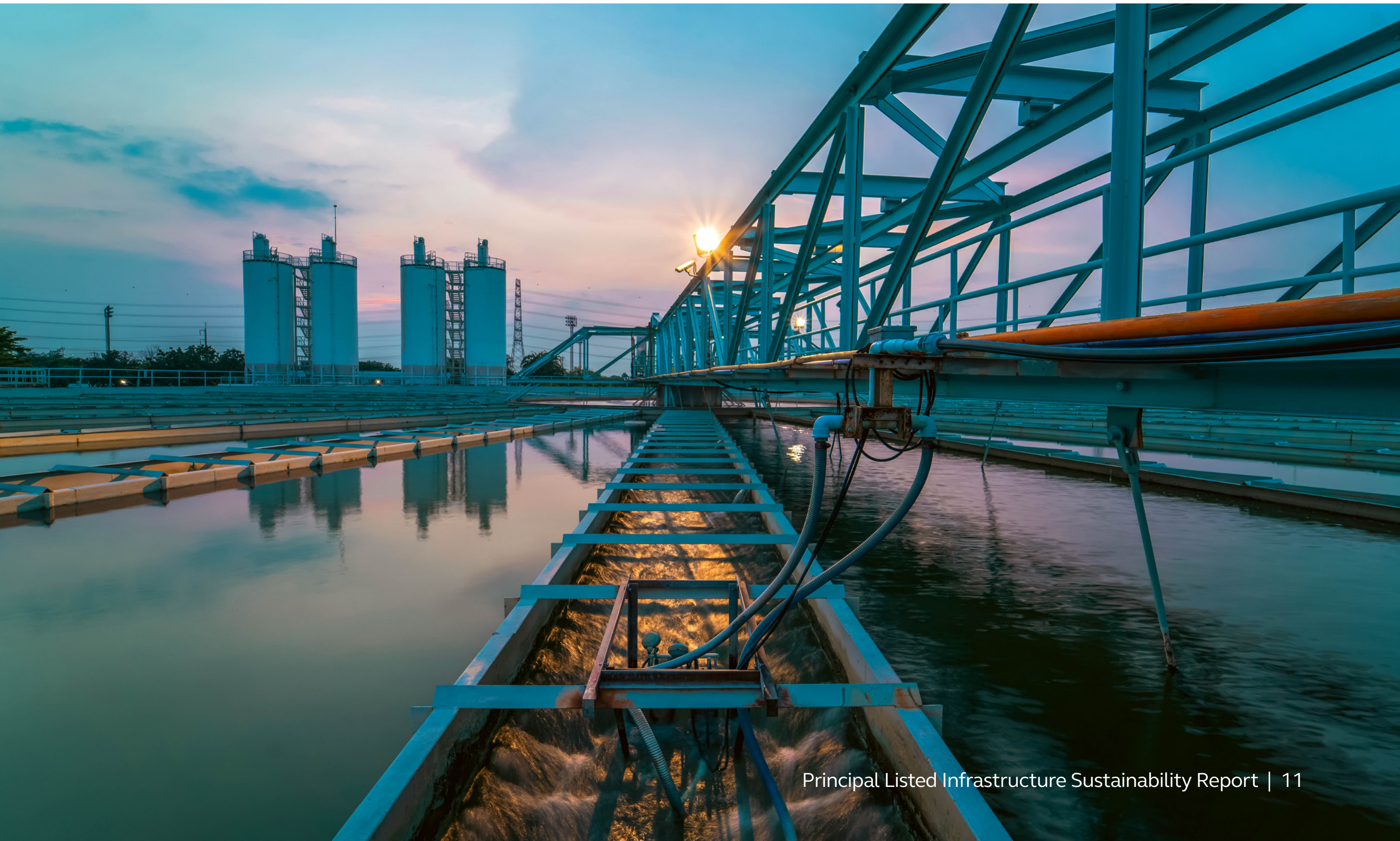
RELEVANT SDG TARGET(S)

6.1 Achieve universal and equitable access to safe and affordable drinking water for all

6.4 Improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials

6.b Protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes

6.b Support and strengthen the participation of local communities in improving water and sanitation management



7 AFFORDABLE AND CLEAN ENERGY

SDG 7—Affordable and Clean Energy

NEARLY 100 MILLION

utility customers received electric and/or natural gas service

compared to 216 million in 2022, primarily reflecting the divestment of one large cap Italian utility company

69 GW

of renewables capacity was operated globally

compared to 107 GW in 2022, primarily reflecting the divestment of one large cap Italian utility company

OVER 11 GW

in new renewables capacity commissioned, a 16% year-over-year increase[6]

compared to 15 GW in 2022, primarily reflecting the divestment of one large cap Italian utility company

62 BILLION

USD invested in energy infrastructure

compared to 65 billion in 2022

OVER 20 MILLION

USD of financial support provided to utility customers

compared to over 3.7 million utility customers receiving financial support in 2022

Sources: Company reports, MSCI ESG research, investment team estimates. Figures represent 2023 actuals or latest available data if 2023 figures have not yet been reported.

COMPANY SPOTLIGHT(S)

Company Name

EDP Renovaveis SA

Business Overview

EDP Renovaveis SA (EDPR) develops and operates a global renewables portfolio of over 16 GW focused on wind farms and increasingly solar assets in the U.S. (50 percent of assets) and Iberia. It is the fourth largest wind operator globally based on installed capacity. EDPR is a subsidiary of Portuguese utility Energias de Portugal (EDP), which owns ~75 percent of the outstanding shares.

Challenge(s)

Our economies continue to have a historic dependence on carbon-intensive energy sources, which are finite in resources and contribute to climate change. Simultaneously, there continues to be a growth in energy demand across the world, driven by growing populations, artificial intelligence, and the electrification of many industries.

Contributions

EDPR is a global leader in the renewable energy industry, with presence in 28 countries as of the end of 2023. The company's core business model of delivering clean energy by developing, building and operating wind farms and solar plants inherently contributes to the global fight against climate change and its impacts.

In 2023, EDPR added 2.5 GW of wind and solar capacity, a 12 percent year-over-year increase, to finish the year with 16.6 GW installed. This progress occurred despite a series of challenges, including delays in grid connection permitting for EDPR's wind projects in Colombia and bottlenecks in the solar supply chain in the U.S., which delayed commissioning of some of EDPR's solar projects in that market. The company is on track to install 4 GW in 2024, and more broadly is a leading contributor to global efforts to triple renewables capacity by 2030.

Source: EDPR Annual Report 2023, EDPR Transcript Q1 Presentation.

EDPR is also playing an important role in ensuring that increased power demand required to support artificial intelligence related processes is met with carbon-free sources. For example, a hyperscale data center can require an amount of power equivalent to roughly 80 thousand households, driving growth in U.S. power demand for the first time in over two decades. In early 2024, the company highlighted increasing contracting activity with big technology companies in the U.S.

RELEVANT SDG TARGET(S)

7.2 Increase substantially the share of renewable energy in the global energy mix

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Company Name

CMS Energy

Business Overview

CMS Energy is a U.S utility holding company. Its main subsidiary, Consumers Energy, is the principal electric and gas utility for the western two thirds of Michigan's Lower Peninsula. Consumers Energy' electric utility is vertically integrated, as it owns its generation, transmission and distribution assets.

Challenge(s)

Growing renewable energy capacity is key to supporting the climate transition. This is critical in a world that is consuming exponentially more energy due to growing populations, artificial intelligence and the electrification of many industries. Increasing renewable energy share can prove challenging as moving away from fossil fuels requires a detailed roadmap and incremental milestones.

Contributions

CMS published their revised Clean Energy Plan in 2022 with targets to end coal use in 2025, increase renewable energy shares adding to solar capacity, and ramp up battery storage. This plan is expected to save customers up to $600 million through 2040 compared to the 2018 Clean Energy Plan. The company will file its updated Renewable Energy Plan in November 2024 to meet the goals of Michigan's 2023 Clean Energy Legislation, which requires 60 percent renewable energy statewide by 2035 and 100 percent clean energy by 2040.

CMS plans to exit coal generation in 2025, with the retirement of its last two remaining units. This follows the closure of two units in June of 2023 that had been operational for 64 years. The closure included years of planning and transition assistance for employees who wished to stay with the company. Renewable energy represented 15 percent of CMS generation capacity in 2022. This proportion is expected to increase to 30 percent in 2025, 43 percent in 2030 and 61 percent in 2040. CMS is making progress on this goal with its fifth wind project becoming operational at the start of 2024 and produces 201 MW of energy via its 72 turbines.

CMS plans to add 8GW of solar generation capacity by 2040. CMS has also built programs to allow for residential and commercial customers to choose renewable generation. For smaller customers, their Solar Gardens program enables customers to subscribe to blocks of solar energy and receive clean, affordable energy with no solar panel home purchase or installation required. The program currently has 120 MW of capacity with 530 additional MW contracted by customer demand and is approved to grow to 1 GW. CMS has also seen high demand for its large customer renewable energy program. Walmart signed an agreement in April 2024 to match 90 percent of energy use across 44 stores in Michigan with renewable energy from future CMS Energy projects, allowing the utility provider to invest capital into expanding renewable energy projects. CMS has over 30 similar commitments from large companies across the state..

Sources: (https://s26.q4cdn.com/888045447/files/doc_presentations/2024/05/May-2024-Presentation.pdf slide 16 https://s26.q4cdn.com/888045447/files/doc_financials/2023/q4/CMS-Energy-Year-End-2023-Results-Outlook.pdf p5)
(https://s26.q4cdn.com/888045447/files/doc_presentations/2023/06/2023-ESG-Presentation.pdf p23).
(https://s26.q4cdn.com/888045447/files/doc_presentations/2023/06/2023-ESG-Presentation.pdf p12)
https://www.cmsenergy.com/investor-relations/news-releases/news-release-details/2024/Walmart-Partners-with-Consumers-Energy-to-Power-44-Michigan-Locations-with-Clean-Energy/default.aspx
2023 Energy Sustainability Report, page 6: https://s26.q4cdn.com/888045447/files/doc_downloads/how_we_are_doing/2023/CMS-Energy-Sustainability-Report_2023_FINAL.pdf
https://www.prnewswire.com/news-releases/consumers-energy-starts-operating-heartland-farms-wind-in-central-michigan-302024725.html#:~:text=MIDDLETON%2C%20Mich.%2C%20Jan.,provide%20201%20megawatts%20of%20energy.

