

## Principal Global Investors Funds (PGIF)

### Origin Global Emerging Markets Fund [“the Fund”]

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

## a) Summary

The environmental characteristic considered by the Fund is greenhouse gas emissions.

In order to consider the environmental characteristic and with the intention of producing a more predictable future return path, the Sub-Investment Manager utilises a bespoke metric to measure a company’s sensitivity to a change in the price of carbon, as defined as the potential government levy against tonnes of CO<sub>2</sub> emitted. This metric allows the Sub-Investment Manager to decile rank companies based on their exposure to the carbon risk measure. This identification of companies with an unfavourable carbon risk metric ranking is factored into the investment decision making process to enable a consistent and measurable bias away from companies with the highest rate of carbon emissions.

The Sub-Investment Manager currently incorporates governance in the due diligence process in the form of the Credit Suisse HOLT accounting score which forms an element of capital management or quality factors that are used in the investment process. The Fund’s portfolio is skewed towards companies with strong governance and sustainability as the investment process focuses on companies with a history of high profitability and growth. A United Nations Global Compact (UNGC) overlay has been incorporated into the portfolio, which assesses if, and to what extent, companies are linked to violations of UNGC principles. The Sub-Investment Manager employs Glass Lewis, a leading independent global advisor on governance for counsel, to enact the Sub-Investment Manager’s proxy voting policy. This enables the Sub-Investment Manager to ensure that companies are held to account for poor decision making, on board composition, and general governance structure.

The binding screening criteria used by the Sub-Investment Manager ensures that the Fund’s portfolio exposure to companies in the bottom three deciles on the Sub-Investment Manager’s carbon risk metric will be of the order of 20% below that of the MSCI Emerging Markets NTR Index (the Fund’s “Index”) over rolling twelve-month periods and the Fund’s portfolio will have aggregate emission levels lower than the Index as measured by tonnes of carbon emitted per dollar of revenue generated. This selection criteria may not be disappplied or overridden by the Sub-Investment Manager.

In accordance with the binding elements of the investment strategy, 80% of investments made will be aligned to the E/S characteristics, whilst the remaining 20% will be cash, cash equivalents and hedging instruments and/or investments that may not be aligned with the E/S 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 considers principal adverse impacts on sustainability factors by combining internal analysis of the Fund’s holdings and third-party data against the following indicators:

- PAI 1 - GHG emissions
- PAI 2 - carbon footprint
- PAI 3 - GHG intensity of investee companies
- PAI 10 - Violations of UN Global Compact (UNGC) principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
- PAI 14 - Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)

The Sub-Investment Manager sources its carbon emissions data from ISS which is used as an input to its own bespoke metrics on this subject. The ISS data is accessed through Credit Suisse HOLT. The Sub-Investment Manager also takes advantage of MSCI's comprehensive reporting package to track the carbon exposure of its holdings relative to benchmark. Constant monitoring of the HOLT data by the investment team within the Sub-Investment Manager ensures that data quality is continuously reviewed and maintained.

## b) No sustainable investment objective

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

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

The environmental characteristic considered by the Fund is greenhouse gas emissions.

No reference benchmark has been designated for the purposes of attaining the above characteristics promoted by the Fund.

## d) Investment strategy

The Sub-Investment Manager will look to invest in companies with well managed capital that re-invest earnings into the growth of their business, have a sustainable growth trend in price and a positive market consensus on earnings revisions. The Sub-Investment Manager will identify companies for inclusion on this basis through a consideration of four clearly defined and measurable criteria; cash flow return on invested capital, discounted cash flows, profit forecasts and share price trends.

In order to consider the environmental characteristic and with the intention of producing a more predictable future return path, the Sub-Investment Manager will also take the sensitivity of a company's cash flow returns to a change in the price of carbon into account. This is identified through recognising the charge that a government may levy per tonne of carbon emitted in that company's production process. It is intended that through identifying this trend that the Fund will be able to maintain a consistent systematic bias away from companies most sensitive to financial liabilities arising from their carbon emissions.

