

Principal Listed Infrastructure

2024

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 (2016-2023), and Sustained Excellence award (2018-2023)³



Principles for Responsible Investment Signatory, 2010¹



GRESB 4-Star rating (2023):
U.S. Core strategy, 8th consecutive year;
European Core strategy, 4th consecutive year;
European Office strategy, 2nd consecutive year.
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 2023 Global Real Estate Sustainability Benchmark (GRESB) assessment, data as of 31 December 2022. 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 2023.

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.

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.

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.

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.

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.

A diverse and inclusive investment team

Investment team diversity is frequently linked to strong 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 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, analysts have direct access to MSCI Research from which ESG-related data can be extracted. Our investment team uses both data and research reports from MSCI 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 6 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:

6 CLEAN WATER AND SANITATION 	7 AFFORDABLE AND CLEAN ENERGY 
8 DECENT WORK AND ECONOMIC GROWTH 	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 
11 SUSTAINABLE CITIES AND COMMUNITIES 	13 CLIMATE ACTION 

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

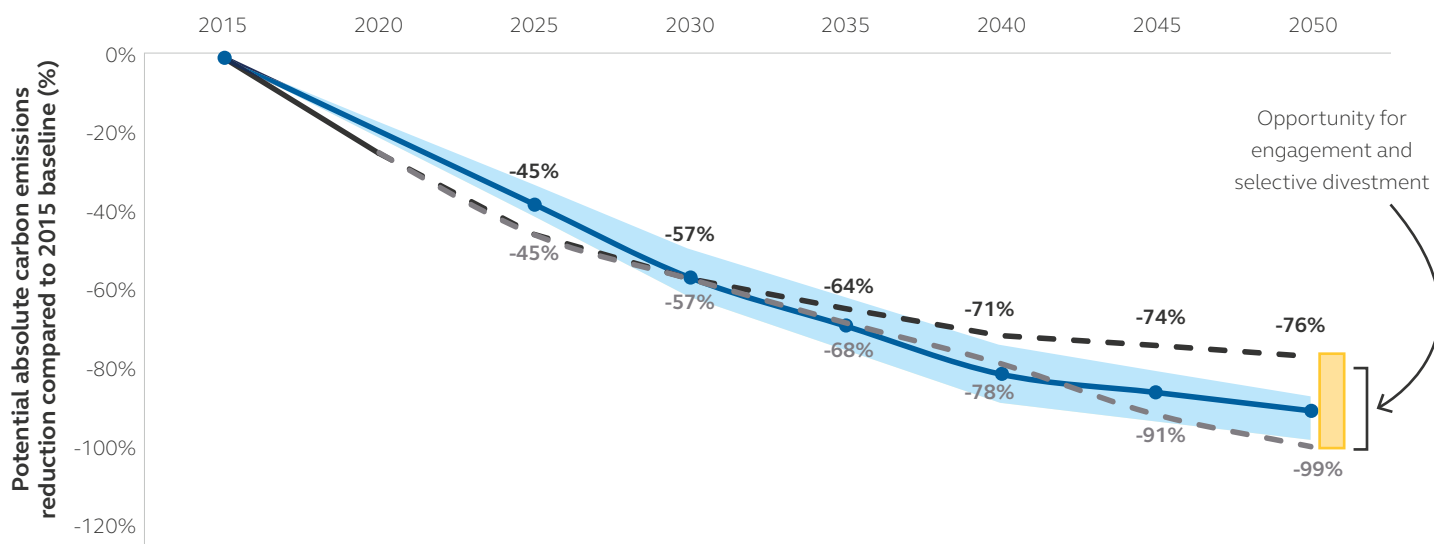
trends in these areas to be positive and see higher-than-average upside to our internal valuation estimates before making an investment.

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

— Portfolio base case pathway ● 1.5 degree reference pathway - - - Portfolio high case pathway ■ 1.5 degree compatible range



As of 31 December 2023. 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 Environmental, Social, and Governance (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.

Engagement priorities

Our engagement efforts over the period 2022-2024 will emphasize the following topics. We anticipate disclosing relevant outcomes of our engagement activities quarterly and cumulatively starting with year end 2022.

- 1 Management alignment**

We believe that management teams whose compensation is aligned with sustainability initiatives are more likely to deliver positive sustainability outcomes. We will ask issuers to add and/or increase relevance of ESG and sustainability metrics to incentive programs, in particular long-term incentive programs.
- 2 Credibility of emissions reduction targets**

We believe emissions reduction targets need to be backed by robust management planning and accountability. We will advocate for issuers to provide concrete plans in support of emissions reduction targets, encourage third party validation of targets where appropriate and encourage acceleration of targets where possible. Particularly for those issuers for whom Scope 3 emissions are material, we will encourage Scope 3 emissions disclosures and/or Scope 3 emissions target setting.
- 3 Workforce diversity**

We believe companies with workforces that reflect the diversity of their service territories will be better positioned to meet the evolving needs of their customers. We will ask issuers to disclose workforce breakdowns as relevant in their local markets. We will also encourage the publication of related targets. For companies that are clear laggards in terms of board diversity, we will also advocate for improvement.
- 4 Market perception of underappreciated issuers**

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 Global Investors 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 Global Investors 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 2023 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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Integration of sustainability considerations and/or environmental, social and governance (ESG) factors is qualitative and subjective by nature. There is no guarantee that the criteria used, or judgment exercised, will reflect the beliefs or values of any particular investor. Investment teams have a high degree of investment process autonomy and may consider or weight sustainability and/or ESG criteria or factors differently (or not at all). For those teams that consider sustainability and/or ESG factors as part of the investment process in strategies that are not explicitly sustainability and/or ESG-oriented, those sustainability considerations and/or ESG factors are generally no more significant than other factors in the investment selection process, such that sustainability considerations and/or ESG factors may not be determinative in deciding to include or exclude any particular investment in the portfolio. Information regarding responsible practices or other sustainability metrics, including ESG data, differs by source and may not be accurate or complete. Integration of sustainability considerations and/or ESG factors may present additional advantages or risks, may not protect against market risk or volatility, and under certain circumstances may detract from investment performance. You should not make any investment assumptions based solely on the information contained herein. Information is provided as additional insight into the relevant investment processes and should not be viewed as a change in an investment team's underlying investment objectives, strategies, risk parameters, or portfolio construction guidelines. There is no assurance that any strategy or integration of sustainability considerations and/or ESG factors will be successful or profitable.

A mandate managed in line with the investment process outlined in this document will be assessed to see if it meets the criteria to be classified under Article 8 or Article 9 of SFDR. Any disclosures for such a mandate following the investment process, supersede and take precedence over any similar content herein.

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