RELEVANT SDG TARGET(S)

7.1 Ensure universal access to affordable, reliable and modern energy services

7.2 Increase substantially the share of renewable energy in the global energy mix

8 DECENT WORK AND ECONOMIC GROWTH

SDG 8—Decent Work and Economic Growth

38 BILLION

Economic Value Added
compared to 46 billion in 2022

NEARLY 10 THOUSAND

new jobs added
compared to 64 thousand in 2022, primarily reflecting the absence of a major acquisition completed by one of our portfolio companies last year

32.1 PERCENT

of company workforces subject to collective bargaining agreements

compared to 32.9 percent in 2022

100 PERCENT

of portfolio companies implemented diversity programs
compared to 100 percent in 2022

33.5 PERCENT

of the average company board was comprised of women
compared to 32 percent in 2022

100 PERCENT

of portfolio companies maintain workplace accident prevention policies and experienced no material controversies over workplace accidents
compared to 100 percent in 2022

Sources: Company reports, MSCI ESG research, investment team estimates. Figures represent 2023 actuals or latest available data if 2023 figures have not yet been reported.

COMPANY SPOTLIGHT(S)

Company Name

Transurban

Business Overview

Transurban operates a portfolio of toll roads, backed by long-term concession agreements with regional governments. Its assets are located in Australia (Sydney, Melbourne, and Brisbane) and North America (Virginia and Montreal).

Challenge(s)

Australia is home to a diverse population that values equal access to opportunity and social responsibility to the environment. As a dominant mobility operator, Transurban has an obligation to create value for its workforce and communities served, through economic and productivity gains, the provision of a safe and equitable work environment, and efficiency in resource consumption.

Contributions

Transurban contributes to the economy and productivity of its service territories by providing travel time savings and job creation. In fiscal year 2023, users collectively saved 413 thousand hours in travel time every workday by using its roads. No other road operator has Transurban's reach in its metro areas, and in many cases, free alternatives imply longer commute times and less reliability. In addition, the company is a large employer

Source: Transurban's 2023 Corporate Report, FY24 Sustainability data found on their IR site.

in its local communities. The company employs a direct workforce of more than 1,900 employees across Australia and North America and has a total workforce of more than 8,900 people, including subcontractors on its major infrastructure projects. Along these lines, Transurban also partners with local organizations to support aboriginal businesses, provide apprenticeship opportunities, and enable people with disabilities to gain valuable work experience. To date, it has spent greater than AUD$120 million in indigenous procurement across more than 130 suppliers through its operations and projects in Australia, and in fiscal year 2023, it spent more than USD$70 million with disadvantaged business enterprises and small, women, and minority owned businesses in the U.S.

The company has taken actions to provide a safe and equitable work environment for its workforce. These actions include continued requirements for each business unit to develop and implement Health, Safety and Environment Action Plans, as well as training for all employees. In terms of outcomes, total recordable injuries per million hours worked (RIFR) were 0 for employees (with a target of less than 3) and 2.77 for contractors (with a target of less than 4). In addition, Transurban aims to maintain gender and cognitive diversity across its workforce, management, and board. To support this goal, the company has various talent acquisition and retention initiatives, including a parental leave policy that entitles employees to 16 weeks of paid leave. Notably, the company has a less than 1 percent gender pay equity gap since 2018.

Transurban is consciously tackling its materials footprint by utilizing sustainable design and construction principles and pursuing sustainable materials procurement. These actions have led to reduced usage of cement, concrete, asphalt, and aggregate (and associated carbon emissions) in road construction. Moreover, the company engages its supply chain partners on setting environmental targets and is a founding partner of the Materials & Embodied Carbon Leaders' Alliance (MECLA), a consortium of more than 140 industry representatives and government agencies working together to reduce carbon emissions.

RELEVANT SDG TARGET(S)

8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation

8.4 Improve progressively, through 2030, global resource efficiency in consumption and production

8.5 Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

COMPANY SPOTLIGHT(S)

Company Name

Union Pacific

Business Overview

Union Pacific Railroad (UNP) is one of the two Class 1 U.S. freight railroads operating in the western two thirds of the country, covering 23 states west of the Mississippi, linking the Pacific and Gulf Coast ports with the Midwest and eastern U.S. gateways, and serving 10,000+ customers. UNP operates all six dominant rail gateways between the U.S. and Mexico. The company is headquartered in Omaha, NE, and is the largest listed railroad by revenues and market capitalization.

Challenge(s)

The North American rail industry's employee base has historically been predominantly male, often attributed to the fact that the work done by train crews and maintenance-of-way personnel is physically demanding and characterized by long hours and potentially significant dangers. Rail companies seeking to close diversity gaps and promote equal pay are seeing slow progress, with efforts potentially complicated as diversity, equity and inclusion (DEI)

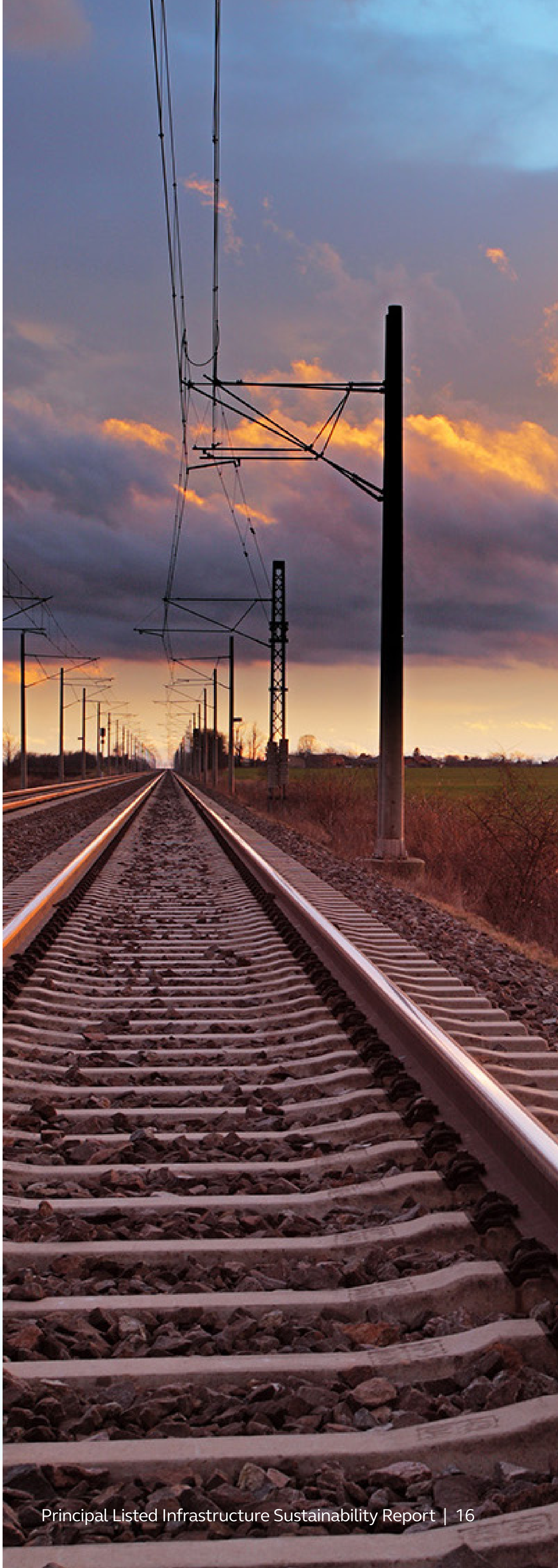
Sources: Company reports. Read more here: https://www.transurban.com/content/dam/transurban-pdfs/01/sustainability-reports/FY22-UN-SDG-Progress-Report.pdf programs in the workplace have recently been under scrutiny in the United States after the June 2023 Supreme Court ruling ending affirmative action in college.

Contributions

Union Pacific has been an advocate for employee diversity and equal pay in recent years and is unique among company peers for having adopted a specific target for females as a percentage of its workforce dating back to 2020. Its stated goals are to increase people of color employee population from 29.4 percent to 40 percent and double the female employee population to 11 percent by 2030. As of 2023, these metrics have increased by one percentage point and are flat, respectively. Despite slow progress at the employee level, the board composition in 2024 has reached over 30 percent female representation, a common industry threshold indicating critical mass of underrepresented voices.

The company's Board of Directors has oversight of diversity programs and recruitment development, retention and employee engagement strategies via the compensation and benefits committee. DEI is highlighted in the company's materiality matrix as a strategic area of focus for their 'investing in our workplace' pillar.

Benefit offerings aimed at supporting women and LGBTQ+ employees include fertility treatment and preservation, adoption and surrogacy benefits. Equal pay, a key metric measured annually by a third party, found no divergence in pay across gender or race at the managerial level. Innovative programs to address the lack of racial and gender diversity in the workforce include non-gender job postings, recruiting initiatives to reach out to historically black universities, and the adoption of more inclusive virtual trainings within management ranks aiming to help Union Pacific achieve its diversity goals.



RELEVANT SDG TARGET(S)

8.5 Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

SDG 9—Industry, Innovation, and Infrastructure

82 BILLION
USD invested in infrastructure
compared to 89 billion in 2022

OVER 1 TRILLION
revenue ton miles of freight transportation provided
compared to 1 trillion in 2022

56 THOUSAND
miles of road and rail operated
compared to 29 thousand in 2022, reflecting the addition of one more toll road operator to the portfolio

699 MILLION
airport passengers served
compared to 493 million in 2022

296 MILLION
passengers served by passenger rail
compared to 267 million in 2022

5.2 BILLION
USD invested to improve data transmission in developing countries
compared to 3.6 billion in 2022

76 PERCENT
of portfolio companies delivered stable or improving emissions intensity over the past three years
compared to 82 percent in 2022

Sources: Company reports, MSCI ESG research, investment team estimates. Figures represent 2023 actuals or latest available data if 2023 figures have not yet been reported

COMPANY SPOTLIGHT(S)

Company Name

Aeroports de Paris SA

Business Overview

Aeroports de Paris SA (AdP) is the owner and operator of three Parisian airports (Charles de Gaulle, Orly and Le Bourget) and operates an international portfolio that includes airports in Chile, Jordan, Turkey and India.