The binding screening criteria used by the Sub-Investment Manager ensures that the Fund's portfolio exposure to companies in the bottom three deciles on the Sub-Investment Manager's carbon risk metric will be of the order of 20% below that of MSCI Emerging Markets NTR, the Fund's index, over rolling twelve-month periods and the Fund's portfolio will have aggregate emission levels lower than the Index as measured by tonnes of carbon emitted per dollar of revenue generated. This selection criteria may not be disapplied or overridden by the Sub-Investment Manager

The Sub-Investment Manager currently incorporates governance in the due diligence process in the form of the Credit Suisse HOLT accounting score which forms an element of capital management or quality factors that are used in the investment process. The Fund's portfolio is skewed towards companies with strong governance and sustainability as the investment process focuses on companies with a history of high profitability and growth. A United Nations Global Compact (UNGC) overlay has been incorporated into the portfolio, which assesses if, and to what extent, companies are linked to violations of UNGC principles. The Sub-Investment Manager employs Glass Lewis, a leading independent global advisor on governance for counsel, to enact the Sub-Investment Manager's proxy voting policy. This enables the Sub-Investment Manager to ensure that companies are held to account for poor decision making, on board composition, and general governance structure.

The Fund will also exclude holdings where company involvement in controversial weapons is identified, as defined by the ISS Controversial Weapons Research methodology. This screening and exclusion policy will apply across all equity securities holdings as described in the investment policy and does not specifically align itself to external guidelines or principles.

## e) Proportion of investments

The Fund's asset allocation will be as follows:

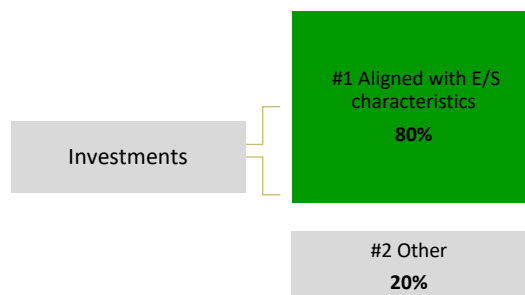
In accordance with the binding elements of the investment strategy, 80% of investments made will be aligned to the E/S characteristics, whilst the remaining 20% will be cash, cash equivalents and hedging instruments and/or investments that may not be aligned with the E/S characteristics promoted by the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

The Fund does not commit to any minimum level of Taxonomy alignment in its underlying investments; as such, 0% of the Net Asset Value of the Fund shall be invested in such investments.

The “do no significant harm” principle applies only to those investments underlying the Fund that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of the Fund do not take into account the EU criteria for environmentally sustainable economic activities.

**#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 characteristic, have no minimum environmental or social safeguards, nor are qualified 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

In order to address the environmental characteristic promoted, the Sub-Investment Manager applies binding screening criteria to the selection of underlying assets as part of its investment decision making process.

In particular, the Sub-Investment Manager utilises a bespoke metric to measure a company's sensitivity to a change in the price of carbon, as defined as the potential government levy against tonnes of CO<sub>2</sub> emitted. The carbon emissions data used is sourced from Institutional Shareholder Services Inc. ("ISS") and Credit Suisse HOLT. This metric allows the Sub-Investment Manager to decile rank companies based on their exposure to the carbon risk measure. This identification of companies with an unfavourable carbon risk metric ranking is factored into the investment decision making process to enable a consistent and measurable bias away from companies with the highest rate of carbon emissions.

The Sub-Investment Manager considers principal adverse impacts on sustainability factors by combining internal analysis of the Fund's holdings and third-party data against the following indicators:

- PAI 1 - GHG emissions
- PAI 2 - carbon footprint
- PAI 3 - GHG intensity of investee companies
- PAI 10 - Violations of UN Global Compact (UNGC) principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
- PAI 14 - Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)

The principal adverse impacts 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.

## h) Data sources and processing

The Sub-Investment Manager sources its carbon emissions data from ISS which is used as an input to its own bespoke metrics on this subject. The ISS data is accessed through Credit Suisse HOLT. The Sub-Investment Manager also takes advantage of MSCI's comprehensive reporting package to track the carbon exposure of its holdings relative to benchmark. Constant monitoring of the HOLT data by the investment team within the Sub-Investment Manager ensures that data quality is continuously reviewed and maintained.

