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Listed Infrastructure

Principal Asset Management[SM]

2025

Sustainable investing policies

The Principal Listed Infrastructure strategy was founded in 2019 as a new investment capability within Principal Asset Management, building off of the firm's long-standing commitment to integrate sustainability standards into its investment practices while pursuing positive financial results for clients.

The Principal Listed Infrastructure team's ambition is to deliver excess financial returns alongside positive outcomes for society, motivated by the belief that these aims will be mutually reinforcing over the long term. The companies in which we invest typically operate as regulated or contracted monopolies, providing access to basic economic infrastructure and related services that are essential to the everyday functioning of our communities and the world around us. In doing so, these businesses offer a window into the challenges and opportunities society faces as we seek to balance the three dimensions of sustainable development: the economic, social, and environmental.

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. 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.

We express our commitment to sustainable investing in the following ways:

- Guiding principles
- ESG integration
- Stewardship, engagement and voting
- Reporting and transparency

Principal Asset Management recognition

Joined the United Nations Global Compact, January 2021

ENERGY STAR® Partner of the Year (2016-2024), and Sustained Excellence award (2018-2024)[3]

Principles for Responsible Investment Signatory, 2010[1]

GRESB 5-Star rating (2024): European Core strategy, European Office strategy.

GRESB 4-star rating (2024): U.S. Core strategy (9th consecutive year), U.S. Green Property strategy.[2]

In order to receive a ranking, the Firm paid GRESB an application fee to be evaluated and rights to use the rating.

[1] Principal Asset Management has been a signatory to UN PRI since 2010.
[2] 2024 Global Real Estate Sustainability Benchmark (GRESB) assessments representing data from 1 January 2023 to 31 December 2023. 5-star rating reflects top 20% worldwide performance; 4-star rating reflects top 40% worldwide performance.
[3] The U.S. Environmental Protection Agency (EPA) annually honors organizations that have made outstanding contributions to protecting the environment through energy efficiency, April 2024.

Guiding principles

These key pillars inform our approach to sustainable investing.

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 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.

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.

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 (SDGs), focusing on those goals where infrastructure is generally accepted to be a key contributor. The proprietary research produced by our analysts is ultimately instrumental in guiding our engagement activities.

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.

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.

A diverse and inclusive investment team

Investment team diversity is frequently linked to attractive 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.

ESG integration

We believe incorporating sustainability considerations and ESG factors into our investment process is essential to delivering attractive risk-adjusted returns in the listed infrastructure space. Sustainability considerations are fully integrated into each pillar of our security analysis and inform security selection and portfolio construction in several key respects.

Security analysis

We focus on three primary areas when analyzing securities: **quality**, **valuation**, and **market perception**. Each analyst is responsible for identifying attractive investments within his or her coverage universe, which may span several regions and/or sectors. We develop our proprietary views by conducting in-depth company and industry research, including company management meetings, asset inspections, the study of financial statements and regulatory filings, and discussions with third-party experts. ESG considerations are evaluated as a component of this fundamental research. Analysts provide the essential insights into industry trends and company-specific considerations, which are crucial to the evaluation of sustainable competitive advantages and risks at a company and industry level.

Quality

Our definition of a quality infrastructure business considers environmental, social, and economic aspects of sustainability. As part of our Quality Assessment, we assign a proprietary rating to each of a company's Environmental, Social and Governance (ESG) practices separately and then assign an overall ESG Practices rating. We also document an expected trend in a company's ESG practices, out of recognition that improving ESG practices or positive ESG momentum can be an important driver of share price performance in the listed infrastructure market. Our rating process is designed to provide relative signals of the quality of a company's E, S and G and overall ESG practices.

To support our rating efforts, we maintain a proprietary materiality framework and benchmark companies against what we believe to be the ESG practices of leading listed infrastructure companies. This framework is updated regularly to capture evolution in ESG practices across our investable universe. Current areas of focus include:

ENVIRONMENTAL

- Carbon emissions
- Resource & water management
- Resiliency to climate-related impacts
- Environmental business opportunities

SOCIAL

- Human capital development
- Health & safety
- Diversity & inclusion
- Community relations
- Access & affordability
- Customer privacy & data security

GOVERNANCE

- Ownership structure
- Board composition
- Compensation & alignment
- Business ethics
- Accounting
- Reporting & transparency
- Controversies

In addition, our investment team uses both data and research reports from external parties in our investment process, including ESG controversies and climate change metrics.

Our analysis of the five other metrics that comprise our Quality Assessment also incorporate sustainability considerations. For example, our assessment of a company's Infrastructure Business Quality examines areas like strength of regulation and predictability and longevity of its cash flows, both elements of which are important contributors to a company's ability to deliver financial returns over the long-term. Likewise, our assessment of a company's management team evaluates the manager's competence as a steward of capital and in examining a company's balance sheet, we favor companies who we believe to be operating from a sustainable financial position.