Challenge(s)

Road congestion to and from the airport makes travel times hard to predict and contributes to rising CO2 emissions. To ease congestion and reduce car use, many airports are involved in the opening of additional public transportation lines. At the Paris-Orly station, approximately 70 percent of passengers and 90 percent of employees currently travel by car due to lack of alternative transportation. Biodiversity considerations will also need to be factored in while expanding infrastructure surrounding the airports

Contributions

Following a multi-year construction period, Metro line 14 opened in June 2024, connecting Paris' second largest airport, Paris-Orly, to the greater Paris metro

Source: https://www.railwaygazette.com/metros/paris-metro-line-14-extended-north-and-south/66798.article
2025 sustainability roadmap: https://presse.groupeadp.fr/2025pioneer-eng/?lang=en

with interchanges along the Grand Paris Express. It is expected to handle 95,000 passengers a day and provide a hub to develop eight additional public transport lines to reach a broader base of passengers and employees. During construction of Metro line 14, the Paris transportation center moved all metro communication from train-based control to mobile block functionality, which allows for greater volume of digital information to be transmitted from the Airlink radio. This update was expedited by the new rail line as connecting technology from 1998 to modern digital technology would be more complex than updating all metro lines. Further intermodality connections at Charles de Gaulle airport are expected in 2027 with the CDG Express. Execution of these projects requires strong collaboration with partners including local authorities, regulators, rail operators and the airport.

On the biodiversity front, AdP has committed to preserving 25 percent of the land for biodiversity at Charles de Gaulle and 30 percent at both Orly and Le Bourget airports. The company is tracking its biodiversity index scores and wants to see improvements by 2030, when an additional metro line and three connections infrastructure projects should be completed.

Environment and Climate Change Canada's Net Zero challenge and joined the UN Global Compact initiative. The company also announced a Memorandum of Understanding to evaluate a specialized clean energy terminal in Alberta.

RELEVANT SDG TARGET(S)

9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all

9.4 Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes

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Company Name

China Tower

Business Overview

China Tower (CTC) constructs and operates cell towers and is the monopoly operator in China with over 2 million towers. Its core tower business leases out steel structures to host cell equipment for mobile network operators. CTC also operates a growing set of ancillary businesses: distributed antenna systems (DAS), Smart Tower, and Energy (i.e. power backup and EV charging stations). CTC was created in 2015 as a JV among China's leading state-owned enterprise telecommunications companies: China Mobile, China Unicom, and China Telecom.

Challenge(s)

Despite China's rapid growth and modernization, variations in geographic accessibility and economic development have led to a digital divide, whereby internet penetration is materially greater in urban areas and wealthier Eastern regions than in rural areas and the relatively less developed Central and Western regions. As the primary operator of shared tower infrastructure in the country, CTC has a responsibility to promote the inclusive and equitable development of telecommunications services and to facilitate universal access.

Sources: The company's 2023 ESG report. Read more here: https://www.statista.com/chart/17247/the-average-cost-of-mobile-data-in-selected-countries/#:~:text=Canada%20is%20the%20most%20expensive,is%20the%20cheapest%20(%243.36).&text=This%20chart%20shows%20the%20average,in%202022%20(U.S.%20dollars)

Contributions

CTC's assets form a foundational building block for mobile communications in China and are a key enabler of information access. The company also provides emergency communication support during natural disasters and has initiatives to support infrastructure resilience, serving as a lifeline for rescue support during challenging times. By nature of its business, CTC is a critical player in the bridging of the country's digital divide and increasing access to information. The cost of access to CTC's infrastructure has decreased over time, contributing to more affordable information access. For comparison, the cost of mobile internet access in China is relatively low at $0.41/GB vs. $3.85 in Japan, $5.62 in the U.S., and $12.55 in South Korea.

The company is active in promoting telecom services for remote rural areas, undertaking numerous projects to support inclusivity, and supporting rural revitalization across 97 counties in 21 provinces. In promoting the inclusive and coordinated development of telecommunications, CTC has facilitated growth of base station sites across 12 underserved provinces in Central and Western China. In Inner Mongolia, the company built new sites in remote areas and desert regions to serve farmers and herdsmen. In Xinjiang, CTC constructed 27 base stations along an 888km border to provide 24-hour communication reliability for border guards. In Tibet, the company helped 45 administrative villages achieve full network coverage, supporting local tourism, agriculture, animal husbandry, commercial development, and regional growth. In Jiangsu, CTC achieved its target in 2023 (ahead of schedule) of full 5G coverage across 13,710 administrative villages, some located in remote areas.

RELEVANT SDG TARGET(S)

9.c Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries

SDG 11—Sustainable Cities and Communities

82 BILLION
USD invested in infrastructure
compared to 89 billion in 2022

97 MILLION
passenger kilometers of rail operated
compared to 97 million in 2022

4.68 MILLION
daily trips on roads operated by portfolio companies
compared to 3.4 million in 2022, reflecting the addition of one toll road company to the portfolio

100 PERCENT
of portfolio companies employ stakeholder engagement programs
compared to 100 percent in 2022

Sources: Company reports, MSCI ESG research, investment team estimates. Figures represent 2023 actuals or latest available data if 2023 figures have not yet been reported.

COMPANY SPOTLIGHT(S)

Company Name

CCR S.A.

Business Overview

CCR is an operator of 11 toll roads, 7 airports and 6 urban mobility projects across Brazil, as well as some international markets (Curacao, Costa Rica and Ecuador). The group has been operating for 25 years, with a history in toll roads and has growth through acquisitions and diversification, which started in 2006 with a subway line project in Sao Paulo. Today, the group has presence in 230 cities in 13 Brazilian states.

Challenge(s)

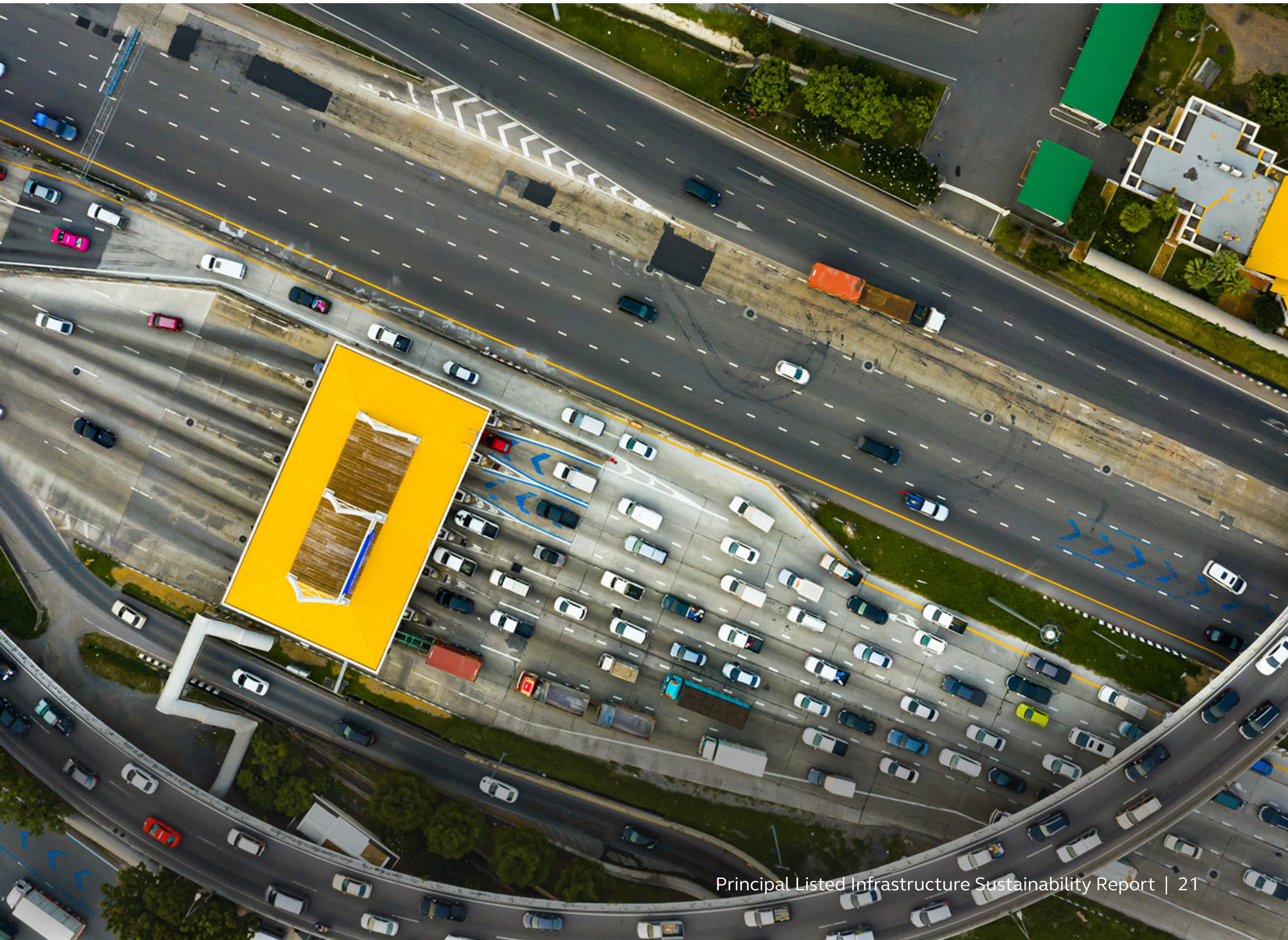
Brazil's population is spread across a landmass of 8.5 million km2, only marginally smaller than the size of continental U.S., with notable differences in the social, economic and industrial between states. Transport infrastructure in Brazil is therefore characterized by strong regional differences. In the context of a growing economy, population and exports, there is increasing demand being placed on the transport network. Therefore, the country requires greater connectivity, speed, and accessibility, and must achieve this with low environmental impact.

Contributions

CCR is the largest transportation provider in Brazil, providing connectivity within states and cities, as well as increasing international connectivity through capital deployment across various forms of transportation. Urban mobility projects are often lower carbon intensive alternatives for local cities and communities. The group operates 3,615 km of highways managed in 5 Brazilian states, serving 3 million passengers per day on subways, light rail and ferries and 41 million passengers per year passenger through the airport network. The government has been executing a large privatization program across all three transportation areas, where CCR has been a very active participant. CCR has a more than BRL$35 billion committed capex allocation and is looking at adding additional projects to its pipeline in upcoming auctions.

RELEVANT SDG TARGET(S)

11.2 Provide access to safe, affordable, accessible and sustainable transport systems for all



SDG 13—Climate Action

AT LEAST 24 BILLION

USD of investments planned over the next decade to strengthen resilience and adaptive capacity to climate change

compared to 11 billion in 2022, reflecting the addition of a utility company with significant focus on resilience investment

100 PERCENT

of portfolio companies have adopted quantitative carbon emissions reduction targets

compared to 97 percent in 2022

THIRTEEN

portfolio companies play an outsized role in facilitating the integration of climate change measures into national policies, strategies and planning

compared to fifteen in 2022

Sources: Company reports, MSCI ESG research, investment team estimates. Figures represent 2023 actuals or latest available data if 2023 figures have not yet been reported.