Using ISS data through the Credit Suisse HOLT data platform, the Sub-Investment Manager quantifies the impact on a company's cash flow return on investment ("CFROI") level from the hypothetical levying of a \$20 tax per tonne of carbon emitted. The Sub-Investment Manager's data set covers some 4,000 plus companies. The Sub-

Investment Manager ranks the entire universe based on the percent change in CFROI from this levy. Companies in decile 10 have the highest financial sensitivity to a carbon tax, while those in decile 1 have the lowest. There is meaningful risk in the bottom three deciles with companies in decile ten, in particular, running the risk in halving the profitability should their carbon emissions bear an increased financial penalty. It is this contingent liability that the Sub-Investment Manager is concerned with and consequently the Sub-Investment Manager aims to moderate exposure to companies in any of the bottom three deciles.

## 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 evaluates the quality, coverage and relevance of data used to measure and monitor the environmental characteristics. Limitations in methodologies or data sources will not affect the attainment of the environmental characteristics being promoted for reasons including, but not limited to, the fact that the data points required to report on the environmental characteristics are widely available in the majority of cases. When specific data points are unavailable that the Sub-Advisor would otherwise consider material, the Sub-Advisor notes that in practice other similar data points may serve as close substitutes such that the conclusion derived would not be reasonably expected to differ in material ways.

In addition, whilst the Sub-Investment Manager can objectively measure a company's financial sensitivity to any specific level of taxation on carbon emissions, the Sub-Investment Manager has no way to gauge either the probability of such a tax being levied, or the future level of carbon emissions of the business. This makes its decile ranking an approximation on a limited data set, but it is still useful.

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 characteristic promoted by the Fund.

## j) Due diligence

The Sub-Investment Manager is responsible for all due diligence carried out monthly on the individual holdings of the portfolio.

Due diligence is undertaken on all stocks currently held plus a selected universe of the highest scoring stocks not held. The list is reviewed, assessed and ranked independently by the Sub-Investment Manager. Combining the individual rankings creates the combined team list which forms the basis of that month's trading decisions.

The Sub-Investment Manager will look to invest in companies with well managed capital that re-invest earnings into the growth of their business, have a sustainable growth trend in price and a positive market consensus on earnings revisions. The Sub-Investment Manager will identify companies for inclusion on this basis through a consideration of four clearly defined and measurable criteria; cash flow return on invested capital, discounted cash flows, profit forecasts and share price trends.

The Sub-Investment Manager considers quality of governance and the transparency and accuracy of financial accounts information as a key part of its investment selection process. The Sub-Investment Manager uses the Credit Suisse HOLT tool to help assess the quality and accuracy of published financial information with this risk assessment fully integral to the stock selection process

The Manager conducts due diligence on the Investment Adviser on an ongoing basis to ensure that processes and procedures are being followed appropriately and in accordance with the Fund supplement.

## k) Engagement policies

In order to consider the environmental characteristic and with the intention of producing a more predictable future return path, the Sub-Investment Manager utilises a bespoke metric to measure a company's sensitivity to a change in the price of carbon, as defined as the potential government levy against tonnes of CO<sub>2</sub> emitted. This metric allows the Sub-Investment Manager to decile rank companies based on their exposure to the carbon risk measure. The Sub-Investment Manager ranks the entire universe based on the percent change in CFROI from this levy. Companies in decile 10 have the highest financial sensitivity to a carbon tax, while those in decile 1 have the lowest. There is meaningful risk in the bottom three deciles with companies in decile ten, in particular, running the risk of halving the profitability should their carbon emissions bear an increased financial penalty. It is this contingent liability that the Sub-Investment Manager is concerned with and consequently the Sub-Investment Manager aims to moderate exposure to companies in any of the bottom three deciles.

On a quarterly basis, the Sub-Investment Manager will engage with the companies held which rank in the 10th decile on carbon cost sensitivity. The Sub-Investment Manager will write letters to these companies outlining concerns about their carbon emissions and giving timeframes for reducing them. The Sub-Investment Manager will subsequently track and document the company's progress in reducing carbon emissions and where there is no improvement, may exercise its voting power to support the mission set out in the letter to the company. This could be in the form of voting against management on certain matters related to sustainability, e.g., voting against the re-election of directors responsible for sustainability. Where there is continued lack of progress in the company reducing its carbon emissions, the Sub-investment may decrease its position and eventually divest from the company completely.

## l) Designated reference benchmark

There is no specific index designated as a reference benchmark to determine whether the Fund is aligned with the environmental and/or social 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 Origin Asset Management LLP (Origin), 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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