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Principal Asset Management℠

PRINCIPAL LISTED INFRASTRUCTURE

2022 Sustainability Report

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We founded the Principal Listed Infrastructure strategy in 2019 with an ambition 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.

Clients trust us to make independent, professional judgements about the ability of individual stocks to outperform the broader infrastructure market over the long-term. The asset management industry has time-tested frameworks for accountability on this front, and our objective of delivering positive excess returns also keeps us strongly aligned with Principal Financial Group's purpose of helping more people and businesses gain access to financial security.

We believe that our commitment to sustainable investing carries with it a responsibility for transparency that extends beyond traditional investment performance reporting, however. This is a responsibility we embrace as an opportunity to provide insight into the positive impact our portfolio companies are having on the communities they serve, and the actions we are taking as shareholders to help drive long-term value creation.

In the spirit of such transparency, we are excited to share our strategy's inaugural sustainability report. We extend our gratitude to Syd del Cid and Ryan Fitzgerald of Principal Asset Management's Sustainable Investing leadership team, and to Carlos Vasquez Velasco, our summer intern, for their valued contributions to this reporting effort. Our intention is to continue to build upon our sustainable investing processes and reporting in the years to come, and to that end we very much welcome your feedback and perspectives.

Thank you for reading.

EMILY FOSHAG, CFA
Portfolio Manager
New York

ALEX MOTTERSHEAD, CFA
Senior Analyst
New York

RISHIKA DAVDA, CFA
Senior Analyst
London

BING HAN, CFA
Analyst
New York

Our approach to sustainable investing

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. It remains grounded in our fiduciary responsibility to our clients.

We invest exclusively in publicly traded companies that operate infrastructure businesses—utilities, toll roads, airports, rail operators, energy and communications infrastructure. These companies comprise a small subset of publicly traded companies globally. More than 85 percent of the market capitalization is concentrated in 100 companies.[1]

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.

The key pillars of our approach are as follows:

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.

Read our paper which describes the unique role listed infrastructure companies can play in driving sustainable impact.

Read more about our portfolio's carbon footprint and our aspirations for emissions reductions.

[1] Investment team research

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.[2] The proprietary research produced by our analysts is ultimately instrumental in guiding our engagement activities.

Read why we chose the SDGs as our framework for demonstrating portfolio contributions. >

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.

Read more about how our team conducts active ownership activities and our current engagement priorities. >

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.

[2] 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

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.

Timeline of Principal Listed Infrastructure's sustainable investing activities

Our sustainable investing practices have evolved since our strategy's inception in 2019 and we intend to continue to build upon our sustainable investing processes and reporting in the years to come.

Before 2019

Principal Asset Management began managing custom-screened, socially responsible mandates for institutional clients and became a signatory to the Principles for Responsible Investing (PRI)

Listed Infrastructure team members began analyzing sustainability considerations at predecessor firms and through graduate level education

2019

Principal's Listed Infrastructure strategy was founded with a strong foundation of integration of environmental, social and governance factors, including proprietary ESG ratings framework

2021

Implemented SDG alignment framework to enhance research efforts related to sustainability and support impact reporting

Launched European domiciled Fund labeled as Article 9 under the SFDR classification framework

Implemented portfolio temperature alignment framework to assess transition risk

Adopted proxy voting policies consistent with driving long-term value creation and increased transparency on sustainability risks and opportunities

2022

First reported on SDG alignment at the portfolio level

Refined engagement framework to emphasis specific priorities and tracking of outcomes

Launched U.S. mutual fund

2023

Partnered with SEO Career to provide historically excluded students with access to internships

Published first strategy sustainability report

2022 highlights

89 BILLION
USD invested by portfolio companies in infrastructure and related services

14.7 MILLION
customers provided sewage and sanitation services

50.9 PERCENT
of portfolio company workforces were subject to collective bargaining agreements

33 ENGAGEMENTS HELD
that were dedicated to environmental, social and governance topics

OVER 216 MILLION
utility customers received electric and/or natural gas service from portfolio companies

OVER 15 GW
in new renewables capacity commissioned by portfolio companies

14.4 MILLION
customers were served clean drinking water

46 SHAREHOLDER MEETINGS VOTED,
including 20 with against management votes

32 PERCENT
of board members at portfolio companies identified as women

75 PERCENT
of investment team members identify as women and/or racially diverse

97 PERCENT
of portfolio companies have adopted quantitative carbon emissions reduction targets, including 100 percent of companies in high emissions intensity sectors

Sources: Company reports, MSCI ESG research, investment team estimates. Figures represent 2022 actuals or latest available data if 2022 figures have not yet been reported.

Contributions to the Sustainable Development Goals

Our mapping framework

We believe infrastructure is uniquely positioned at the intersection of environmental, social, and economic progress. A 2018 study from the Inter-American Development Bank makes the case that infrastructure has the potential to explicitly and directly support progress toward over 70 percent of the 169 SDG targets outlined in the United Nations' 2030 Agenda for Sustainable Development.[3] OECD calculations demonstrate that nearly seven trillion of annual investment in infrastructure will be required in the coming decade to support economic growth while meeting the SDGs.[4]

Before recommending a security for investment, we evaluate and document a company's alignment with the 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:

Importantly, our alignment research incorporates the concept of misalignment, such that we are continuously evaluating the numerous positive and negative contributions our portfolio companies are making. Ultimately, we seek to invest only in companies that we believe have a net positive impact on society.

Why the SDGs?

GLOBALLY RECOGNIZABLE AND APPLICABLE

The SDGs and underlying targets are recognized globally and universally applicable, considering different national realities, capacities and levels of development and respecting national policies and priorities. The framework lends itself well to a global investment portfolio that allocates capital to both developed and developing countries, recognizing that the pathway towards a sustainable future may look different depending on a country's starting point but that all efforts that further the 2030 Agenda should be celebrated.

FORWARD-LOOKING

The SDGs are framed as goals, which are necessarily forward-looking and focused on potential rather than the current state. In this framework, where a company is today is less important than where it is going, which is consistent with how we evaluate investment opportunities more broadly and our ambition to drive positive impact.

