

## Principal Global Investors Funds (PGIF)

### CCB Principal China New Energy Innovation Fund ["the Fund"]

# Website disclosure pursuant to Article 10 of the EU Sustainable Finance Disclosure Regulation

## a) Summary

The summary should be read in conjunction with the Prospectus of Principal Global Investor Funds (PGIF) together with its annexes.

The environmental characteristics considered by the Fund are related to climate change mitigation. This includes the reduction of greenhouse gas emissions, carbon footprint and greenhouse gas intensity of investee companies.

The Fund will invest at least 80% of its assets in New Energy Industry Stocks. New Energy Industry Stocks refers to non-conventional energy stocks. Conventional energy refers to coal, petroleum and natural gas. New Energy mainly includes solar power, nuclear energy, geothermal energy, wind power, new energy vehicles and new energy services.

In order to meet the environmental characteristic promoted, the Sub-Investment Manager incorporates a proprietary ESG rating model as part of its investment decision making process for the Fund. The proprietary ESG rating model focuses on environmental factors at the industry level, and environmental and governance factors at the company level. Each investee company is rated across multiple indicators relative to environmental and governance factors and assigned an overall ESG rating, ranging from A-F (with A being the highest rating, and F being the lowest rating).

In order to be classified as a sustainable investment, the investments must do no significant harm ("DNSH") to environmental and are assessed using the indicators for adverse impacts on sustainability factors.

The following are considered the binding elements of the Fund's investment strategy:

1. The Fund shall invest at least 80% of its assets in New Energy Industry Stocks, as defined in the Investment Strategy section.
2. The Fund shall invest at least 50% of its assets in 'sustainable investments' as defined in Article 2 (17) of the SFDR regulation.
3. The Fund will exclude stocks with internal ESG ratings of F, according to its proprietary ESG rating model.

In accordance with the binding elements of the investment strategy, 80% of investments made will be aligned to the environmental characteristics, with a minimum of 50% of assets to Sustainable Investments, whilst the remaining 20% will be cash, cash equivalents and hedging instruments and/or investments that may not be aligned with the environmental characteristics promoted by the Fund.

The Sub-Investment Manager is responsible for implementing the investment strategy, to ensure that the environmental and/or social characteristics are met throughout the lifecycle of the Fund. The Sub-Investment Manager uses third party data to review and update their internal ESG processes and methodologies on an ongoing

basis, with a regularity of at least once a quarter. Any changes or updates will be considered as part of the investment decision making process.

The Sub-Investment Manager's proprietary ESG rating model focuses on environmental factors at the industry level, and environmental and governance factors at the company level. Each investee company is rated across multiple indicators relative to environmental and governance and 5 assigned an overall ESG rating, ranging from A-F (with A being the highest rating, and F being the lowest rating).

Data is sourced from key vendors, such as Refinitiv and Bloomberg L.P. ("Bloomberg") and integrated into the Sub-Investment Manager's ESG industry scoring model and ESG stock scoring model. The data is monitored and reviewed by the Sub-Investment Manager's research analysts using multiple sources and through interactions with the company. Data governance also goes through both manual and automated checks to ensure the data is reliable and complete.

No reference benchmark has been designated for the purpose of attaining the environmental characteristics promoted by the Fund.

## b) No sustainable investment objective

This Fund promotes environmental or social characteristics but does not have as its objective sustainable investment.

## c) Environmental or social characteristics of the financial product

The environmental characteristics considered by the Fund are related to climate change mitigation. This includes the reduction of greenhouse gas emissions, carbon footprint and greenhouse gas intensity of investee companies.

The Fund will invest at least 80% of its assets in New Energy Industry Stocks. New Energy Industry Stocks refers to non-conventional energy stocks. Conventional energy refers to coal, petroleum and natural gas. New Energy mainly includes solar power, nuclear energy, geothermal energy, wind power, new energy vehicles and new energy services.

No reference benchmark has been designated for the purpose of attaining the environmental characteristics promoted by the Fund.

## d) Investment strategy

The objective of the Fund is to invest in listed companies related to new energy industry and strives to achieve long-term stable appreciation of fund assets under the premise of strict risk control and good liquidity. The Fund will invest 80-95% of its assets in listed equities, of which the proportion of investment in "New Energy Industry Stocks" (as described in the Fund supplement) shall not be less than 80%.

The Fund will invest in A-Shares through Stock Connect, which may include stocks on the ChiNext Board of the Shenzhen Stock Exchange, and/ or Qualified Foreign Investor's Regime.

