

Stewardship & Engagement Policy Statement

Purpose

Principal Asset Management (Principal AM) has been a signatory to the United Nations Principles for Responsible Investment (PRI) since 2010, highlighting the firm's dedication to sustainable investing, Environmental, Social, and Governance (ESG) factors. PRI works to achieve a 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 purpose of the policy is to outline how the expectations of Stewardship and Engagement that are applied by Principal AM's investment teams conform to the expectations of the PRI requirements.

Scope

Consistent with Principal AM's specialized investment team model, each team defines the scope and pace of its own implementation path, driven by what fits best with its investment process and the needs of its clients.

Principal Asset Management has worked with many regional jurisdictions on their Stewardship and Governance codes governing locally listed firms including, the United Kingdom, Japan, Hong Kong, and Singapore. Principal Asset Management either submitted to adhere to, or submitted a statement of support of, these jurisdictions. In addition, in the UK, Principal AM submitted the application to the Financial Conduct Authority Financial Reporting Council for the UK Stewardship Code which was successfully accepted, and Principal AM continues to be a signatory to the Code since 2012.

Principal Asset Management has also aligned with global policy initiatives and accords that support our goals. In addition to PRI and UN Global Compact, we have joined: the Better Building Alliance, US Green Building Council, Energy Star Partner, Global Real Estate Sustainability Benchmark (GRESB), US Department of Energy Better Buildings Initiative, The Council of Institutional Investors (CII), The International Corporate Governance, CFA Institute DEI Code (USA & Canada) and Investor Alliance for Human Rights.

Responsibility

Principal Asset Management's Operating Committee has the final authority of this policy.

The policy will be reviewed at least annually.

Approach

At Principal Asset Management, our commitment to sustainable investing revolves around a key factor — our fiduciary responsibility to our clients. Acting in their best interests comes first and foremost. As a fiduciary for our clients, we welcome the broader investment prism that the PRI Principles represent. Furthermore, we value the voice that our status as a PRI signatory gives us in defining and shaping the sustainability discussion, the development of best practices, and ultimately the potential to enhance the risk-adjusted returns we deliver to clients.

Commitment

The Principles for Responsible Investing (Principles) are based on the premise that ESG factors can affect the performance of investment portfolios and investors should give them appropriate consideration to fulfill their fiduciary duty. In signing these Principles, Principal Asset Management publicly commits, where consistent with our fiduciary responsibilities and our specialized investment team model, to the following:

1. To incorporate ESG issues into our investment analysis and decision-making processes
2. To be active owners and incorporate ESG issues into our ownership policies and practices
3. To seek appropriate disclosure on ESG issues from the entities we invest in
4. To promote acceptance and implementation of the Principles within the investment industry
5. To work with other signatories to enhance effectiveness in implementing the Principles
6. To report on our activities and progress towards implementing the Principles



An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

Stewardship and Engagement

For us, engagement means striving for shared value and employing stakeholder power to encourage responsible corporate behavior, including through direct corporate engagement (i.e., communicating with senior management and/or boards of companies), voting on shareholder proposals, and maintaining a sustainable proxy voting guidelines set that is guided by ESG objectives. We believe engagement has the potential to contribute to enhanced long-term returns and reduced risks. Consistent with our overall investment philosophy, our engagement approach focuses on fundamental improvement.

Stewardship and engagement activities are a part of our investment teams' philosophies and processes across all actively managed asset classes. Consistent with Principal AM's specialized investment team model, each team has autonomy to determine its approach and define the scope of its engagement with companies and participation in industry and sector collaborative engagements.

For listed securities, engagement currently takes place within our investment process as part of the fundamental research driving security selection. As stewards of ownership stakes in businesses, we have the opportunity to engage with and encourage companies to foster sustainable stakeholder relations in a manner that seeks to accrue longer-term societal benefits, reduce potential investment risks, and drive better client experience and outcomes. Through engagement, our analysts meet with senior executives and investor relations of the companies we invest in to discuss a range of topics relevant to our investment theses, including material sustainability issues and topics such as company ownership, board membership, and remuneration.