COMPANY SPOTLIGHT(S)

Company Name

PG&E Corporation

Business Overview

PG&E Corporation (PG&E) is the parent holding company of Pacific Gas & Electric, an electric and gas utility whose service territory covers most of northern and central California.

Challenge(s)

Wildfires have long been a challenge in the western U.S., and especially in California. Utility equipment can be a cause of some wildfire ignitions. As residential development has pushed into more areas of the state, the risk of catastrophic damage to property and risk to human life from wildfires has steadily increased. The challenge for utilities such as PG&E is to invest in safety-enhancing measures while implementing the most effective solutions within the parameters of customer affordability.

Contributions

PG&E's service territory has historically suffered from wildfires, some of which were caused in part by utility equipment coming into contact with trees. Liabilities from these wildfires resulted in PG&E declaring Chapter 11 bankruptcy in 2019, from which it emerged in 2020. Since then the state of California has established a risk-sharing system, including a wildfire liability fund to which utilities contribute, that enables utilities to make substantial investments in safety improvements while enhancing their financial strength through capping liabilities for utilities who act prudently.

PG&E has focused its efforts both on reducing ignition events and improving responses when ignitions do happen. In this work, the company has coordinated closely with CalFire, the state department of

Source: https://s1.q4cdn.com/880135780/files/doc_financials/2024/q2/Q224-Earnings-Presentation.pdf
(https://www.pge.com/en/outages-and-safety/safety/community-wildfire-safety-program/enhanced-powerline-safety-settings.html)

Forestry and Fire Protection. PG&E has invested in the undergrounding of wires and in fitting covered conductors on its poles. It has also implemented Enhanced Powerline Safety Settings, which enables power to be shut off to at-risk lines within 1/10th of a second to at-risk lines. Improvements in ignition response include the use of AI enabled cameras to identify ignitions faster. The weather normalized ignition rate has declined by 62 percent since 2017 and Moody's estimate of the risk of economic loss from wildfires has declined by 93 percent over the same timeframe.

RELEVANT SDG TARGET(S)

13.1 IStrengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

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Company Name

CLP Holdings

Business Overview

CLP Holdings is a regulated utility in Hong Kong with competitive businesses in the PRC, Australia, India, Taiwan and Southeast Asia. Hong Kong is the company's core market and accounts for most of its value. CLP serves about 80 percent of Hong Kong's population, covering Kowloon, New Territories and Outlying Islands, as one of the city's two integrated utilities. The company is 35 percent owned by the founding Kadoorie family.

Challenge

Physical climate risks, including an increase in extreme weather events like wildfires, floods and elevated temperatures, puts a strain on utility infrastructure and cause more frequent and prolonged power outages. Transitional climate risk highlights the need for utility companies to move to renewable energy sources, while balancing the increased energy demands that have historically been met using fossil fuel power.

Contributions

In 2023, CLP Holdings directed 49 percent of its capital investments towards non-carbon generating assets and transmission and distribution, which comprised 78 percent of operating earnings. While the company's renewable energy portfolio is 64 percent wind, 23 percent solar and 13 percent hydroelectric energy, these energy sources make up 10 percent, 3 percent and 3 percent of the total generation and energy storage capacity in 2023, respectively. Coal (47 percent) and gas (28 percent) remain the dominant energy sources. Coal generation has decreased 10 percent since 2019 as the company is fulfilling its pledge of phasing out fossil fuel coal powered plants before 2040, which is a slightly longer timeline than the government of Hong Kong's pledge to eliminate coal from daily electricity generation by 2035. However, this difference in timeline reflects the company's pan-Asian portfolio, including its ownership of assets in several emerging markets.

In mainland China, commercial operations have begun which will provide 273.7MW of renewable energy (a mix of wind and solar projects). In India, preliminary grid connectivity for a 300MW capacity wind project and a 250MW capacity solar project were secured. Energy purchase arrangements in Hong Kong continued to grow as the Hong Kong SAR Government and CLP work closely to promote their Feed-in Tariff Scheme, which connects residential smart meters to home renewable energy systems to offer a fixed range of electricity prices to accelerate the residential adoption of renewable energy. This program added 376MW of renewable energy to CLP. Globally, the firm's renewable energy portfolio, including energy purchase arrangements, increased to 3,732 MW in 2023 (up 3.4 percent from 2022).

RELEVANT SDG TARGET(S)

13.2 Integrate climate change measures into national policies, strategies and planning

Source: 2023 Sustainability Report https://www.clpgroup.com/content/dam/clp-group/channels/sustainability/document/sustainability-report/2023/CLP_Sustainability_Report_2023_en.pdf.coredownload.pdf
https://www.clpgroup.com/en/sustainability/strategic-priorities/decarbonisation.html
https://www.gov.hk/en/residents/environment/global/climate.htm#:~:text=The%20Government%20will%20achieve%20the,electricity%20generation%20and%20regional%20cooperation.

10 REDUCED INEQUALITIES

SDG 10—Reduced Inequalities

In addition to tracking company contributions to our strategy's Focus SDGs, we recognize the positive secondary impacts infrastructure businesses may have on other objectives outlined in the 2030 Agenda for Sustainable Development. We highlight here an additional example of portfolio company leadership in supporting SDG 10.

COMPANY SPOTLIGHT(S)

Company Name

Crown Castle International Corp

Business Overview

Crown Castle (CCI) is the second largest listed tower company, founded in 1994. Today, CCI operates 40 thousand towers, 85 thousand route miles of fiber and 115 thousand small cells. Unlike its U.S. peers, CCI has 100 percent domestic U.S. exposure. The group's strategy has focused on organic growth supported by long term master lease agreements (MLAs) that provide contractual visibility over pricing and volumes.

Challenge

We believe companies with workforces that reflect the diversity of their service territories will be better positioned to meet the evolving needs of their customers. However, in practice, many companies struggle to make this a reality and need to adopt targeted initiatives to effect change.

Contributions

CCI's inclusion and diversity principals were launched in 2021. In our ESG engagements, management have described an inclusive culture in both employees and more uniquely, suppliers, having brought in outside council in the form of diversity consultants to provide training and thought leadership on the topic. Practical steps included introducing diverse hiring panels and applicant pools and removing barriers for minorities. CCI also provides robust diversity disclosures. Specifically for 2022, CCI reported that 26 percent of employees are people of color, more than 30 percent of new hires are people of color, there is 24 percent female representation among senior leaders, 31 percent among managers, 33 percent in non-management positions and 37 percent of promotions were female. Data is presented to the board on a quarterly basis and tracked year on year. The board of directors has 13 members, of which three are female and five are ethnic minorities, or put another way, 54 percent of members are either female or people of color.

Unique to our infrastructure coverage, CCI also has a diversity target for supplier spend. Suppliers are critical in the deployment and management of assets through tasks like site preparation, construction, engineering and maintenance. A requirement from their own three largest customers, CCI introduced this target in 2020 with a targeted 16 percent reduction by 2026. In 2020, CCI started with 9 percent, increasing to 10 percent in 2021 and 2022, with meaningful progress seen in 2023 with an increase to 12.6 percent given various initiatives undertaken. Importantly, they believe they can reach this target without cost creep. A 16 percent outcome would place the group in the top quartile of 100 U.S. based companies on diverse supplier spend.

RELEVANT SDG TARGET(S)

10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

10.3 Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard

Overview

Because we prioritize investment in companies with strong forward-looking commitments to reduce carbon emissions, we expect the carbon footprint of our portfolio to compare favorably to that of our benchmark. We also maintain a high degree of confidence in the long-term emissions reduction potential of our portfolio given our preference for companies with robust action plans supporting their emissions reduction ambitions.

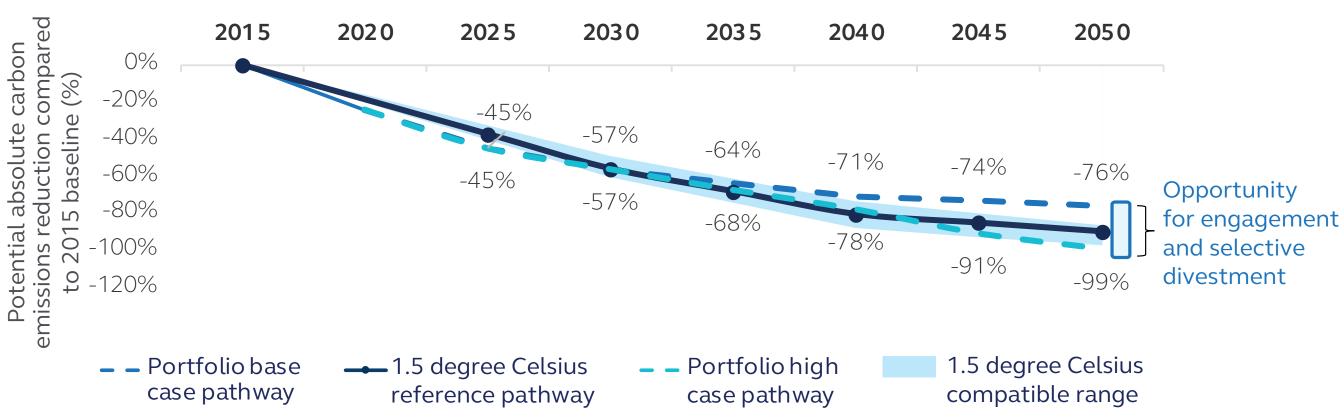
MSCI Carbon scores as of 12/31/2023	Portfolio	Benchmark
Total portfolio carbon emissions (Tonnes of CO2e per 1M invested)	417.51	505.01
Carbon intensity (Tonnes of CO2e per 1M sales)	962.12	1,179.27
Issuer carbon intensity	1,031.01	1,005.25

Source: MSCI ESG research. Carbon emissions includes Scope 1 & Scope 2 emissions but excludes Scope 3 emissions. Reflects representative portfolio of the Global Listed Infrastructure composite as of 31 December 2023.

In terms of future emissions reductions, we continue to assess the carbon emissions reduction pathway of the portfolio relative to IPCC scenarios likely to achieve 1.5 degree Celsius warming as part of our portfolio construction process. For each portfolio holding, we project an absolute carbon emissions reduction pathway through 2050. This analysis is based on a company's formal emissions reduction targets, including our own assessment of the robustness of management planning that is supporting the targets and analysis of the company's track record in meeting prior targets. We then aggregate the expected pathways of each portfolio holding into a portfolio level pathway. Broadly, we expect our portfolios to demonstrate emissions reduction potential between now and 2030 that is aligned with IPCC scenarios likely to achieve 1.5 degree Celsius warming. We are working to achieve this by investing in a blend of sustainability leaders and those with greater scope to improve.