INTEGRATES ALL THREE PILLARS OF SUSTAINABILITY

The 17 SDGs and 169 targets are explicit in their intention to the three dimensions of sustainable development: economic, social, and environmental. We believe any framework that examines each pillar in isolation may prove less practical when the goal is real world progress.

[3] https://publications.iadb.org/publications/english/document/What_is_Sustainable_Infrastructure__A_Framework_to_Guide_Sustainability_Across_the_Project_Cycle.pdf

[4] https://www.oecd.org/finance/Sustainable-Infrastructure-Policy-Initiative.pdf

Alignment and contributions

PORTFOLIO SUMMARY

While we analyze alignment and contributions to the SDGs at the individual company level, the pages that follow aggregate, where possible, the positive contributions to our strategy's focus SDGs across the portfolio. We also provide company examples that demonstrate positive contributions to key SDG targets. In some instances, portfolio level aggregation is difficult given the current state of data availability and comparability and/or the potential for such contribution may not apply broadly across the portfolio.

Focus SDG alignment of our portfolio

	% of portfolio aligned	Utilities	Transportation	Energy	Communications
% of total portfolio		50%	25%	13%	11%
Clean water & sanitation	**34%**	22%	5%	7%	0%
Affordable & clean energy	**82%**	44%	22%	7%	9%
Decent work & economic growth	**99%**	50%	25%	13%	11%
Industry, innovation & infrastructure	**100%**	50%	25%	13%	11%
Sustainable cities & communities	**85%**	44%	25%	4%	11%
Climate action	**64%**	35%	25%	1%	3%

Percentages are excluding cash and may not equal 100% due to rounding.

Overall SDG alignment across the portfolio

Data for above charts as of 31 December 2022. This is provided for information only and should not be construed as specific investment advice, a recommendation to buy, sell or hold, 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.

All figures are aggregated based on company reports covering fiscal year 2022 or the most recent data if 2022 figures are not yet available.

SDG 6—Clean Water and Sanitation

6 CLEAN WATER AND SANITATION

14.4 MILLION

customers served clean drinking water

14.7 MILLION

customers provided sewage and sanitation services, including 136,000 more people in Brazil and Chile than in 2021

1.3 BILLION

USD invested in water distribution and sanitation infrastructure

53 PERCENT

of companies have water risk management programs in place, including 100 percent of companies with operations in geographies experiencing high water stress

Sources: Company reports, MSCI ESG research, investment team estimates. Figures represent 2022 actuals or latest available data if 2022 figures have not yet been reported.

COMPANY SPOTLIGHT(S)

Company Name

Aguas Andinas

Business Overview

Aguas Andinas provides regulated water, sewage and wastewater treatment services to more than 2 million clients in the Metropolitan Region of Chile. The company is controlled by Inversiones Aguas Metropolitanas SA (51% owner), which in turn is controlled by the Suez Group. It was founded in 1861 and privatized in 1999.

Challenge(s)

Chile is facing historically significant drought conditions that are largely attributed to climate change. 2022 was the 14th consecutive year of drought. Aguas Andinas must continue to provide access to drinking water to its customers and the communities it serves despite increasingly scarce water resources.

Contributions[5]

Aguas Andinas' investments in storage capacity of potable, or drinking, water are critical for mitigating water scarcity in its service territory. It also leads robust community engagement efforts to encourage behavioral change. Each of these investments are remunerated in a manner that provide a visible and fair return for the company, and ultimately, for shareholders. Water tariffs in Santiago remain among the lowest in the world.

In 2021 the company began to implement its Drought and Operational Resilience Plan, which includes water efficiency measures to ensure the best use of raw water resources and the development of various infrastructure works aimed at strengthening the supply of potable water and increasing autonomy in the event of extreme turbidity events.

[5] Source: Company reports. Read more here: https://www.aguasandinasinversionistas.cl/~/media/Files/A/Aguas-IR-v2/annual-reports/en/reporte-integrado-2022-english-30-05-23.pdf

In 2022, the company was involved in several initiatives to address water scarcity:

Expansion and modernization of Padre Hurtado plant

The Padre Hurtado plant provides service to one million residents of Ñuñoa, Providencia, La Reina, Las Condes, Lo Barnechea and Vitacura. The upgrade project increased the efficiency of many of the plant's processes via automation and incorporation of state-of-the-art technology. These actions also increased production capacity by 76%, which provides much needed supply during peak demand periods.

New well capacity at Cerro Negro-Lo Mena

The project consists of 14 wells 300 meters deep, a 20,000 m^3 tank and a lifting plant. The wells now supply additional water to more than 400,000 inhabitants in the southern zone of Santiago and increase the region's autonomous water production capacity during extreme turbidity events in the Maipo River.

Collaboration with municipalities

Aguas Andinas works directly with each municipality on water consumption reduction efforts, especially for irrigation of parks and squares. In 2022, this led to a plan to replace ornamental grasses with low water consumption plant varieties parks in 16 municipalities in the region, totaling 31 hectares of green areas. Surface irrigation systems will also be replaced by localized drip systems. These initiatives are expected to drive water savings of 300 thousand liters per day.

Aguas Andinas has plans to deploy US$300mn in the coming five years in similar projects.

RELEVANT TARGET(S)

6.1 Achieve universal and equitable access to safe and affordable drinking water for all

6.4 Substantially increase water-use efficiency across all sectors…and substantially reduce the number of people suffering from water scarcity

6.b Support and strengthen the participation of local communities in improving water and sanitation management

SDG 7—Affordable and Clean Energy

OVER 216 MILLION

utility customers received electric and/or natural gas service

107 GW

of renewables capacity was operated globally

OVER 15 GW

in new renewables capacity commissioned, a 15% year-over-year increase[6]

65 BILLION

USD invested in energy infrastructure

OVER 3.7 MILLION

customers received financial support to pay their utility bills

Sources: Company reports, MSCI ESG research, investment team estimates. Figures represent 2022 actuals or latest available data if 2022 figures have not yet been reported.

COMPANY SPOTLIGHT(S)

Company Name

Enel

Business Overview

Enel is an integrated, predominantly electric, utility company with primary operations in Italy, Iberia, Latin America and North America. Its 59 GW renewables portfolio is the largest among private operators globally. The company is based in Rome and is 23.6 percent-owned by the government of Italy.