The Fund will be managed on the basis of both top-down and bottom-up research and risk management investment process. As the new energy industry in China is largely influenced by macro-economic and industry policies, the top-

down approach allows the Fund to identify sub-sectors that are in the growth phase of industry life cycle and provided with policy encouragement. The Sub-Investment Manager first analyses the macro-economic trend in China, the pertinent government policies in new energy industry and the fundamentals of the new energy itself. The Sub-Investment Manager then further delineates the government support schemes on new energy sector, the changes in demand of new energy sector and the technical developmental trends to determine the prosperity level, and analyses the life cycle of various sub-sectors, such as industry size, profitability, technological advancement and the maturity of the technology, the productivity and salary level. The Sub-Investment Manager compares the competitiveness of the investee companies, focusing on the capability of research and development, the barriers of entry, number of industry players and relative size, number of customers and relative size of the same. With the bottom-up approach, the Fund delineates stocks in terms of operational excellence, brand name and the reputation, creativity, corporate governance, financial performance, ESG, market competitiveness and technological leadership. These are compared with the valuation and potential performance.

The Fund may invest in both listed and unlisted equity securities, with a minimum of 80% of the net assets of the Fund being in listed securities. The Fund's investments will (other than permitted unlisted investments) be listed/traded on the exchanges and markets listed in Appendix E to the Prospectus.

The New Energy Industry Stocks in which the Fund will invest therefore includes solar power, photovoltaic energy, wind power, nuclear power, hydroelectricity, electricity, shale gas, green power, biofuel, natural gas, geothermal energy, building energy efficiency, photoelectric glass curtain wall, ethanol fuel, hydrogen power, lithium battery, waste electricity generation, LED lighting, energy saving and environmental protection industry, new energy vehicles and new energy vehicles electronics. The Fund may invest in the upper or lower stream new energy supply chain listed companies and the new energy services companies benefited from the new energy sector.

The Fund may invest in common stock, American depositary receipts and global depositary receipts.

A proportion of the net assets of the Fund (subject to a maximum of 10% of its Net Asset Value) may be invested in UCITS eligible money market funds. The Fund will not invest in AIFs.

The Fund may hold ancillary liquid assets, that is cash and a range of instruments that can be readily converted to cash (including U.S. treasury bills; and government bonds which may be fixed or floating rate and investment grade; but shall not embed FDI or leverage, commercial paper, short term money market deposits and certificates of deposit).

The Fund may enter into reverse repurchase agreements in accordance with normal market practice and subject to the requirements of the SFTR and the Central Bank Requirements. Such reverse repurchase agreements will only be utilised for efficient portfolio management purposes.

The Sub-Investment Manager identifies governance considerations as integral to the investment philosophy and process. In order to ensure good governance, the Sub-Investment Manager considers and continually monitors, as part of the investment process, multiple governance-related factors including but not limited to: management remuneration, related-party transactions, shareholder returns, external auditing opinions, regulator sanctions, tax compliance, employee relations and staff remuneration.

The following are considered the binding elements of the Fund's investment strategy:

1. The Fund shall invest at least 80% of its assets in New Energy Industry Stocks, as defined in the Investment Strategy section.
2. The Fund shall invest at least 50% of its assets in 'sustainable investments' as defined in Article 2 (17) of the SFDR regulation.
3. The Fund will exclude stocks with internal ESG ratings of F, according to its proprietary ESG rating model.

The Sub-Investment Manager's proprietary ESG rating model focuses on environmental factors at the industry level, and environmental and governance factors at the company level. Each investee company is rated across multiple

indicators relative to environmental and governance and assigned an overall ESG rating, ranging from A-F (with A being the highest rating, and F being the lowest rating).