Valuation

Our valuation framework involves the construction of discounted cash flow-based valuation models. Sustainability-related risks and opportunities are typically reflected in terminal growth rate assumptions, the nature of scenarios we construct, and probabilities assigned to each scenario. Strong environmental credentials will typically support higher growth assumptions during the explicit forecast period reflected in our models. To the extent we believe that the energy transition and/or climate change puts the useful life of a company's assets at risk, our valuation will reflect some probability of no terminal value. We also assume long-term returns on invested capital reflect a fair spread over a company's cost of capital regardless of a company's near-term profitability. This practice reflects our belief that sustainable infrastructure companies will share excess returns with customers over the medium-term.

Importantly, we do not explicitly adjust discount rates for our ESG ratings to avoid double-counting. Discount rates under our methodology are influenced by country risk, balance sheet risk and infrastructure business quality, however, and in practice we would expect there to be a high correlation between companies with better ESG ratings, those operating in countries with higher governance standards and those with better balance sheets and business quality.

Market perception

We ask our investment team members to distinguish between market perception of a company's sustainability efforts or ESG credentials and reality. We spend time speaking to management teams to make sure we understand aspects of their sustainability efforts that may not yet be well understood by other market participants. We ask: how authentic are a company's efforts? Is the market appropriately discounting ESG risks and opportunities in today's share price? The answers to these questions often influence our overall investment thesis and recommendation.

SDG alignment research

Before recommending a security for investment, we also evaluate and document a company's alignment with the United Nation's Sustainable Development Goals (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 six 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:

Portfolio construction

Our core strategy emphasizes constructing portfolios of our best ideas, typically 35-45 holdings, and as such we establish a high bar for portfolio inclusion. Sustainability and ESG considerations most directly impact the valuation upside we require to find an investment compelling. All else being equal, companies with better sustainability credentials and more highly rated ESG practices will be viewed more favorably.

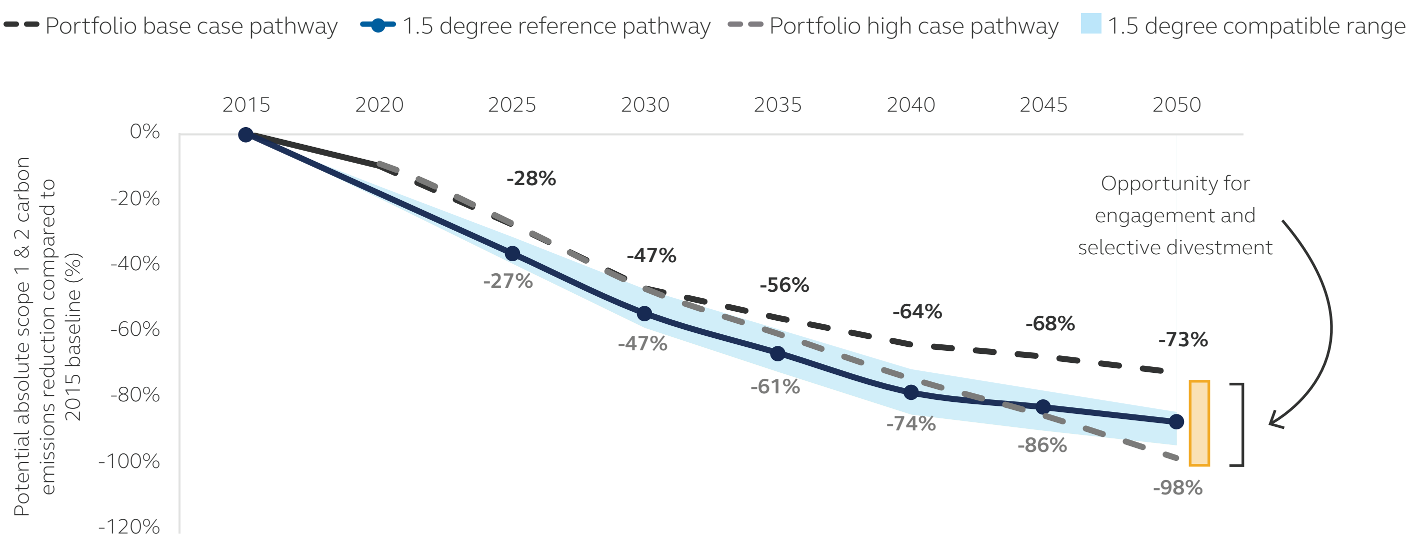
Broadly, if our analysts view a company positively outside of ESG concerns, we will engage company management specifically on those issues and seek assurances and/or a change in behavior that may subsequently lead us to later proceed with investment. This is the same approach we use if we view a company positively outside of deficiencies on another metric that comprises our Quality Assessment. We also prioritize company engagement in instances where we believe improvement in ESG practices will be a key driver for value realization.