Challenge(s)

SDG 7 encompasses the often-conflicting challenges of strengthening access to reliable and affordable electricity while at the same time transitioning our economies away from historic dependence on carbon-intensive energy sources. Tackling these challenges simultaneously requires innovative solutions at scale.

Contributions[7]

Enel's main contributions to SDG 7 center on its efforts to (1) decarbonize the energy generation mix and (2) increase access to electricity in developing markets.

Enel's decarbonization efforts continued to advance in 2022. The company installed and commissioned over 5 GW of new renewable generation capacity across 80 wind and solar farms and deployed 387 MW of battery storage. Battery storage technology is becoming increasingly important to promote ongoing reliability in our electricity networks. Enel's thermal phase out plan also progressed during 2022, with the company shutting down its last coal-fired unit in Chile in September. This milestone occurred 18 years ahead of the 2040 targets set in Chile's National Decarbonization Plan.

[6] This compares to 9.6% industry-wide growth reported by the International Renewable Energy Agency.

[7] Source: Company reports. Read more here: https://www.enel.com/content/dam/enel-com/documenti/investitori/sostenibilita/2022/sustainability-report_2022.pdf

In terms of increasing access to electricity, Enel connected nearly 700,000 people to electricity in rural and suburban areas in Latin America in 2022. This was done through adding connections to the electricity grid as well as developing off-grid solutions. More broadly, its efforts to extend and digitalize electricity grids, which have 73 million end users, promote the accommodation of greater volumes of energy produced from renewables and increase the reliability of the company's electricity service.

Enel also conducted a comprehensive update of its decarbonization roadmap during the calendar year. The company received validation from the Science-Based Targets (SBTi) initiative for its refreshed plans, which now address both direct and indirect emissions. The update entailed refreshing existing medium-term (2030) and long-term (2040) objectives, as well as setting new targets. The new targets are all aligned to a 1.5 degrees Celsius pathway, as defined by the SBTi.

Looking ahead, Enel plans to add 21 GW of additional renewable capacity during the period 2023-25 and in 2025, expects 70 percent of energy production to come from renewables.

RELEVANT TARGET(S)

- **7.1** Ensure universal access to affordable, reliable and modern energy services
- **7.2** Increase substantially the share of renewable energy in the global energy mix

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Company Name

NextEra Energy

Business Overview

NextEra Energy (NEE) is the largest North American utility by market capitalization and the largest producer of renewable power globally. Florida Power & Light (FPL), NextEra's regulated subsidiary, is the largest electric utility in Florida.

Challenge(s)

SDG 7 requires significantly increasing the share of renewable energy to support the low carbon transition necessary for the wellbeing of the planet and our evolving economy. Shifting from fossil fuels to renewable energy requires more than lofty public goals, it requires a detailed roadmap and incremental milestones.

Contributions[8]

In 2022, NextEra Energy announced a new goal to eliminate scope 1 and 2 carbon emissions across its operations by 2045 to achieve Real Zero. This goal goes beyond the industry norm of 'Net Zero' by relying on eliminating carbon from its operations entirely versus utilizing a mix of emission reductions and carbon offsets. The company created a Zero Carbon Blueprint that outlines its plan to fully transition to zero carbon leveraging its years of renewable energy development to decarbonize its own business while continuing to invest in innovative research to scale renewable solutions for the broader U.S. power sector. NextEra Energy has set 5-year milestones to track its progress, including accelerating its generation mix to reach 36% decarbonized by 2025, 52% by 2030, 62% by 2035, 83% by 2040 to and achieve decarbonization no later than 2045. Expanding solar capacity from around 4,000 MW to 90,000 MW, increasing battery storage to provide ongoing energy supply and converting natural gas units to run on green hydrogen (a cost efficient for solution for customers that use natural gas today), are some of the specifics outlined in the Blueprint. The plan also highlights lower costs to customers and more reliable electric bills over time since renewable energy prices are typically less volatile than their carbon intensive counterparts.

RELEVANT TARGET(S)

- **7.2** Increase substantially the share of renewable energy in the global energy mix
- **7.3** Double the global rate of improvement in energy efficiency

[8] Source: Company reports. Read more here: https://newsroom.nexteraenergy.com/2022-06-14-NextEra-Energy-sets-industry-leading-Real-Zero-TM-goal-to-eliminate-carbon-emissions-from-its-operations,-leverage-low-cost-renewables-to-drive-energy-affordability-for-customers
https://www.nexteraenergy.com/content/dam/nee/us/en/pdf/NextEraEnergyZeroCarbonBlueprint.pdf

SDG 8—Decent Work and Economic Growth

46 BILLION
Economic Value Added

64,000
new jobs added

50.9 PERCENT
of company workforces subject to collective bargaining agreements

100 PERCENT
of portfolio companies implemented diversity programs

32 PERCENT
of the average company board was comprised of women

100 PERCENT
of portfolio companies maintain workplace accident prevention policies and experienced no material controversies over workplace accidents

Sources: Company reports, MSCI ESG research, investment team estimates. Figures represent 2022 actuals or latest available data if 2022 figures have not yet been reported.

COMPANY SPOTLIGHT(S)

Company Name

Vinci

Business Overview

Vinci specializes in the construction and operation of transportation infrastructure assets globally. The historical core of its transportation concession business is its French toll road network. Other notable assets include London's Gatwick airport, Portugal's airport operator ANA and a variety of equity accounted assets globally. In total Vinci manages airports visited by >200mn passengers worldwide across 70 airports in 13 countries. Vinci also has a contracting business which comprises three different businesses, Vinci Energies, Vinci Construction and in 2022 it integrated Cobra Industrial Services.

Challenge(s)

An employer of 272,000 people globally, with operations in 120 countries, across 4,000 business units, Vinci faces a complex challenge of managing its workforce and in driving equitable development opportunities for employees across the group.