When it comes to carbon emissions reductions beyond 2030, we aim to support companies in their efforts to align with a credible pathway to net zero through our engagement activities. We capture the potential of our engagement efforts by also projecting a high case emissions reduction pathway for our portfolio.

Long-term emissions reduction potential of our portfolio

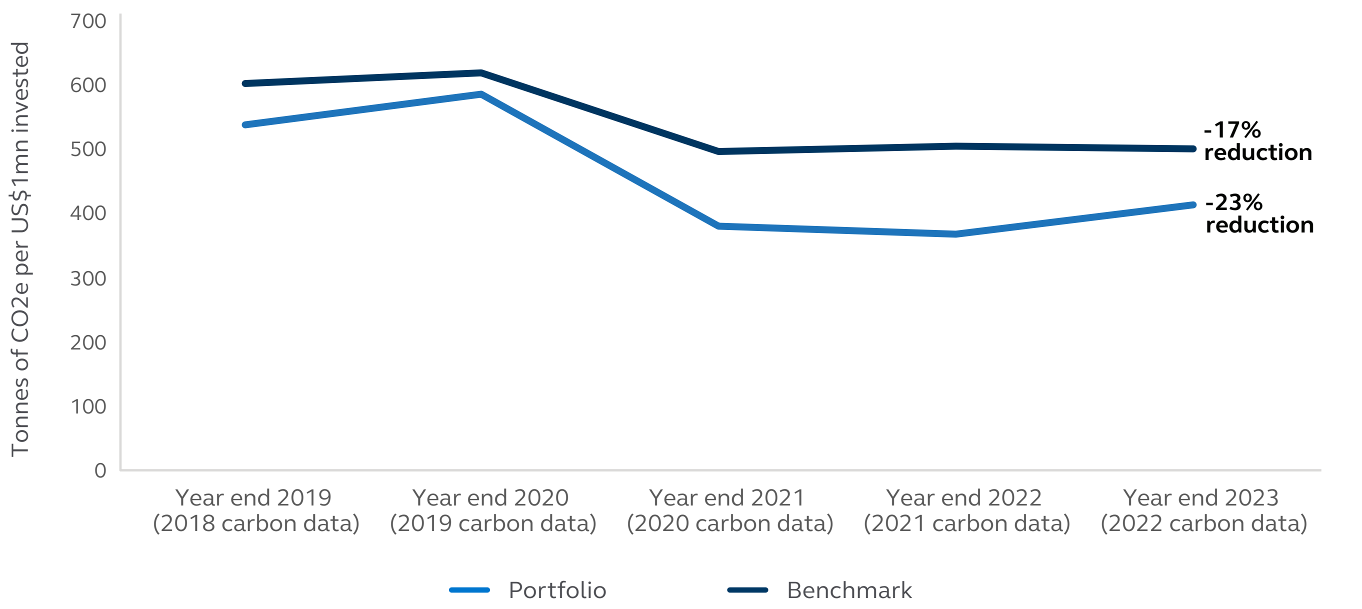


As of 31 December 2023. Sources: MSCI, Climate Analytics, company reports, Principal Global Investors. The chart compares potential carbon emissions reductions trajectories of the representative portfolio of our Global Listed Infrastructure Strategy with a 1.5-degree Celsius reference pathway. Data includes scope 1 & 2 emissions. This information is shown for illustrative and informational purposes only should not be relied on in any way as a guarantee, promise, forecast or prediction of future events or investment returns for any investor. Actual results may differ materially from that depicted above based on numerous factors. See important information for further information.

Measuring progress

Since inception and through year end 2023, our strategy has delivered material scope 1 & 2 carbon emissions reductions that exceed the benchmark. Portfolio emissions did increase at year end 2023 relative to year end 2022, largely attributable to an increase in portfolio weighting towards higher-emitting utility companies. To a lesser extent, year end 2023 portfolio emissions were also influenced by ongoing normalization of activity at airport companies.

Total portfolio carbon emissions (tonnes of CO2e per US$1mn invested)



Source: Principal Asset Management, MSCI ESG research. Based on representative portfolio of the Global Listed Infrastructure composite. Carbon data lagged by one year for both portfolio and benchmark. We use references to carbon and carbon emissions as shorthand for greenhouse gas (GHG) emissions, of which carbon is understood to be the most significant component. Carbon emissions includes Scope 1 & Scope 2 emissions but excludes Scope 3 emissions.

Of the 15 largest emitting companies in the portfolio at year end 2023, ten delivered year-over-year emissions reductions at the company level, and two delivered emissions within one percent of prior year levels. Given that reported data is lagged to a significant extent, we do not typically expect year over year emissions increases at the company level to be cause for concern. Nonetheless, in our annual ESG engagement conversations with each portfolio company, we do spend time discussing the latest reported carbon emissions data, seeking to make sure we stay aware of the likely trajectory of reported emissions and the drivers behind the latest year's data.

When relevant, we will seek an explanation of the reason for a jump in emissions in a single year. For example, in our engagement conversation with US utility company, Entergy, in 2023, we noted 2022 reported emissions was c. 10 percent greater than that in 2021, despite the company broadly tracking well relative to its 2030 targets. Entergy's management explained that it does not control which of its operational generation facilities dispatch at a given time. Rather the independent grid operator, MISO in Entergy's case, determines which facilities dispatch based on availability and cost. Thus at times of high demand, low renewable resource and high commodity prices, Entergy's efficient conventional fleet is likely to be called on more than at other times. This situation is exacerbated because Entergy is a net exporter of power, generating more than its own customers use, and because Entergy includes purchased power in its decarbonization targets, while not all peers do the same.

A word on Scope 3 emissions

Our efforts to measure the progress our portfolio companies are making in reducing emissions continue to focus primarily on scope 1 and 2 emissions, or emissions over which a company has the most control. However, for many of our portfolio companies, scope 3 emissions account for the highest proportion of total emissions.

Scope 3 emissions refer to indirect emissions that are created throughout a company's value chain and not otherwise covered in scopes 1 and 2. There continue to be challenges in measuring these emissions, including the lack of supplier data, lack of standardized frameworks for measuring the full breadth of scope 3 categories, and difficulties associated with traceability, including how to account for materials that are imported and exported and subject to distinct regulatory requirements. These challenges leave many companies reluctant to set targets that cover all scope 3 categories over all time horizons. It remains most common for scope 3 targets to be focused on specific categories and/or framed around efforts to work with suppliers and customers on solutions to reduce emissions rather than as percentage reductions.

As further evidence of the scale of the challenges, the industry standard bearer Science Based Targets Initiative recently relaxed its acceptance of the use of offsets in setting scope 3 emissions targets following a February 2024 survey which highlighted that scope 3 emissions remained the biggest hurdle in companies setting Science Based Targets. Given the controversy surrounding this update, it remains unclear whether it will have an immediate impact on the target setting plans of our portfolio companies.

In the meantime, we continue to actively engage with portfolio companies for which scope 3 emissions are material, including encouraging companies to adopt targets that include material scope 3 categories where appropriate. As industry standards for the measurement and traceability of scope 3 emissions evolve, we expect that how we think about measuring progress in portfolio emissions reductions will evolve as well.

DID YOU KNOW?

The listed infrastructure investable universe remains highly carbon intensive compared to most major stock market indices. An infrastructure company's carbon emissions and involvement in fossil fuel activities reflects as much on the current state of our society as on the company itself as most listed infrastructure companies operate as regulated monopolies or oligopolies. Progress towards environmental and social goals typically stems from ongoing collaboration with regulators and users of the infrastructure. Ultimately, an infrastructure company must pursue environmental progress while continuing to deliver on its social obligation to serve.

Spotlight on: Thermal coal activities

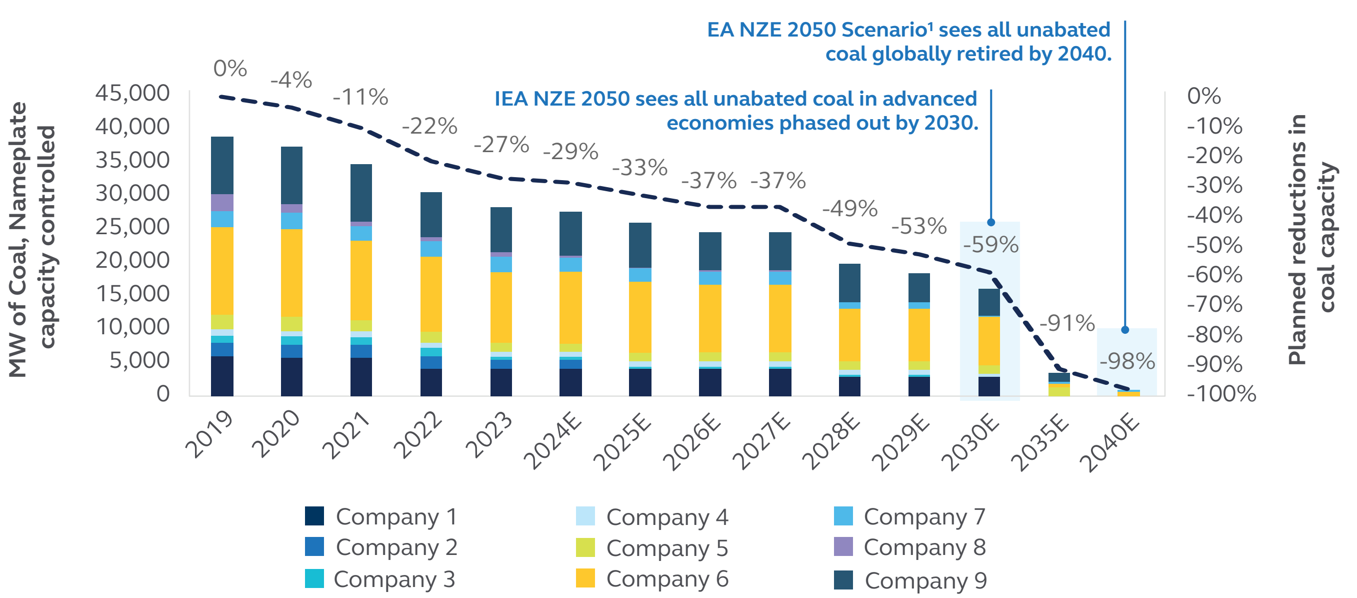
Given the widely available substitutes to thermal coal-based power generation, we continue to seek visibility on planned coal capacity reductions of our portfolio companies as part of our fundamental research process. We expect companies with exposure to coal generation to align their emissions pathways with a below 2-degree climate change scenario to be eligible for our portfolios.