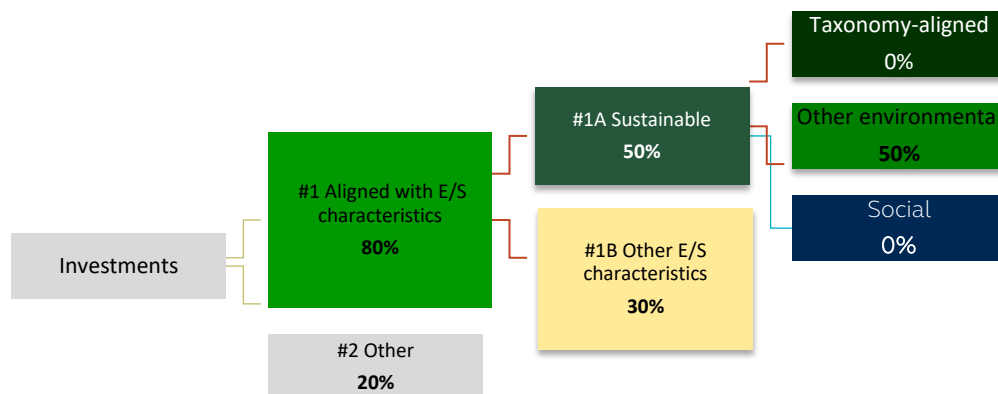
## e) Proportion of investments

The Fund's asset allocation will be as follows:

In accordance with the binding elements of the investment strategy, 80% of investments made will be aligned to the environmental characteristics, with a minimum of 50% of assets to Sustainable Investments, whilst the remaining 20% will be cash, cash equivalents and hedging instruments and/or investments that may not be aligned with the environmental characteristics promoted by the Fund.

While the Fund promotes environmental characteristics, the Fund's investments do not take into account the criteria for environmentally sustainable economic activities, including enabling or transitional activities within the meaning of the Taxonomy Regulation. As such, a minimum of 0% of the Net Asset Value of the Fund shall be invested in Taxonomy-aligned investments.

The “do no significant harm” principle applies only to those investments underlying the Fund that take into account the criteria for environmentally sustainable economic activities within the meaning of the Taxonomy Regulation.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

## f) Monitoring of environmental or social characteristics

The Sub-Investment Manager is responsible for implementing the investment strategy, to ensure that the environmental and/or social characteristics are met throughout the lifecycle of the Fund. The Sub-Investment

Manager uses third party data to review and update their internal ESG processes and methodologies on an ongoing basis, with a regularity of at least once a quarter. Any changes or updates will be considered as part of the investment decision making process.

The Manager's compliance and risk function will monitor the integration of ESG requirements through a combination of automated, manual and periodic reviews.

Monitoring of exclusions are automated and monitored on a pre and post trade basis to prevent and detect investments that would not be compliant with the investment strategy.

## g) Methodologies

The Fund will be managed on the basis of both top-down and bottom-up research and risk management investment process. As the new energy industry in China is largely influenced by macro-economic and industry policies, the top-down approach allows the Fund to identify sub-sectors that are in the growth phase of industry life cycle and provided with policy encouragement.

The Sub-Investment Manager first analyses the macro-economic trend in China, the pertinent government policies in new energy industry and the fundamentals of the new energy itself. The Sub-Investment Manager then further delineates the government support schemes on new energy sector, the changes in demand of new energy sector and the technical developmental trends to determine the prosperity level, and analyses the life cycle of various sub-sectors, such as industry size, profitability, technological advancement and the maturity of the technology, the productivity and salary level.

The Sub-Investment Manager compares the competitiveness of the investee companies, focusing on the capability of research and development, the barriers of entry, number of industry players and relative size, number of customers and relative size of the same.

With the bottom-up approach, the Fund delineates stocks in terms of operational excellence, brand name and the reputation, creativity, corporate governance, financial performance, ESG, market competitiveness and technological leadership. These are compared with the valuation and potential performance.

The Sub-Investment Manager's proprietary ESG rating model focuses on environmental factors at the industry level, and environmental and governance factors at the company level. Each investee company is rated across multiple indicators relative to environmental and governance and 5 assigned an overall ESG rating, ranging from A-F (with A being the highest rating, and F being the lowest rating).

The following indicators, prescribed by the principal adverse impacts ("PAI") on sustainability factors under SFDR, are used to measure the attainment of each of the characteristics promoted by the Fund:

- GHG emissions (PAI 1)
- Carbon footprint (PAI 2)
- GHG intensity of investee companies (PAI 3)

PAI on sustainability factors are considered as part of the Sub-Investment Manager's proprietary ESG scoring methodology and as such the indicators are reviewed at regular intervals or when newly reported information becomes available.

The Sub-Investment Manager's investment due diligence process for sustainable investments also includes the consideration of PAI on sustainability factors and alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, using available third-party data. In order to be

classified as a sustainable investment, the investments must do no significant harm (“DNSH”) to environmental or social objectives. If an investment is assessed as doing significant harm, then it will not be considered a sustainable investment.