Contributions[9]

Vinci reported figures of 16.2% of women in the workforce, 22.2% of women in management positions and 17.3% of women sitting in management committees in 2022. The group is targeting further improvement in 2023 and maintains targets through to 2030. In 2023, they aim to have increased women in managerial positions to 28% and to increase the proportion of women members of company management committees and in management positions to 30% by 2030.

Vinci also achieved a score of 93/100 points in the Female-Male equality index in 2022, scoring full (or nearly full) points in the categories that considered i) Difference in rate of individual salary increases, ii) Difference in breakdown of promotions awarded to women and men, iii) Percentage of female employees having received a salary increase in the year of their return from maternity leave and iv) Difference in

[9] Source: Company reports. Read more here: https://www.vinci.com/publi/vinci/extract/2022_workforce_related_environmental_and_social_information.pdf

compensation paid to women and men. Vinci has scope for improvement in the number of women and men in the 10 most highly paid positions.

RELEVANT TARGET(S)

8.5 Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

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Company Name

Transurban

Business Overview

Transurban operates a portfolio of toll roads, backed by long-term concession agreements with regional governments. Its assets are located in Australia (Sydney, Melbourne, and Brisbane) and North America (Virginia and Montreal).

Challenge(s)

Australia is home to a diverse population that values equal access to opportunity and social responsibility to the environment. As a dominant mobility operator, Transurban has an obligation to create value for its workforce and communities served, through economic and productivity gains, the provision of a safe and equitable work environment, and efficiency in resource consumption.

Contributions[10]

Transurban contributes to the economy and productivity of its service territories by providing travel time savings and job creation. In fiscal year 2022, users saved an average of 323,000 hours of workday travel time by using its roads. No other road operator has Transurban's reach in its metro areas, and in many cases, free alternatives imply longer commute times and less reliability. In addition, the company is a large employer in its local communities. Development projects during the past year resulted in the direct and indirect creation of more than 32,000 jobs. Along these lines, Transurban also partners with local organizations to support aboriginal businesses, provide apprenticeship opportunities, and enable people with disabilities to gain valuable work experience.

The company has taken actions to provide a safe and equitable work environment for its workforce. These actions include continued requirements for each business unit to develop and implement Health, Safety and Environment Action Plans, as well as training for all employees. In terms of outcomes, total recordable injuries per million hours worked (RIFR) were 0 for employees (target <3) and 3.09 for contractors (target <4.2), with 0 fatalities in 2022. In addition, Transurban aims to maintain gender and cognitive diversity across its workforce, management, and board. To support this goal, the company has various talent acquisition and retention initiatives, including a parental leave policy that entitles employees to 16 weeks of paid leave and up to 36 weeks of unpaid leave. Also of note is a <1% pay equity gap.

Transurban is consciously tackling its materials footprint by utilizing sustainable design and construction principles and pursuing sustainable materials procurement. These actions have led to reduced usage of cement, concrete, asphalt, and aggregate (and associated carbon emissions) in road construction. Moreover, the company engages its supply chain partners on setting environmental targets and participates in the MECLA alliance, a consortium of government, engineering and construction, infrastructure, and industry stakeholders. Today, roughly two-fifths of the company's top 50 suppliers have committed to science-based emissions targets.

RELEVANT TARGET(S)

8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation

8.4 Improve progressively, through 2030, global resource efficiency in consumption and production

8.5 Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

[10] Source: Company reports. Read more here: https://www.transurban.com/content/dam/transurban-pdfs/01/sustainability-reports/FY22-UN-SDG-Progress-Report.pdf

SDG 9—Industry, Innovation, and Infrastructure

89 BILLION
USD invested in infrastructure and related services

1.5 BILLION
ton-kilometers of freight transported

29,000
miles of road and rail operated

493 MILLION
airport passengers served

266 MILLION
passengers served by passenger rail

3.6 BILLION
USD invested to improve data transmission in developing countries

82 PERCENT
of portfolio companies delivered stable or improving emissions intensity over the past three years, including 100 percent of companies operating in high emissions intensity sectors

Sources: Company reports, MSCI ESG research, investment team estimates. Figures represent 2022 actuals or latest available data if 2022 figures have not yet been reported.

COMPANY SPOTLIGHT(S)

Company Name

Canadian National Railway

Business Overview

Canadian National Railway (CN) is a Class I freight railway headquartered in Montreal, Quebec, which operates a 19,500 mile rail network spanning Canada and the Midwestern and Southern United States.

Challenge(s)

SDG 9 focuses on the twin challenges of driving well-being via economic and industrial development while doing so in a sustainable and equitable manner. It encompasses the need for infrastructure and the need to upgrade existing infrastructure to improve sustainability and resource efficiency.

Contributions[11]

Canadian National's core business enables economic development by connecting suppliers and customers of bulk commodities and finished goods. Generally, freight rail transportation offers superior sustainability characteristics relative to competitor modes of transportation. For example, freight railroads on average are 3-4x more fuel efficient than trucking and moving an equivalent load by rail instead of truck can reduce GHG emissions by up to 75%.[12]

Canadian National is among the leaders in the sector in setting targets to reduce its own GHG emissions. The company targets a 43% reduction in its Scope 1 and 2 GHG emissions intensity by 2030, off a 2019 base

[11] Source: Company reports. Read more here: https://www.cn.ca/en/news/2023/06/cn-releases-2022-sustainability-data-supplement/

[12] Source: Association of American Railroads. https://www.aar.org/facts-figures#:~:text=Railroads%20are%20the%20most%20fuel,can%20replace%20several%20hundred%20trucks and https://www.aar.org/wp-content/uploads/2023/06/AAR-Climate-Change-Fact-Sheet.pdf

year. In 2022, the company reduced its GHG emission intensity for Scope 1 and 2 by 2.0% from 2021. As of year end 2022, CN has realized an 18% progress towards its 2030 target. The company also has a target to reduce its Scope 3 GHG emissions intensity from fuel and energy related activities by 40% by 2030. In 2022, Canadian National reduced its GHG emission intensity for Scope 3 fuel-and-energy-related activities by 4.3% from 2021, and has realized a 40% progress towards its 2030 target. Each of the aforementioned targets is science-based.

