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Principal℠

Principal Listed Infrastructure

Sustainable Investing Policies

Q2 2022

The Principal Listed Infrastructure strategy was founded in 2019 as a new investment capability within the public equity quadrant of Principal Real Estate Investors. The strategy builds on the long-standing commitment by Principal Real Estate Investors to integrate Environmental, Social, and Governance (ESG) standards into its investment practices while pursuing positive financial results for clients. Our dedicated investment team members also bring differentiated ESG and sustainability experience to their roles, having contributed to ESG initiatives at predecessor firms and studied sustainability issues at the graduate level.

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

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

Principal Global Investors Recognition

Joined the United Nations Global Compact (January 2021)

"A+" score for Strategy & Governance and strong scores in PRI Assessment (2020)[1]

GRESB 4-Star rating, sixth consecutive year (2021)[2]

ENERGY STAR® Partner of the Year (2016-2020), and Sustained Excellence award (2018, 2020)[3]

[1] For further details please refer to the PRI Assessment Methodology, Principal Global Investors' full Assessment Report and Transparency Report, all of which is available upon request.

[2] Source: 2021 Global Real Estate Sustainability Benchmark (GRESB) assessment, data as of 31 December 2020. Rating represents top 40% worldwide performance.

[3] Each year, the EPA honors organizations that have made outstanding contributions to protecting the environment through energy efficiency. April 2021, U.S. Environmental Protection Agency.

*GRESB and EnergyStar Partner of the Year awarded to Principal Real Estate Investors.

Guiding principles

These beliefs inform our approach to sustainable investing.

Infrastructure is at the heart of sustainable development.
Given the dominant role infrastructure plays in supporting global sustainability agendas and the monopolistic nature of these businesses, we start from the premise that every listed infrastructure company has the potential for positive social and environmental impact. We do not automatically exclude certain infrastructure subsectors from investment, nor do we exclude companies based on third-party ratings alone. When it comes to reducing carbon emissions in a manner that preserves customer affordability and reliability, we recognize that often the companies facing the more complex challenges are those with the greatest impact potential.

Active management demands an active approach to ESG.
In our experience, analyzing a company's ESG practices demands a similar level of attention and context as required to evaluate other aspects of company fundamentals. Our investment team therefore owns the rigor around this important analysis. Our proprietary ratings seek to benchmark companies against best-in-class ESG practices and identify the more compelling opportunities for progress on a forward-looking basis. We also map the contributions of our portfolio companies to the United Nations' Sustainable Development Goals, focusing on those goals where infrastructure is generally accepted to be a key contributor.[4] The proprietary research produced by our analysts is ultimately instrumental in guiding our engagement activities.

Valuation discipline enhances the impact potential of our strategy and supports excess returns generation.
Our investment process explicitly links our independent views of a company's fundamentals with its market valuation. While we are happy to own sustainability leaders, when market valuations of such companies become too disconnected from fundamentals, we embrace our responsibility to reallocate capital to companies whose market valuations do not reflect their impact potential. We believe our valuation discipline increases the likelihood that a company making positive social and environmental contributions retains access to fairly-priced capital regardless of short-term market sentiment.

Sector specialist expertise matters.
Infrastructure companies constantly wrestle with tradeoffs between social, environmental, and economic objectives. Investment cycles also require decades of planning. As sector specialists, we believe we are best positioned to examine these complexities. We also find that our sector expertise enhances our engagement efforts. Company executives are generally 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, a near impossibility for senior decisionmakers on generalist investment teams. Companies are also more likely to provide access to top management if they believe the conversation will be mutually beneficial.

A diverse and inclusive investment team is key to our success.
We believe diverse perspectives, coupled with inclusive environments, lead to better investment decisions and outcomes for our clients. We also recognize that building a diverse investment team today affords us an opportunity to model change in the asset management industry. We aim for women and people of color to comprise at least 50% of our investment team when we reach scale in 2025.

[4] Our SDG mapping framework leverages the guidance published by the CFA Asset Owners Society and GRESB in 2020. Source: https://gresb.com/nl-en/sdg-esg-infrastructure-investment framework/?msclkid=873249c1a9ed11ec8a4a37f23aa68c6c

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 six 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:

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.

