Principal[SM]

Principal Asset Management Sustainability Risk Policy

Purpose

Under the Sustainable Finance Disclosure Regulation (EU) 2019/2088 ("SFDR") of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector, asset managers need to identify relevant factors and controls related to sustainability risks for their portfolios. The Sustainability Risk Policy (the "Policy") describes Principal Asset Management's general approach to identify, assess, monitor and manage sustainability risks which may arise during the investment decision making process for portfolios that are in scope of SFDR.

Scope

The Policy applies to all Undertakings for the Collective Investment in Transferable Securities ("UCITS"), Alternative Investment Funds ("AIFs") and separate mandates, managed by Principal Asset Management, it affiliates and subsidiaries (the "Product(s)") which are managed in, sold, or marketed within Europe.

Responsibility for Policy

The Chief Risk Officer ("CRO") and the Global Risk Management Working Committee of Principal Asset Management has final authority for this policy.

Policy Statement

Under SFDR Article 2(22), "sustainability risk" is defined as an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment. A part of our role as a fiduciary is to act in the best interests of our funds, and this includes appropriately taking account of how those sustainability risks could impact on our Products.

Sustainability Risk Descriptions

The universe of sustainability risks is extremely broad, and a Product may be exposed to different sustainability risks from time-to-time, depending on their investment strategy, assets classes and geographic focus, among other considerations. At Principal Asset Management, the types of sustainability risks that may be considered are broadly divided into the four categories:

1. **Climate physical risk** can be acute event or results from chronic longer-term climate shifts. Acute risk event includes for example increased severity of extreme weather events, such as cyclones, hurricanes, floods. Chronic risks arise from longer-term shifts in climate patterns (e.g., sustained higher temperatures) that may cause for example sea levels to rise or chronic heat waves.

2. **Climate transition risk** is associated with transitioning to a lower-carbon economy which may entail extensive policy, legal, technological and market changes to address mitigation and adaptation requirements related to climate change. Aversion to or inadequate adaptation may result in reputational risk exposure. Compliance with new polies may incur large initial investment to adopt/deploy new practices and processes and failure to comply may result in reduced demand for Products and services due to the perception that that organisation is not seeking to reduce climate risk initiatives.

3. **Governance risks** are related to an organization's ethical and senior management practices, the transparency and accuracy of company performance, employee relations, and involvement in other sustainable investing initiatives important to stakeholders. Features of poor governance can include (a) control by a single individual or week senior management (b) lack of Board independence (c) lack of independent scrutiny resulting in failure to meet regulatory compliance, tax requirements or standard account practices (d) emphasizing on short term profitability

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impacting remuneration policy. Poor governance can lead to issues such as corruption, negligence, fraud, and lack of accountability.

4. **Social risk** pertains to organisations' actions that affect the communities and stakeholders around them. Social issues can impact an organizations effectiveness and resilience as well as its public perception and social license to operate. Examples include human rights violations, breaches of employee rights, and restricted access to clean water. Companies that have problems with social risk face political backlash, public outcry, and a damaged legal standing and may not be sustainable in the long term.

Sustainability Risk Management

Sustainability risk assessment is carried out annually for Products that are in scope of the policy by the investment teams using a standard risk framework with oversight and engagement from the Principal Asset Management's Risk team. A Product's material sustainability risk, referencing the four sustainability risk categories described above, are assessed by the relevant investment teams. Assessments may be specific to the asset class and to the Product's objectives and different investment teams may use different data sources and tools. Consideration of sustainability risks does not necessarily imply that a Product has a sustainability-aligned investment objective, but rather describes how sustainability risk information is considered as part of the overall investment process.

The Investment Manager or Sub-Advisor of the Products (as defined in a Product's Supplement or Investment Management Agreement), as appropriate, will define the way sustainability risks are integrated into their investment decisions. When making investment decisions, as part of their due diligence processes, the Investment Manager or Sub-Advisor will continuously assess, including at the time of purchase, all relevant sustainability risks that might have a relevant material negative impact on the financial return of an investment.

The results of the assessment of the likely impacts of sustainability risks on the returns of the Product's ("sustainability risk assessment") will be made available to the company's Global Risk Management team and as appropriate to applicable governance bodies, and in the relevant Products documentation, as appropriate.

Effective	July 31, 2023**
Last reviewed	March 1, 2023
Date created	March 10, 2021

**This policy supersedes all previous policies dated.

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