Increasing renewable fuel consumption is potentially a major driver of emissions reductions for the freight rail sector. North American freight railroads largely use diesel fuel currently. Canadian National has a commitment to consume 2% renewable fuels each year in its Canadian fleet and is testing battery-electric locomotives.

In 2022, CN became a founding participant of Environment and Climate Change Canada's Net Zero challenge and joined the UN Global Compact initiative. The company also announced a Memorandum of Understanding to evaluate a specialized clean energy terminal in Alberta.

RELEVANT TARGET(S)

9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all

9.4 Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes

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Company Name

American Tower

Business Overview

American Tower is the largest listed tower company, founded in 1995 as an independent owner, operator, and developer of multi-tenant communications real estate. AMT operates a portfolio of over 220,000 towers in the U.S. and internationally, and more recently has invested in data centers.

Challenge(s)

The U.S. is the most developed tower market globally, with 5G penetration around c35% market share, connecting end users (individuals and enterprises) to high-speed low latency mobile data access. Mobile data traffic expected to grow by a 23% CAGR to 2027. The tower business model continues to drive economic development through a model that shares infrastructure also for improved sustainability and resource efficiency. Emerging markets are at a lower stage of maturity (in terms of wireless usage, 5G rollout and in the tower market). Investment in these regions is crucial to drive economic development.

Contributions[13]

Around 50 percent of American Tower's roughly 43,000 towers in the U.S. are now upgraded to 5G infrastructure and maintain an average tenancy ratio of 2x, allowing for shared resources to drive a more efficient and sustainable outcome. The international portfolio now numbers 180,000 towers, including many in emerging markets in Latin America, Asia, and Africa. AMT's emerging market exposure is a positive differentiator in its efforts to drive access to infrastructure and economic development. According to AMT a 10% increase in mobile internet penetration increases GDP by 2.5% in Africa. In 2022, AMT operated 24,000 sites in Africa (+7% growth y/y), as well as 49,000 in Latin America (flat y/y) and 78,500 in Asia, predominantly India (+3.6%). The company generated 37 percent of the group's revenues from these emerging markets.

RELEVANT TARGET(S)

9.c Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries

[13] Source: Company reports. Read more here: https://pardot.americantower.com/l/25692/2023-07-19/7l27l4/25692/1689797844IPAyTEO0/atc_corporate_responsibility_american_tower_2022_sustainability_report.pdf

SDG 11—Sustainable Cities and Communities

89 BILLION

USD invested in infrastructure

97 MILLION

passenger kilometers of rail operated

3.4 MILLION

daily trips on roads operated by portfolio companies

100 PERCENT

of portfolio companies employ stakeholder engagement programs

Sources: Company reports, MSCI ESG research, investment team estimates. Figures represent 2022 actuals or latest available data if 2022 figures have not yet been reported.

COMPANY SPOTLIGHT(S)

Company Name

Kyushu Railway Company (JR Kyushu)

Business Overview

JR Kyushu is the passenger rail operator on the southern Japanese island of Kyushu, which covers roughly one-tenth of Japan's population. Its rail business primarily comprises the Kyushu Shinkansen and conventional rail in Fukuoka City. The company also has a large commercial real estate presence centered around its stations.

Challenge(s)

As the principal mobility provider and a large real estate operator in the Kyushu area, JR Kyushu's mission must incorporate the sustainable development of transportation infrastructure and properties to advance safety, affordability, accessibility and reliability, while minimizing its resource and carbon footprints. A successful effort entails the upgrading of assets and processes using modern technology, as well as active participation in city-building and community development initiatives that leverage the distinctive characteristics of local communities and the regional business landscape.

Contributions[14]

JR Kyushu's rail network provides a low-carbon mode of transport that serves a large population. Management targets carbon neutrality by 2050, with 50% emissions reduction by 2030 (vs. a 2013 baseline), aligning to a 1.5-degree scenario. The company has already made significant progress towards achieving its interim target, having reduced Scope 1-2 emissions by 46% as of 2022, supported by a plan to invest heavily in energy-conserving vehicles and real estate. This includes transitioning from diesel cars to energy-efficient electric and hybrid rolling stock, which consume less than half as much energy as older units. Of note is the new Nishi-

[14] Source: Company reports. Read more here: https://www.jrkyushu.co.jp/company/ir_eng/library/integrated_report/pdf/2023_ir_En.pdf

Shinkansen that came online in September 2022, which reduces travel time from Fukuoka to Nagasaki by 30 minutes and utilizes the energy-efficient N700S series high-speed trains. In addition, management continues to optimize train timetables to reduce resource waste.

The company's investments in green buildings complement its progress in clean transportation. JR Kyushu's real estate assets, including its station buildings, increasingly feature energy and water-saving upgrades. Various station buildings and facilities have been connected to renewable energy supplies, including the utilization of power purchase agreements for onsite solar generation. During 2022, renewable energy was introduced to Hakata Station, ten stations along the Chikuhi Line, and the company's Nagasaki Engineering Works. Furthermore, the company is researching alternative energy applications in collaboration with partners, and there is an ongoing dialogue with regional utilities to increase the supply of renewable power over time. A growing number of buildings, including the new Nagasaki Station building that is set to open in fall 2023, will seek green building certification.

JR Kyushu provides safe, affordable, and reliable mobility services in support of sustainable development in the Kyushu region. Fares have not increased over time, while consumer purchasing power has broadly risen. Mandatory training for all employees and a continuous feedback loop to incorporate timely customer and employee opinions underlie a culture of safety and response. Strict safety standards support the targets of zero fatalities, dangerous accidents/incidents, track faults, power line faults, and security equipment faults. Capital resources back JR Kyushu's commitment to safety and reliability, with the company spending JPY40-50bn+ annually on facility repair/maintenance and replacement, safety and disaster damage prevention, rolling stock projects, and measures for reliable transportation. In 2022, the company launched The Future Railway Project, an internal employee-driven initiative to reimagine the railway of the future and drive city-building in Kyushu, going beyond cost optimization to include active investment in growth, innovations in operational and maintenance technology, and sustainable and intelligent transport networks.