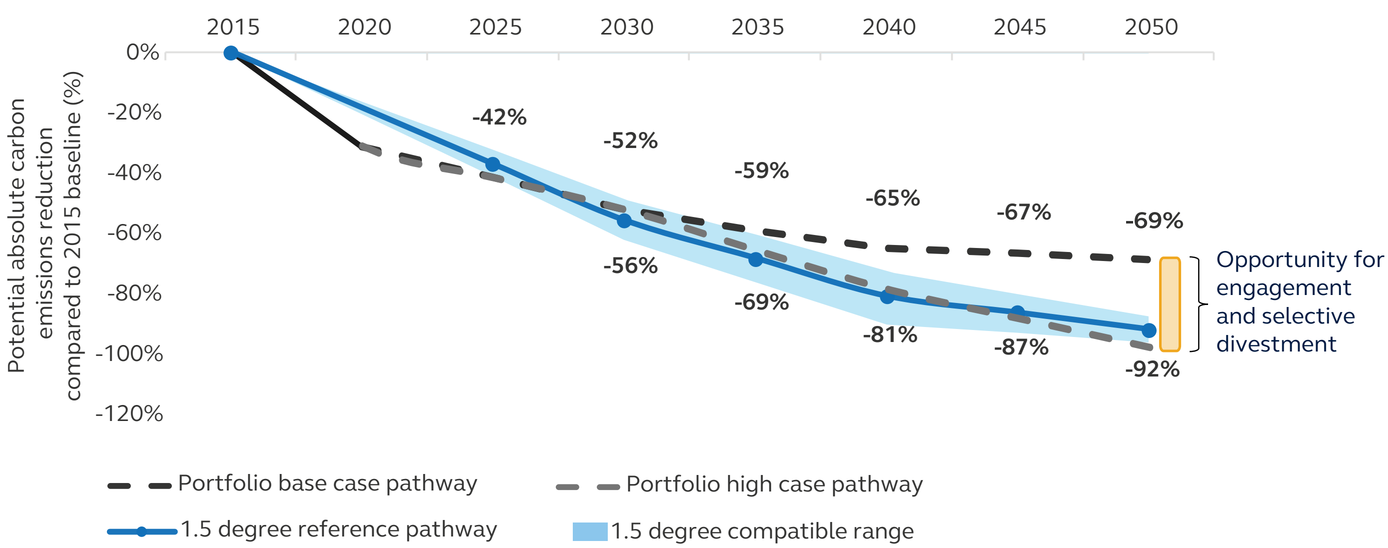
Broadly, if our analysts view a company positively outside of ESG concerns, we will engage company management specifically on those issues and seek assurances and/or a change in behavior that may subsequently lead us to later proceed with investment. This is the same approach we use if we view a company 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 March 2022. Sources: MSCI, Climate Analytics, company reports, Principal Global Investors. 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 important information for further information.

Stewardship, engagement and voting

Stewardship activities are essential to our role as active, long-term investors. Principal Global Investors 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. United Nations-sponsored 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 Global Investors' 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 Global Investors 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 fluctuation and lower liquidity. Some global securities may represent small and medium-sized companies, which may be more susceptible to price volatility than larger companies. No representation or warranty is made as to the efficacy of any particular strategy or fund or the actual returns that may be achieved.

Environmental, social and governance responsible investing (ESG) is qualitative and subjective by nature, and there is no guarantee that the criteria utilized, or judgment exercised, will reflect the beliefs or values of any one particular investor. Information regarding responsible practices is obtained through voluntary or third-party reporting, which may or may not be accurate or complete, and such information is used to evaluate a company's commitment to, or implementation of, responsible practices. Socially responsible norms differ by region. ESG, while a component of our investment analysis, is only one part of the overall assessment in our decision-making activities. ESG criteria may present additional advantages or risks and does not protect against market risks or volatility. You should not make any investment assumptions based solely on the information contained herein. There is no assurance that the socially responsible investing strategy and techniques employed will be successful.

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. Subject to any contrary provisions of applicable law, the investment manager and its affiliates, and their officers, directors, employees, agents, disclaim any express or implied warranty of reliability or accuracy and any responsibility arising in any way (including by reason of negligence) for errors or omissions in the information or data provided.

Third party rankings and recognitions are no guarantee of future investment success and do not ensure that a client or prospective client will experience a higher level of performance or results. These ratings should not be construed as an endorsement of the advisor by any client nor are, they representative of any one client's evaluation.

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 March 2022 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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