Latest Progress[5]

- Strategy portfolio companies closed a total of 2.2GW of coal in 2023, or 10 percent of global coal capacity closed
- Since 2019, portfolio companies have closed over 10GW of coal, or 27 percent reduction in capacity across the portfolio
- At year end 2023, less than 6 percent of portfolio revenues were attributable to thermal coal activities
- No new coal capacity has been built by portfolio companies since strategy inception

We expect nearly 4 GW of additional coal closures will take place between 2024 and year end 2026 across our portfolio companies.

Completed and planned coal capacity closures by portfolio companies



Source: Company reports, Principal Real Estate, International Energy Agency. The chart depicts actual and planned coal capacity closures by companies held in the representative portfolio of our Global Listed Infrastructure Strategy as of 31 December 2023. Estimates based on expected capacity at year end.

[5] Source: Company reports, ISS ESG Research, Principal Asset Management investment team research. References to 2019 refer to the activities of companies held in the representative portfolio as of 31 December 2023.

Spotlight on: Natural gas activities

Natural gas plays a variety of distinct roles depending on the market and sector in question, and the economics of its use vary substantially around the world. The fuel's versatility and the lack of viable alternatives for many applications of natural gas means that its future in the energy transition remains complex. Companies involved in the natural gas industry also have an immediate opportunity to reduce fugitive emissions, or emissions that occur during the handling of natural gas rather than via its combustion. Accordingly, we assess the carbon footprint of natural gas in the context of available alternatives in each market and sector, and with consideration for how well lifecycle emissions are managed.

In markets that still rely heavily on thermal coal generation, natural gas can be substituted for coal with limited incremental cost. In markets that have transitioned quickly to renewables, natural gas power generation may be the only viable back-up for intermittent wind and solar power given the current state of technology. Outside of the electricity sector, natural gas remains widely used in buildings, in industrial processes, and in transportation. Biofuels, green hydrogen, carbon capture, storage and utilization (CCUS), electrification and behavioral change are all likely to play a role in displacing natural gas in the future.

One more recent development is that we are seeing our portfolio companies elect to take advantage of new economic incentives for carbon capture and storage. This trend is closely linked to 2022's Inflation Reduction Act (IRA) in the US as discussed below. Among the companies in our portfolio with natural gas exposure, we also continue to see good progress in fugitive emissions management.

Company Name

Williams Companies & DT Midstream

Initiative Overview

Carbon capture and storage (CCS) has the potential to be an important contributor to the decarbonization of energy and other industrial processes. The International Energy Agency has stated that CCS would need to contribute 25 percent of total global decarbonization if the world is to achieve net zero by 2050. CCS consists of capturing CO2 from emitting sources and injecting the captured CO2 in underground rock formations via the drilling of injection wells.

2022's Inflation Reduction Act (IRA) in the US materially enhanced the economic attractiveness of CCS by increasing the applicable tax credits that provide a revenue source for the projects. Natural gas processing is among the most economic sources of CO2 for CCS, as it emits a high concentration of CO2 within a limited geographic footprint, limiting the need for capex on transportation. Thus energy infrastructure with natural gas processing assets have been among the active in developing new CCS projects.

Two of our portfolio companies have been among the early movers in seizing this opportunity. Williams Companies is developing two CCS projects in Wyoming and Louisiana with a combined capacity of 900,000 tons of CO2 per year. These projects are expected to start operations in late 2025 and early 2026 respectively. DT Midstream is targeting a final investment decision in late 2024 on a CCS project in Louisiana, with a likely start up in late 2026. Both companies have mentioned the possibility of executing further projects.

Source: IEA website and Williams' company reports:
https://ieaghg.org/what-is-ccs/what-is-carbon-capture-and-storage-ccs/
https://investor.williams.com/static-files/ec1d82fd-f97a-4233-87d2-2a7c03f96cb7 p79

Our approach

Stewardship activities are essential to our role as active, long-term investors. Generally, we find that our sector expertise enhances our engagement efforts. Company executives are generally more likely to respond to constructive dialogue if we first demonstrate a deep knowledge of their business and respect for the challenges they face. Establishing these relationships requires regular discussions over the course of many years, a near impossibility for senior decisionmakers on generalist investment teams. Companies are also more likely to provide access to top management if they believe the conversation will be mutually beneficial.

Principal Asset Management has been a signatory to the United Nations-sponsored 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 that lie within market practices, structures, and regulation.

The Principal Listed Infrastructure team has adopted Principal Asset Management's overall framework to guide our engagement with companies, which includes a commitment to engage and collaborate with the companies in which we invest to encourage responsible ESG practices, greater transparency and disclosure, and appropriate management of ESG risks. We also proactively seek out ESG information as we formulate our investment thesis on a company and keep records of our relevant engagement activities. In addition, our team has identified several engagement priorities that are specific to the outcomes we seek to drive across the companies that comprise our portfolio.

Engagement activities and outcomes

CURRENT ENGAGEMENT PRIORITIES

We are emphasizing the following topics in our engagement efforts over the period 2022-2024.

1. Management alignment

We believe that management teams whose compensation is aligned with sustainability initiatives are more likely to deliver positive sustainability outcomes. We will ask issuers to add and/or increase relevance of ESG and sustainability metrics to incentive programs, in particular long-term incentive programs.

2. Credibility of emissions reduction targets

We believe emissions reduction targets need to be backed by robust management planning and accountability. We will advocate for issuers to provide concrete plans in support of emissions reduction targets, encourage third party validation of targets where appropriate, and encourage acceleration of targets where possible. Particularly for those issuers for whom Scope 3 emissions are material, we will encourage Scope 3 emissions disclosures and/or Scope 3 emissions target setting.

3. Workforce diversity

We believe companies with workforces that reflect the diversity of their service territories will be better positioned to meet the evolving needs of their customers. We will ask issuers to disclose workforce breakdowns as relevant in their local markets. We will also encourage the publication of related targets. For companies that are clear laggards in terms of board diversity, we will also advocate for improvement.

4. Market perception of underappreciated issuers

We believe improved market recognition of a company's sustainability credentials can support our efforts to generate excess returns. We will engage with issuers, MSCI, and other third-party research providers with the aim of clearing misconceptions around an issuer's sustainability credentials, in particular for emerging market and small-cap companies.

2023 ACTIVITIES

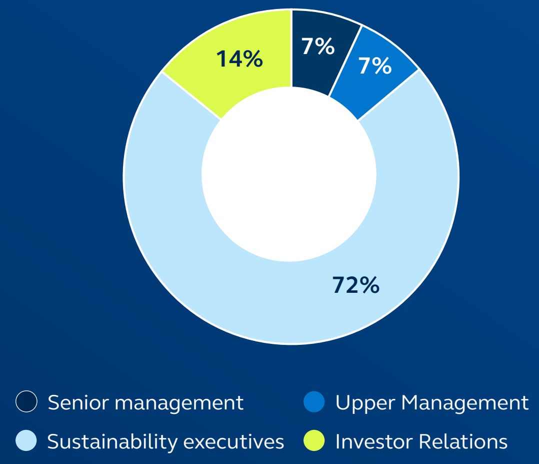
In 2023, we held 29 engagements dedicated to ESG and sustainability topics, covering 85 percent of our 34 portfolio companies at year end. These engagements typically involved proactive outreach and a request for a specific meeting with the individual(s) responsible for ESG and sustainability.

Following our discussions, we noted the following expected outcomes:

- We expect at least four companies may add or increase weightings toward ESG metrics in LTIPs within the next 12-24 months.
- We expect at least five companies with whom we are actively engaged to receive SBTi approval for emissions reductions targets in the next 12 months.
- At least two portfolio companies added a woman to their board of directors.
- We expect several portfolio companies to accelerate or enhance their emissions reductions targets in the next two years.

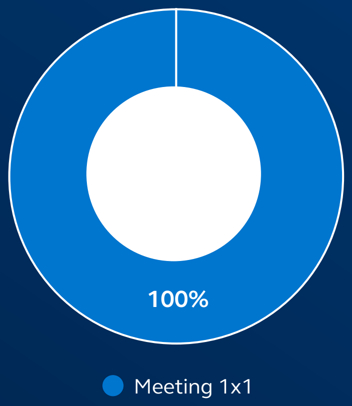
Summary of engagements

Management level



To potentially have the most positive impact with our engagements and stay current on evolving sustainability initiatives, our engagement framework prioritizes meeting with those at a company with responsibility for leading sustainability initiatives. This augments our relationships with C-Suite executives, which we typically meet in other settings 2-4 times a year. During 2023, 72 percent of our engagements were with sustainability leaders at portfolio companies, up from 67 percent in 2022. We expect this number to increase over time as more companies invest in their sustainability function.

Engagement type



We also value most the opportunities to meet one on one with company representatives so we can continue to further our specific engagement agenda. Within our engagements, 100% were conducted as one on one meetings.

Overall, in 2023 our targeted engagement efforts led us to have an expected positive outcome from 45% of our engagement meetings.

Source: Principal Asset Management.

Beijing Capital International Airport

CHINESE AIRPORT OPERATOR

ENGAGEMENT TYPE	1x1 meeting with senior management
BACKGROUND	Beijing Capital International Airport (BCIA) is the operator of the largest airport in Beijing and its key international gateway. The company exhibited the lowest board gender diversity level in our portfolio, with no gender diverse directors as of year-end 2022. While consistent with the limited board gender diversity seen at many other Hong Kong-listed Chinese companies, this represented a key weakness in the company's ESG practices relative to international norms.
OBJECTIVES	Hong Kong-listing rules now require companies to add at least one gender diverse director by year-end 2024, and one of the areas on which we have focused our engagement efforts with Hong Kong-listed portfolio companies, including BCIA, is to evaluate the company's commitment to complying with this requirement and its expected timeline for doing so.
ACTIVITIES	We have been engaging with BCIA since 2022, initially indicating specific ESG improvements that we believed would benefit the company's sustainability, including: enhanced emissions disclosures, establishment of net zero targets, and better gender diversity at all levels, including at the board level. In 2023, we met with Ellen Lee (Secretary to the Board, Commercial Development General Manager) and Fei Chen (Deputy General Manager) while on an investor research trip in China, seeking to reiterate our team's current sustainability priorities and to ask for an update on the company's progress regarding diversity.
OUTCOMES	BCIA added a female director to its board in June 2023, therefore satisfying the Hong Kong-listing requirement. With just one of nine or 11% of board members a woman, the gender diversity of BCIA's board remains below our portfolio's average. However, we recognize this development as a positive first step and expect future improvements may follow over the medium term. The addition of the female director also brought the board to being majority independent, and both governance updates were reflected in an improvement to MSCI's governance rating of BCIA.