RELEVANT TARGET(S)

11.2 Provide access to safe, affordable, accessible and sustainable transport systems for all

13 CLIMATE ACTION

SDG 13—Climate Action

AT LEAST 11 BILLION

USD of investments planned over the next decade to strengthen resilience and adaptive capacity to climate change

97 PERCENT

of portfolio companies have adopted quantitative carbon emissions reduction targets, including 100 percent of companies in high emissions intensity sectors

15

portfolio companies play an outsized role in facilitating the integration of climate change measures into national policies, strategies and planning

Sources: Company reports, MSCI ESG research, investment team estimates. Figures represent 2022 actuals or latest available data if 2022 figures have not yet been reported.

COMPANY SPOTLIGHT(S)

Company Name

Entergy

Business Overview

Entergy (ETR) is a U.S. regulated electric holding company. Entergy's service territories comprise southern Louisiana, southeast Texas, most of Arkansas and western Mississippi.

Challenge(s)

Entergy has two challenges in relation to SDG 13. First is the need to build resilience against ever more extreme weather events related to climate change. The U.S. is experiencing major hurricanes and other significant weather events with increasing intensity and frequency. Nine major hurricanes in categories 4 and 5 have hit the U.S. in the last 50 years. Six of them made landfall within the five years ending 2022, and two hit Louisiana directly. Secondly, Entergy has a higher proportion of its sales to industrial customers than most peers and has the challenge of partnering with those customers to enable decarbonization of their own operations.

Contributions[15]

Improving the resilience of the grid is one of Entergy's key strategies. The company has analyzed its existing infrastructure and designed a range of options to harden its network, with associated cost / benefit analysis. Examples of hardening are replacing wooden utility poles with concrete in vulnerable areas, or undergrounding parts of the network. Entergy estimates that the benefit of hardening is $35-50Bn to the regional economy over a 50-year period. The company is partnering with its regulators and other stakeholders to determine the most effective and equitable means to achieve this. In 2022, Entergy filed accelerated resilience proposals in its Louisiana and New Orleans jurisdictions and will soon file a proposal in Texas. The largest of these, in Louisiana, proposes strengthening 269,000 structures at a total cost of $9.6Bn, of which the initial five-year proposal represents approximately half. In total, Entergy estimates that its resilience proposals could reduce restoration costs by 55% by 2032.

[15] Source: Company reports. Read more here: https://www.entergynewsroom.com/news/entergy-louisiana-files-proposed-10-year-entergy-future-ready-resilience-plan/

Entergy's service territories are home to multiple essential but high-emissions industries. The company is partnering with many of these customers to electrify their operations. Electrification will be achieved through the construction of new renewable generation and would replace processes that largely run off fossil fuels. Entergy also plans to use its existing infrastructure to distribute blue and green hydrogen to industrial customers. The company estimates a 30TWh addressable market for industrial electrification over the next ten years.

RELEVANT TARGET(S)

13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

Company Name

Aena

Business Overview

Aena owns and operates the commercial airport system in Spain under a dual-till, perpetual ownership model. Its major assets include the Barajas Adolfo Suárez Airport in Madrid and the Josep Tarradellas Airport in Barcelona as well as airports in major Spanish holiday destinations such as the Canary and Balearic Islands. In 2019, Aena handled 275mn passengers across its 46 Spanish airports.

Challenge

The air travel industry is under increasing scrutiny for its environmental impact. One of the more credible solutions we see to decarbonizing aviation is via the use of sustainable aviation fuels (SAF), with other potential solutions likely requiring greater investments and lead time for development. SAF usage comes with its own challenges, however, including a current market price that is 4-6x costlier than jet fuel. Supply limitations also exist. According to the International Air Transport Association (IATA), for SAF to account 65% of the sector's carbon mitigation by 2050, 449 billion liters of annual production capacity would be required, compared to an estimated 2022 production capacity of 300 million liters.

Contributions[16]

Airports have the potential to influence the SAF value chain through providing regulatory incentives for airlines to use cleaner fuels. Precedent exists, where many airports offer discounted tariffs to airlines using aircraft models that reduce noise and nitrogen oxides (NOx) emissions, and we believe this can be extended to include discounts for those airlines using SAF. In 2022, Aena actively pursued such regulatory mechanism in its conversations with the relevant parties. We see scope for a final draft regulatory agreement by year end 2023, with implementation possible from 2024. As these discounts are backed by regulation, we do not anticipate the return opportunity to be compromised.

Aena is also currently involved in a national programme that would coordinate the logistics in bringing SAF to airports, as well as provide visibility on demand by scaling airline requirements across a country wide network. At its current scale, the company has a clear role to play in reducing some of the bottlenecks to greater adoption.

RELEVANT TARGET(S)

13.2 Integrate climate change measures into national policies, strategies and planning

[16] Source: Investment team research.

Overview

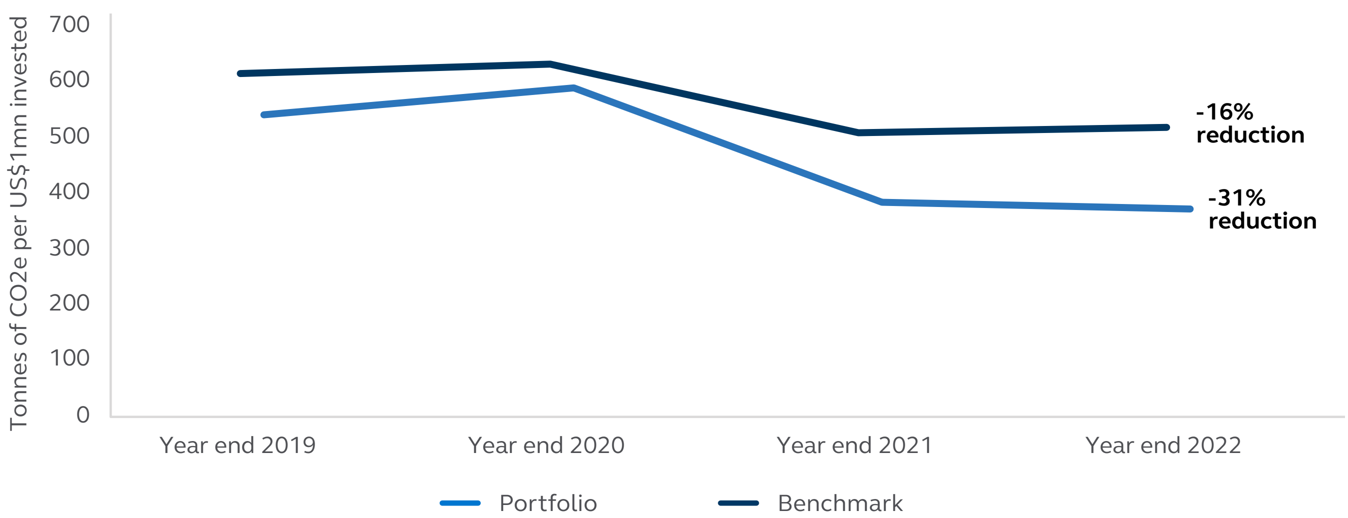
Our investment approach typically drives our strategy to have a more favorable carbon emissions profile than that of the benchmark at a given point in time. By prioritizing investment in companies with strong forward-looking commitments to—and tangible action plans supporting—carbon emissions reduction, we further maintain a high degree of confidence in the long-term emissions reduction potential of our portfolio.