## h) Data sources and processing

Data is sourced from key vendors, such as Refinitiv and Bloomberg L.P. (“Bloomberg”) and integrated into the Sub-Investment Manager’s ESG industry scoring model and ESG stock scoring model. The data is monitored and reviewed by the Sub-Investment Manager’s research analysts using multiple sources and through interactions with the company. Data governance also goes through both manual and automated checks to ensure the data is reliable and complete.

Where relevant data is not available, it is estimated on a best-efforts basis. The Sub-Investment Manager seeks only to use estimated data when it has confidence that it is a reasonable representation of actual data.

## i) Limitations to methodologies and data

One of the key limitations impacting the methodologies and data is the reliance on third party data providers and the availability and quality of ESG related data. Such data is not yet systematically disclosed by underlying investee companies and may be estimated by data providers or remain unavailable, and when disclosed may follow various methodologies.

In order to overcome these limitations, the Sub-Investment Manager chooses not to rely upon any one data provider. The Sub-Investment Manager expects to utilize the raw data from each vendor, rather than solely rely upon their ESG rankings. The Sub-Investment Manager’s portfolio managers and analysts supplement the data with qualitative assessments based on company and industry research and/or alternative data sources.

The Sub-Investment Manager also engages with the companies directly to try to obtain required ESG information if they are not provided by current ESG data sources.

The Sub-Investment Manager reviews the internal ESG methodology on an ongoing basis to ensure the data and calculations are effective and up to date and monitors the investments against the binding criteria in order to attain the environmental characteristics promoted by the Fund.

## j) Due diligence

The Sub-Investment Manager’s due diligence process include the following six stages:

### (1) Due diligence initiation

Due diligence topics can be initiated by investment managers or analysts, and the information sources include but are not limited to macroeconomic policies of government departments, regulatory reports or temporary announcements of listed companies, recommendations of external brokerage researchers, media reports, personal reflections, etc.

### (2) Exploratory pre-research

Analysts will carry out research to have a preliminary understanding of the background, industry, company profile and other basic information to prepare and pave the way for subsequent in-depth research.

### (3) Objective establishment

After completing the exploratory pre-research, the researcher will communicate with the investment manager to clearly define the research questions and clarify the research objectives. For in-depth research, specialist fund managers or investment managers communicate feedback.

(4) Information collection

Analysts obtain and verify required data and evidence through field research, expert consultation, telephone interviews, network data collection and other means. Business meetings, research and other processes shall be carried out in strict accordance with internal systems and system specifications, including the submission of research objectives, real-time feedback during the research, and uploading minutes to the internal system after the research.

(5) Research results release

Analysts will make in-depth analysis of the information obtained from research reports and send them to all fund managers and investment managers, including but not limited to investment advice, target price, and risk warnings.

(6) Research results evaluation

Analysts summarise research completed and provide feedback each quarter. Investment personnel and management staff of the research department score researchers according to their contribution to the company's performance. Records are kept in the system and included in the performance evaluation of researchers. For in-depth research, special reports must be presented in the weekly meeting of the investment and research line.

## k) Engagement policies

Whilst the Sub-Investment Manager does not have a dedicated engagement policy, ESG is a key topic when the Sub-Investment Manager's portfolio managers and analysts communicate with investee companies. These communications are adopted in the Sub-Investment Manager's due diligence procedures when evaluating underlying investee companies, and the final investment decision is highly consistent in applying the due diligence conclusions, together with the Sub-Investment Manager's ESG quantitative screening approach.

## l) Designated reference benchmark

There is no specific index designated as a reference benchmark to determine whether the Fund is aligned with the environmental characteristics that it promotes.

## Definitions:

- The “Manager” shall mean Principal Global Investors (Ireland) Limited.
- The “Investment Manager” shall mean Principal Global Investors, LLC
- The “Sub-Investment Manager” shall mean CCB Principal Asset Management (Hong Kong) Co., Limited, an affiliate of Principal Global Investors, LLC.
- “prospectus” shall mean the Funds’ prospectus.
- “supplement” shall mean, in the context of any one sub-fund, the relevant Fund supplement.
- “ESG” shall mean environmental, social and governance.
- “Sustainable Finance Disclosure Regulation (SFDR)” shall mean Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.

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## Important information:

This document is intended for institutional, professional or retail investor use only in permitted jurisdictions as defined by local laws and regulations. It is intended for information purposes only. It is not an offer or a solicitation to anyone to subscribe for units in the Fund. It should not be construed as investment advice.

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