Emera

CANADIAN UTILITY COMPANY

ENGAGEMENT TYPE

1x1 meetings with sustainability leaders, investors relations and C-Suite executives

BACKGROUND

Emera (EMA) is a Canadian regulated utility holding company, with the majority of its net income derived from its Florida utilities, Tampa Electric and Peoples Gas. Emera has been a portfolio holding since 2019, and during our fundamental research process, we identified that the company offered above average gender diversity versus the peer group but was less impressive on racial diversity metrics. We also noted the opportunity for the company to accelerate its decarbonization plans in Nova Scotia and show material near-term progress in company-wide emissions. EMA targets a 55% reduction in CO2 emissions by 2025 off of a 2005 base and had delivered a 41% reduction by year-end 2022.

OBJECTIVES

Our recent engagements with Emera have focused on workforce diversity initiatives and progress on its carbon emissions reduction goals.

ACTIVITIES

We met with senior members of Emera's sustainability and investor relations teams, including Michelle Peveril (Senior Director, Sustainability) in 2023 to discuss decarbonization progress and the potential for increased diversity disclosures and targets. This conversation built upon prior engagements in 2021 and 2022, and was part of our investment team's initiative to engage with each portfolio company at least once annually. This engagement conversation complemented our several meetings with other C-suite executives on financial topics in 2023.

OUTCOMES

Emera recently reported that it has delivered a 47% reduction in CO2 emissions off its 2005 base as of year-end 2023. Coal use has declined by 77% over that time frame. The ongoing progress was tied to the start-up of Maritime Link transmission and the retirement of coal usage at Big Bend unit 3 in Florida in 2023. We see this continued progress as supporting the credibility of EMA's emissions reduction targets and continue to believe its 2025 target is well within reach. As further support, we note that the company's 2024 short-term incentive plan makes specific reference to the achievement of a year-end forecast that demonstrates EMA "is on track to fully achieve its 2025 Climate Commitment Goal." Otherwise, we plan to continue to engage regarding the potential for Emera to accelerate its longer-term emissions reduction and coal closure targets.

In its 2023 sustainability reporting, EMA also updated its diversity performance indicators to provide greater visibility on minority and underrepresented members of the workforce. This is a positive given our belief that companies with workforces that reflect the diversity of their service territories will be better positioned to meet the evolving needs of their customers. The new disclosures highlight that while EMA's workforce exhibits less minority diversity than the population it serves, it is closing the gap. For example, 42% of US employees identified as visible minorities compared to approximately 50-70% of the population in its service territories. We expect EMA to continue to evaluate the possibility of adding workforce diversity targets, which could be another positive outcome related to our engagement efforts over time.

EDP Renovaveis SA

EUROPEAN RENEWABLE ENERGY COMPANY

ENGAGEMENT TYPE	1x1 meetings with sustainability leaders and investors relations
BACKGROUND	EDP Renovaveis SA (EDPR) is a European-based renewable energy company that operates a global renewables portfolio of over 16 GW focused on wind farms and increasingly solar assets in the US (50% of assets) and Iberia. It is the 4th largest wind operator globally based on installed capacity. We have owned shares in EDPR since 2019.
OBJECTIVES	Given EDPR's leadership role in developing renewable power, its Scope 3 emissions is the largest component of the company's footprint. Our recent engagements have therefore focused on Scope 3 emissions as well as other areas where the company has room to improve its ESG proposition from an already strong position. We also sought to communicate our preference that EDPR report to CDP as a standalone entity. Currently given resource constraints, EDPR's parent company is the only entity reporting to CDP. We recommended the company consider reallocating its own reporting resources to prioritize CDP over some of the recognition we deem more marketing-based, such as the Dow Jones Sustainability Index.
ACTIVITIES	We met with EDPR's Head of Sustainability, Angela Saenz de Valluerca Solana, in 2023 as part of our initiative to engage with each portfolio company at least once annually. This conversation built upon prior engagements in 2021 and 2022 and complemented our regular meetings with other C-suite executives on financial topics in 2023.
OUTCOMES	EDPR flagged several enhancements to its internal processes and planning around Scope 3 emissions. In 2022, EDPR required all suppliers to sign an acknowledgment of EDPR's emissions reduction ambitions for the first time. During our conversation in 2023, the company outlined its plans to push its suppliers to align targets with EDPR's own, though management anticipates this will take a couple of years. The company noted that in general, wind suppliers were more mature in their emissions reduction initiatives than solar suppliers. EDPR also has a pilot going to offset business travel, and this is something that could be expanded depending on how much progress is made with suppliers. We also noted that EDPR submitted its scope 3 ambitions to SBTi for approval in 2023 and expect the net zero target across all three scopes will be approved by SBTi at some point in 2024. The company did also highlight some minor challenges related to scope 2 emissions reduction, citing difficulties of both a fully electric company vehicle fleet in some jurisdictions because of a lack of availability of charging networks. In some cases, it is also difficult to secure green electricity to supply self-consumption. We plan to follow up on these challenges in 2024. Lastly, while EDPR was receptive to our preference that the company report to CDP as a standalone entity, the company made no commitments to doing so. We will also follow up on this topic in 2024.

Source: Principal Asset Management

Proxy Voting

Principal Asset Management creates its own sets of proxy voting guidelines which are updated and approved no less than annually by our Proxy Voting Committee. A senior member of the listed infrastructure team represents our interests on this committee. In addition to the standard Proxy Voting Guidelines, the committee updates and approves a set of Sustainable Voting Guidelines, which our team elects to use for the listed infrastructure accounts for which we are authorized to vote proxies.

We believe the Sustainable Voting Guidelines are consistent with our objectives as sustainability-minded investors. These guidelines support standardized reporting on ESG issues, request information regarding an issuer's adoption of, or adherence to, relevant norms, standards, codes of conduct or universally recognized international initiatives including affirmative support for related shareholder resolutions advocating enhanced disclosure and transparency. The guidelines will also generally recommend votes against directors due to failure to manage ESG and sustainability risks, including climate change.

There may also be voting themes or ballots where our team decides to diverge from our standard guidelines. In such a case, certain procedures and documentation are executed and maintained. If a proxy ballot is received, the relevant Portfolio Manager is responsible for voting the ballot.

A client may authorize Principal Asset Management to vote proxies and may obtain a summary report relating to their account by contacting their relationship manager. A client may also obtain a copy of our complete Proxy Voting Policy, which also contains the Guidelines, and procedures upon request.

The Proxy Voting Committee utilizes Institutional Shareholder Services, Inc. (ISS) and other external and internal inputs in creating the annual guidelines. ISS is utilized for the administration of all proxy ballots and other record keeping.

We do not consider proxy voting to be a substitute for engagement, and in practice we aim for our engagements to preemptively address the topics that feature in our votes against management. However, as evidenced by our team's recent action with respect to DTE Energy as described below, we do view proxy voting as an appropriate medium for escalating an issue on which we have been engaging for at least one year.

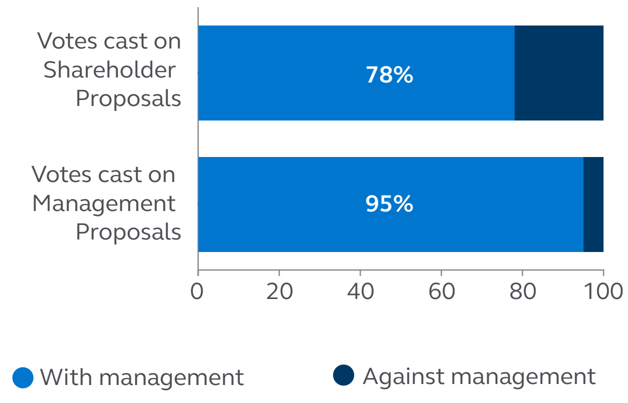
2023 VOTING RECORD

Meeting overview

Category	Total number	Total %
Votable meetings	36	
Meetings voted	35	97.2%
Proxy contests voted	0	0.0%
Meetings with against management votes	13	37.1%
Meetings with against management votes	1	2.9%
Meetings with results available	36	100.0%

Source: Principal Asset Management

Summary of votes cast



Policy updates

In 2023, we communicated to our portfolio companies as part of our annual engagement meetings that we were considering implementing a policy for the 2024 proxy voting season whereby we may vote against the chair of a board's nominating committee if the board is not at least 30 percent female. We therefore asked companies to characterize the current level of diversity of its board of directors and sought to understand any efforts at the board level to increase gender diversity.

Starting with the 2024 proxy voting season, we ultimately elected to implement an approach whereby we strongly consider voting against the chair of a board's nominating committee if the board is not at least 30 percent gender diverse. We applied this initially to developed markets companies but expect to apply it to emerging markets companies at some point in the future. We also expect to use higher thresholds may where there are local requirements.

Notwithstanding the above, we anticipate continuing to vote for the chair of a board's nominating committee when a board does not meet the above referenced threshold for gender diversity if one or more of the following applies:

- The board is at least 25 percent gender diverse, and the chair of a board's nominating committee is him- or herself contributing to the gender diversity of the board. We find this situation is currently quite common among boards of our US portfolio companies.
- There is sufficient rationale for the lack of gender diversity, including if other elements of a board's diversity (racial background, etc) address any perceived weaknesses of a board resulting from evaluating only gender diversity.
- There is a plan to address the lack of diversity, including a reasonable timeline for appointing additional gender diverse directors.

Within our investment team, we believe that taking action to improve board diversity can improve our investment returns. We expect that infrastructure companies with workforces and boards that reflect the diversity of the communities in which they operate will be better positioned to meet the evolving needs of their customers and related stakeholders. We therefore expect that all else equal, infrastructure companies with better board diversity are more likely to drive better long-term outcomes for shareholders.

While gender diversity is not the only relevant diversity metric to track, because we live in a world where men and women each represent roughly half of the population, assessing gender diversity is the simplest way to evaluate across a global portfolio whether a board is meeting reasonable standards for representation. Board gender diversity requirements currently form the basis of many country-level requirements and regulations outside of the US and we see limited justification for developed markets companies to continue to be held to materially different standards.

There is industry precedent to focus on gender diversity in evaluating the overall diversity of a Board and for the 30 percent level as a reasonable minimum standard. Ahead of the 2023 proxy season, Glass Lewis announced that, for Russell 3000 companies, it will generally recommend shareholders vote against the chair of the nominating committee if the board is not at least 30 percent gender diverse, or against the entire nominating committee if there are no gender diverse directors. For the 2024 proxy season, Glass Lewis has further clarified the guidelines to indicate that it may refrain from recommending that shareholders vote against directors if the company's board gender diversity disclosure provides a sufficient rationale for the lack of gender diversity, or a plan to address the lack of diversity, including the timeline for appointing additional gender diverse directors (generally by the next annual meeting or as soon as is reasonably practicable). Our voting decisions seek to incorporate Glass Lewis' evolution in its advice as well.