MSCI Carbon scores as of 12/31/2022	Porfolio	Benchmark
Total portfolio carbon emissions (Tonnes of CO2e per 1M invested)	372.33	504.49
Carbon intensity (Tonnes of CO2e per 1M sales)	802.72	1,362.53
Issuer carbon intensity	1,019.86	1,187.58

Source: MSCI ESG research. Reflects representative portfolio of the Global Listed Infrastructure composite as of 31 December 2022. Data includes scope 1 & 2 emissions. The reference benchmark is the FTSE Global Core Infrastructure 50/50 Index.

Since inception and through year end 2022, our strategy has delivered material scope 1 & 2 carbon emissions reductions exceeding the benchmark. We do expect the carbon footprint of our portfolio will rise at year end 2023 relative to 2022, primarily attributable to (1) an increase in our portfolio's exposure to utilities vs 2022, (2) higher weightings in smaller cap utility companies, whereby we are deemed to finance a larger percentage of a company's emissions in standard carbon accounting, and (3) higher gas costs driving coal to replace natural gas at several key generation facilities operated by portfolio companies. However, we continue to expect our portfolio's carbon footprint will remain lower than that of the benchmark, and importantly, believe that the long-term trajectory of our portfolio's carbon footprint remains on track.

Total portfolio carbon emissions (tonnes of CO2e per US$1mn invested)



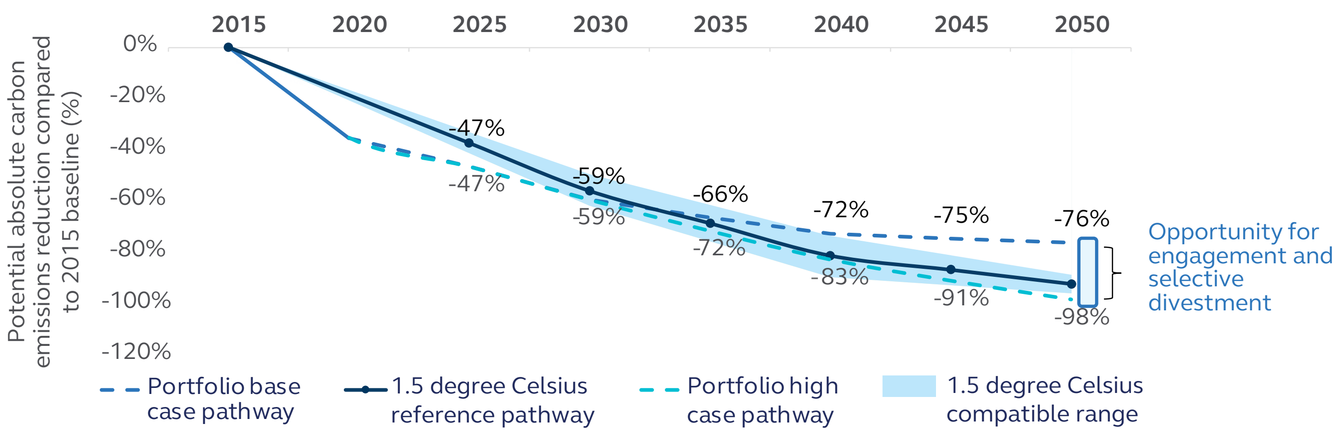
Source: Principal Asset Management, MSCI ESG research as of 31 December 2022. Based on representative portfolio of the Global Listed Infrastructure composite. Carbon data is generally lagged by one year for both portfolio and benchmark. For example, the year end 2022 carbon footprint largely captures 2021 calendar year emissions. Data includes scope 1 & 2 emissions. The reference benchmark is the FTSE Global Core Infrastructure 50/50 Index. We use references to carbon and carbon emissions as shorthand for greenhouse gas (GHG) emissions, of which carbon is understood to be the most significant component.

In terms of future emissions reductions, we continue to assess the carbon emissions reduction pathway of the portfolio relative to IPCC scenarios likely to achieve 1.5 degree Celsius warming as part of our portfolio construction process. 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 Celsius warming. We are working 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.

Our carbon emissions projections and related processes currently focus on Scope 1 & 2 emissions, though we are monitoring the available data and expect to include Scope 3 emissions in our analysis in the future, particularly as disclosures and management target setting progress.

Long-term emissions reduction potential of our portfolio



As of 31 December 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. Data includes scope 1 & 2 emissions. 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.

DID YOU KNOW?

The listed infrastructure investable universe remains highly carbon intensive compared to most major stock market indices. An infrastructure company's carbon emissions and involvement in fossil fuel activities reflects as much on the current state of our society as on the company itself as most listed infrastructure companies operate as regulated monopolies or oligopolies. Progress towards environmental and social goals typically stems from ongoing collaboration with regulators and users of the infrastructure. Ultimately, an infrastructure company must pursue environmental progress while continuing to deliver on its social obligation to serve.