To help ensure that our portfolios reflect minimum ESG standards, we do not invest in any company whose ESG practices we rate Worst In Class or that we find to be misaligned with the SDGs overall. In instances where we determine a company currently offers ESG and sustainability credentials that are Below Average relative to peers, we would typically expect forward-looking trends in these areas to be positive and see higher-than-average upside to our internal valuation estimates before making an investment.

We also assess the carbon emissions reduction pathway of the portfolio relative to IPCC scenarios likely to achieve 1.5 degree warming. 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 warming. We tend 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.

Potential absolute carbon emissions reduction of portfolio



As of 31 December 2024. Sources: MSCI, Climate Analytics, company reports, Principal Asset Management. 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. 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 endnotes for further information.

Stewardship, engagement and voting

Stewardship activities are essential to our role as active, long-term investors. 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 ESG issues. 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 listed infrastructure universe.

Corporate Governance & Sustainability Engagement Priorities

Our corporate governance and sustainability-related engagement efforts over the period 2025-2027 will emphasize the following topics. These priorities reflect the governance and sustainability themes on which we (1) expect to most frequently engage our portfolio companies, and (2) believe we have the potential to influence outcomes that can in turn improve our investment returns. These engagement efforts are designed to complement our frequent discussions with companies on broader topics of relevance to shareholder returns, including company strategy, capital allocation and financial resilience, among others. As in prior years, we will disclose relevant outcomes of our governance and sustainability engagement efforts in our strategy's annual sustainability reporting.

1. **Alignment of executive compensation with shareholder interests**
   We believe that well-structured compensation policies have the potential to align the financial interests of shareholders and executives. Where we find material misalignment between executive compensation and company performance, or have other concerns about a company's approach to compensation, we will raise these issues through our engagement efforts and advocate for adjustments. In particular, we will look to leverage our infrastructure sector focus to help ensure executives at companies in the same peer group are being held accountable to comparable performance standards.

2. **Management of environmental risks and opportunities**
   Environmental risks and opportunities, including climate-related physical and transition risks, are often highly material financially for infrastructure companies given their exposure to government policy and regulation and reliance on long-lived physical assets to deliver critical services. We will advocate for issuers to accelerate and/or expand carbon emissions reduction targets and encourage third party validation of such targets when we assess these steps to be additive to a company's long-term financial performance. We will also advocate for appropriate consideration of safety, affordability, reliability and labor relations as a company navigates environmental risks and opportunities. Further, we will emphasize topics such as natural resource use and management and/or biodiversity in accordance with our assessment of materiality for a given issuer.

3 **Workforce and board diversity**

We believe that infrastructure companies with workforces, boards, and in some cases, suppliers, that reflect the composition of the communities in which they operate will be better positioned to meet the evolving needs of their customers and deliver superior long-term financial performance. For issuers that are laggards in terms of diversity practices and/or policies, we will advocate for improvement on this basis.

4 **Opportunities to enhance market perception**

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.

Sustainable voting guidelines

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 across the listed infrastructure strategies.

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 also disclose our voting results via our website quarterly. Additional client specific reporting is available upon request.

Reporting and transparency

Principal Asset Management publicly reports on its responsible investing activities through the PRI Transparency Report and other disclosures required by regulation or on a voluntary basis.

Specific to our listed infrastructure clients, we communicate on the sustainability characteristics and related metrics of specific portfolios through periodic and customized reporting. We also describe our views on key ESG issues and trends in thought leadership pieces and through participation in investment forums and related industry events.

We aim for timely responses to clients and other stakeholders that request information on our approach to sustainability, where transparency is consistent with our commitment to confidentiality for our clients.

Risk Considerations

Investing involves risk, including possible loss of Principal. Past Performance does not guarantee future return. All financial investments involve an element of risk. Therefore, the value of the investment and the income from it will vary and the initial investment amount cannot be guaranteed.

Infrastructure issuers may be subject to regulation by various governmental authorities and may also be affected by governmental regulation of rates charged to customers, operational or other mishaps, tariffs and changes in tax laws, regulatory policies and accounting standards. Foreign securities involve special risks, including currency fluctuations, lower liquidity, political and economic uncertainties and differences in accounting standards. Some international securities may represent small and medium-sized companies, which may be more susceptible to price volatility and may be less liquid than larger companies.

Important Information

This material covers general information only and does not take account of any investor's investment objectives or financial situation and should not be construed as specific investment advice, a recommendation, 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. The opinions and predictions expressed are subject to change without prior notice. The information presented has been derived from sources believed to be accurate; however, we do not independently verify or guarantee its accuracy or validity. Any reference to a specific investment or security does not constitute a recommendation to buy, sell, or hold such investment or security, nor an indication that the investment manager or its affiliates has recommended a specific security for any client account.

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 2024 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: http://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 here.

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