The below case study details our first vote in accordance with this new approach.

DTE Energy

U.S. ELECTRIC AND GAS UTILITY COMPANY

ENGAGEMENT TYPE	Direct 1x1 meetings with sustainability leaders, investors relations and C-Suite executives, escalation through proxy voting/ Escalation
BACKGROUND	DTE Energy is a holding company which owns the main electric and gas utility for the eastern third of Michigan, as well as unregulated energy infrastructure, energy trading and industrial energy management businesses. Historically, our discussions with DTE Energy largely focused on assessing the evolution of the company's decarbonization initiatives, specifically its plans for the retirement of several coal generation units and continued rollout of new renewable generation. While DTE's net zero ambitions were consistent with those of peers at the time of our initial investment in 2021, we had noted that the company expected to continue to operate its coal generation longer than many peers, including one peer with operations concentrated in the same state.
OBJECTIVES	The primary purposes of our engagement in 2023 were to (1) discuss DTE's advancement of its GHG emissions reduction goals, following the submission of its Integrated Resource Plan (IRP) in 2022 and approval in 2023 and (2) communicate our views on DTE's relatively low proportion of women on the Board (27% at the time) as we considered implementing a new policy that entailed voting against the chair of a Board's nominating committee in instances where a board is less than 30 percent gender diverse.
ACTIVITIES	We met with several members of DTE's management team in a formal engagement conversation in 2023, including Barbara Tuckfield, Head of Investor Relations; Shawn Patterson, VP Environmental Management and Sustainability; and Greg Ryan, Head of ESG Reporting. This engagement meeting built on prior successful engagement efforts in 2021 and 2022. It also complemented our regular meetings with other C-suite executives on financial topics in 2023 and was part of our initiative to engage with each portfolio company at least once annually.
OUTCOMES	As expected, given the accelerated retirement of coal closures and related advancements in emissions reduction targets announced in October 2022, DTE is unlikely to update its targets before the next IRP in 2026. However, the company indicated in our conversation that it would likely advance its interim decarbonization goals at that point and is more focused on decarbonization in the near-term window than on advancing its net zero goal. The next major step down in reported emissions will come with the cessation of coal use and conversion of its Belle River plant in 2025-6. The company has reviewed what would be required for a Scope 3 net zero target but does not believe this is realistic currently. We also highlighted our possible policy change to vote against nominating committee chairs if gender diversity is below 30%. The company took this feedback under advisement but declined to provide any commitment regarding the time frame over which the board would achieve this 30% level.

DTE Energy (continued)

ESCALATION

While we remain confident the company's commitment to decarbonization remains robust and see DTE as a leader in several social metrics, our investment team implemented a new approach starting with the 2024 proxy voting season whereby we strongly consider voting against the chair of a board's nominating committee if the board is not at least 30% gender diverse. This is because we believe that taking action to improve board diversity can improve our investment returns. Specifically, we expect that infrastructure companies with workforces and boards that reflect the diversity of the communities in which they operate will be better positioned to meet the evolving needs of their customers and related stakeholders.

Given DTE Energy declined to commit to a time frame for appointing additional gender diverse directors in our 2023 conversations and subsequent follow up in early 2024, we elected to vote against Gary H Torgow, the chair of the Board's nominating committee. While Mr. Torgow was ultimately reelected, he did receive the most votes against of any independent board members.

Appendix

Top 10 holdings	12/31/2023 weight	6 Clean Water and Sanitation	7 Affordable and Clean Energy	8 Decent Work and Economic Growth	9 Industry, Innovation and Infrastructure	11 Sustainable Cities and Communities	13 Climate Action	Sustainability thesis
NextEra Energy, Inc.	6.80%	✓	✓	✓	✓	✓	✓	Global leader in renewables adoption and development and well-positioned to capture market share in future energy transition technologies. Efficiency and relatively low customer rates encourage economic development, and industry-leading storm hardening and hurricane recovery efforts mitigate effects of climate change. New target to reach "Real Zero" by no later than 2045, defined as zero absolute scope 1 and 2 carbon emissions with no reliance on offsets, is industry-leading.
American Tower Corporation	6.37%		✓	✓	✓	✓	✓	American Tower's alignment is a function of its efforts to increase access to wireless communication in each of its markets, including in several developing countries. As well, its business model of developing and leasing neutral infrastructure to multiple communications providers as an alternative to each company building its own, fundamentally reduces consumption of energy, materials, and resources. The sustainability strategy was refreshed in 2021 and is aligned with UN's SDGs.
Transurban Group Ltd.	5.59%		✓	✓	✓	✓	✓	TCL is best-in-class within APAC transportation from a sustainability perspective. It has robust measures in place to support actions against climate change, infrastructure access and safety, workplace diversity and inclusion, community involvement, and stakeholder management. Of note, TCL has adopted science-based targets for Scope 1-3 emissions, aiming to reach 50% reduction (Scope 1-2) by 2030 and net zero by 2050. The company is on track to exceed its stated 2030 target. The company is aligned with at least 9 SDGs and has significant disclosures and resources dedicated to ESG.
American Electric Power Company, Inc.	4.53%	✓		✓	✓	✓		Rate as Aligned based on positive rate of change. High legacy coal exposure sets AEP up as one of the better emissions reduction stories in the U.S. utility sector, with coal set to decline from 42% to17% of generation capacity and renewables to increase from 23% to 50%, both between 2023 and 2033. AEP targets net zero by 2045 and has one of the most aggressive regulated renewables growth programs in the U.S. As a major transmission developer AEP enables the connection of new renewables to the grid and helps to enhance resilience.
Entergy Corporation	3.77%	✓	✓	✓	✓	✓	✓	We see unique opportunities for Entergy to drive decarbonization through electrification of its industrial customers' processes on the Gulf Coast. Entergy is further differentiated by its storm hardening programs which are crucial for climate change mitigation in its service territories. Entergy is a leader in developing a hydrogen capability for power generation and industrial customers. The company already has one of the lowest emission-intensity generation fleets among major utilities.
Williams Companies, Inc.	3.64%	✓	✓	✓	✓	✓		Williams was one of the first energy infrastructure companies to establish a net zero 2050 target and has reduced GHG emissions by 43% on an absolute basis since 2005 and reduced CO2 intensity by 16.5% since 2018. The company has been an innovator in developing solar power for its own needs. As a natural gas infrastructure company, Williams is one of the major enablers of the replacement of coal fired power generation in the U.S.
Aena SME SA	3.64%		✓	✓	✓	✓	✓	Aena was one of the first global transport infrastructure companies to publish its Climate Action Plan in 2020, showing strong alignment with SDGs 7 and 13. Its plan is positively differentiated for including Scope 3 emissions in its overall net zero by 2040 target as well as targets in areas like percentage of sustainable aviation fuel (SAF) used in its network. Further, Aena has also made explicit reference to the SDGs in its policies since 2015.
National Grid plc	3.51%		✓	✓	✓	✓	✓	National Grid supplies gas and electricity to millions in the UK and the U.S. The company's efforts directly contribute to the decarbonisation of the energy system, from building and maintaining transmission lines that bring clean energy to demand and exploring ways to reduce the carbon intensity of gas. NG has made several strong public commitments, which demonstrate alignment with SDGs 5, 7, 9 and 13. The geographic location of its businesses also makes resiliency planning important (SDG 11).
PG&E Corporation	3.46%		✓	✓	✓	✓	✓	PCG is at the forefront of wildfire mitigation efforts in California. Wildfires have negative environmental and social consequences. Thus the company's 94% risk reduction, per its most recent analyst day, is a major driver of emissions reduction as well as a benefit to public safety and economic growth. The company also enables electrification of home and vehicle infrastructure in one of the most pro-electrification jurisdictions in the world.
Cellnex Telecom S.A.	3.41%		✓	✓	✓	✓	✓	In 2021, Cellnex has worked to align its Strategic Sustainability Plan with the SDGs, and has prioritized the most relevant SDGs on which it has the greatest capacity to impact and contribute, establishing indicators, and contribution objectives aligned with the achievement of the Strategic Sustainability Plan for each business unit.

Key: ✓ Aligned ⓧ Misaligned

Companies shown are taken from the top ten holdings of the Global Sustainable Listed Infrastructure Fund Portfolio as of 31 December 2023. A check indicates full alignment with the goal and an X indicates some material aspect of a company's operations or products are misaligned with the goal. Sustainable Development Goals (SDGs) are a collection of 17 global goals set by the United Nations General Assembly. This is provided for information only and should not be construed as specific investment advice, a recommendation to buy, sell or hold, or be relied on in any way as a guarantee, promise, forecast or prediction of future events regarding an investment or the markets in general.

Risk Considerations

Past performance does not guarantee future results. Investing involves risk, including possible loss of principal. Infrastructure companies may be subject to a variety of factors that may adversely affect their business, including high interest costs, high leverage, regulation costs, economic slowdown, surplus capacity, increased competition, lack of fuel availability, and energy conservation policies. Foreign securities involve special risks, including currency fluctuation and lower liquidity. Some global securities may represent small and medium-sized companies, which may be more susceptible to price volatility than larger companies. Inflation and other economic cycles and conditions are difficult to predict and there Is no guarantee that any inflation mitigation/protection strategy will be successful.

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Portfolio pathways are calculated using holdings and weightings from the representative portfolio, actual Scope 1&2 carbon emissions data for each portfolio company and PGI analysis of the forward-looking carbon reduction potential of each portfolio holding. Portfolio pathways from 2015-2020 reflect reported carbon emissions reductions of the representative portfolio's holdings assuming portfolio end weights on 31 December 2022 and the carbon emissions reductions illustrated post-2020 are projections. There is no assurance that such events or projections will occur and may be significantly different than that shown here. The 1.5-degree reference pathway and compatible range are calculated using 1.5-degree Celsius national pathways derived from global IPCC pathways compatible with the Paris Agreement and published by Climate Analytics. National pathways are then weighted by portfolio country weights to construct the reference pathway. More information about the methodology for the national emissions pathways published by Climate Analytics can be found here: https://1p5ndc-pathways.climateanalytics.org/methodology/. There is no guarantee that the 1.5-degree reference pathway will occur and what is required to limit global temperature change to 1.5 degrees may be significantly different than that shown within this report.

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