Proxy voting also enables us to take advantage of our equity shareholder power to effect positive change. Principal Asset Management has a separate Proxy Voting policy and Proxy Voting Committee to oversee the voting of proxies and the Proxy Advisory Firm, make determinations as to how to instruct the vote on certain specific proxies, verify ongoing compliance with the Proxy Policy, review the business practices of the Proxy Advisory Firm and evaluate, maintain, and review the Proxy Policy on an annual basis.

We also use the services of third-party research providers and broker-dealers to enhance our research process as well as help facilitate direct engagement with companies. Some of our equity investment professionals have access to tools that can help track and support engagement activities and outcomes.

Within our fixed income teams, stewardship activities are mainly carried out by individual analysts. Analysts are responsible for generating an ESG score on every company they cover, and their score is informed by information the analysts collect from company disclosures, direct engagement with the management of the companies they cover, as well as relevant third-party data. Analysts are tasked with addressing ESG factors when engaging with management so that their internal ESG score can be

as informed as possible. Analyst ESG scores are housed in Bloomberg and shared within the business unit.

For real estate investments, Principal Real Estate maintains a proprietary sustainability and investment platform, known as the Pillars of Responsible Property Investing (PRPI). PRPI is a unique, overarching environmental-social-and-governance framework developed to drive asset management and fiduciary governance, and seeks to deliver positive financial and environmental results. The PRPI program is grounded on a foundation of good governance, transparent reporting, clear policies, and sound research. Principal Real Estate has a long-standing commitment to corporate stewardship. Our real estate teams approach engagement across stakeholders, tenants and communities, upholding the objectives and values of the PRPI. Each property's engagement plan is created by the property manager with strategies tailored for the specific property type, tenant profile, opportunities for engagement with the community, and geographic location.

Through our compliance and oversight functions, Principal Real Estate verifies that each property that participates in the PRPI ESG Platform has a tenant and community engagement program. Outcomes are measured in a variety of ways including tenant satisfaction, tenant retention, and tracking of environmental and social key performance indicators. An annual compliance survey is sent to property managers to confirm they have followed the PRPI requirements and appropriate action is taken, dependent on scenario/situation, to ensure alignment is achieved.

As asset allocators, the building blocks that Principal Asset Allocation selects when constructing portfolios can be influential in determining the overall ESG sensitivity of a strategy. We first determine the ESG rating for each asset class in our investment universe, using the representative indices as a baseline. This analysis allows us to understand, at a high level, the ESG implications and a desired investment outcome. Once we progress to the implementation of those selected asset classes, we rely on multi-pronged approach to ensure that we are building portfolios that reflect our sustainable investing philosophy. We believe that using ESG considerations in its investment process, a qualitative and quantitative assessment of the ESG profile of a sub-advisor or a strategy, allows for attractive ESG profiles and the potential for enhanced investor returns over time, without veering from our primary investment objective. We encourage our sub-advisors to be signatories to the PRI. This ensures that we are engaging with investment partners that share our belief that ESG factors can affect the performance of investment portfolios. Further, we encourage sub-advisors to have or adopt an ESG policy, which details its individual philosophy and ESG methodology.

Key themes

As a global firm, we recognize that standards and norms of corporate governance can differ between markets. However, we believe there are certain fundamental elements of governance practices that are intrinsic to any company's ability to create long-term value. This set of global themes are set out in this overarching policy statement, which are anchored in transparency and accountability:

- Board and directors
- Climate risk
- Diversity, equity and inclusion
- Good governance practices and shareholder protections
- Human rights
- Remuneration
- Shareholder proposals

Our [proxy voting guidelines](#) explain how these key themes help to inform our voting decisions.

Reporting

The sixth Principle for Responsible Investment states that we will report on our activities and progress towards implementing the Principles. To this end, Principal Asset Management has committed to fulfill the annual signatory reporting requirement. Our current PRI assessment report and transparency report are made publicly available on our Principal AM site and can also be found on the PRI website. We also provide regulatory and client reporting on pertinent ESG factors.

Date of last policy review: February 2024

Important information:

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