Spotlight on: Thermal coal activities

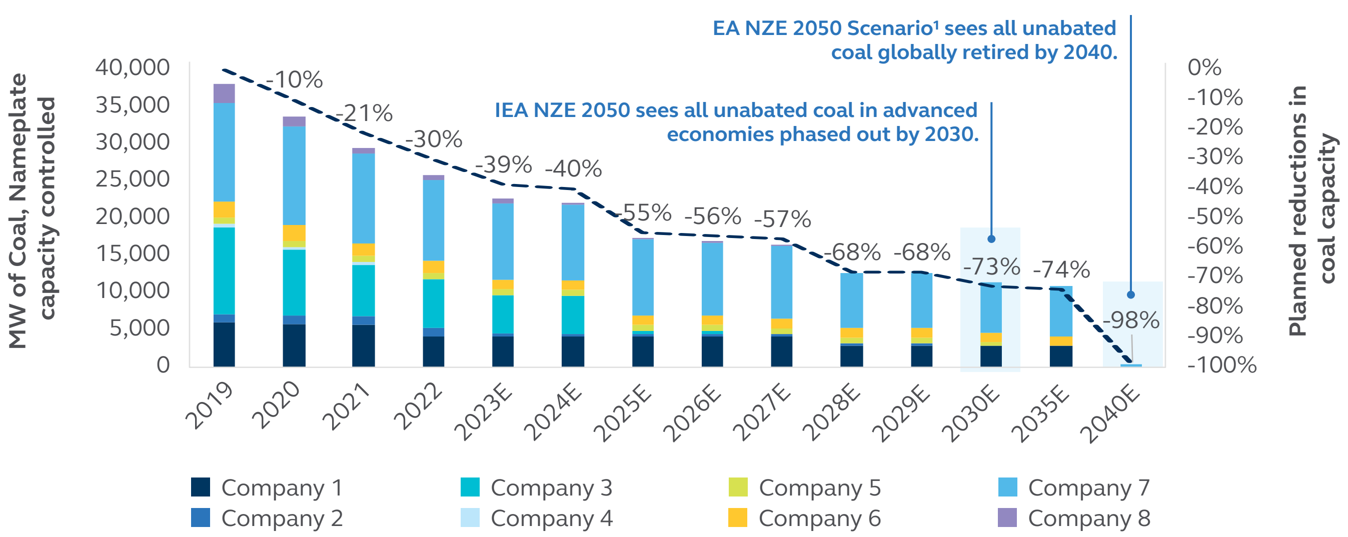
As part of our fundamental research efforts, we seek visibility on planned coal capacity reductions of our portfolio companies. Given the widely available substitutes to thermal coal-based power generation, we expect companies with exposure to coal generation to align their emissions pathways with a below 2-degree climate change scenario to be eligible for our portfolios.

2022 HIGHLIGHTS[17]

- Strategy portfolio companies closed a total of 3.3GW of coal in 2022, or 12 percent of global coal capacity that was shuttered in 2022
- Since 2019, portfolio companies have closed over 12GW of coal, or 30 percent reduction in capacity across the portfolio
- At year end 2022, less than 5 percent of portfolio revenues were attributable to thermal coal generation
- No new coal capacity has been built by portfolio companies since strategy inception

We expect 2023 will see additional coal closures of around 3 GW

Completed and planned coal capacity closures by portfolio companies



As of 31 December 2022. Source: Company reports, Principal Asset Management, International Energy Agency.
[1] IEA NZE 2050 Scenario refers to the International Energy Agency's Net Zero Emissions by 2050 Scenario.

Coal plant closures do require additional considerations to manage the social impact of these changes. We highlight here two examples of portfolio companies that are undertaking specific initiatives to manage these impacts in 2022.

[17] Source: Company reports, ISS ESG Research, Principal Asset Management investment team research. References to 2019 refer to the activities of companies held in the representative portfolio as of 31 December 2022.

Company Name

DTE Energy

Initiative Overview[18]

DTE Energy announced the retirement of two coal-fired power plants in 2022, both of which played a critical role in providing energy to residents of U.S. state Michigan for close to a century. As part of the planned retirement, DTE Energy adopted a no-layoff commitment, which consists of opportunities for employees at each plant to continue to work for the company in roles that are aligned with the state of Michigan's changing energy needs. This commitment included active retraining and targeted community engagement efforts to ensure that the retirement of the coal facilities has a net positive impact on the local economies and well-being of residents.

Company Name

Allete

Initiative Overview[19]

Allete maintains a small coal mining operation which supplies coal to the nearby Milton R. Young Generation Station under agreements in place through 2037. Historically, the Young Station has generated low cost, reliable, domestic energy for customers in North Dakota and Minnesota. The jobs at the Young Station have also been critical to the local economy. To extend the life of the facility while meeting ambitious decarbonization goals, one of the plant's owners, the Minnkota electric cooperative, has been developing an on-site carbon capture project that would be among the world's largest. Project Tundra, now in its final stage of development, aims to retrofit the Young Station with CO2 capture technology. The CO2 is expected to be safely and permanently stored more than a mile underground in deep geologic formations. Allete is supportive of Project Tundra as part of its commitments to reduce emissions across all business lines. Specific provisions within the 2022 Inflation Reduction Act have played a critical role in advancing Project Tundra, and the project consortium now anticipates closing on financing and moving forward with construction in early 2024.

[18] Source: Company reports. Read more here: https://ir.dteenergy.com/news/press-release-details/2022/DTE-Energy-retires-two-coal-plants-as-part-of-its-vision-to-generate-carbon-free-power-for-the-grid-of-the-future/default.aspx

[19] Source: Company reports, https://www.projecttundrand.com/

Spotlight on: Natural gas activities

Natural gas plays different roles in different markets and sectors, and the economics of its use vary substantially around the world. Its future in the energy transition remains complex due to its versatility and the lack of viable alternatives for many applications. Companies involved in the natural gas industry also have an immediate opportunity to reduce fugitive emissions, or emissions that occur during the handling of natural gas rather than via its combustion. Accordingly, the carbon footprint of natural gas must be analyzed in the context of available alternatives in each market and sector, and with consideration for how well lifecycle emissions are managed.

In markets that still rely heavily on thermal coal generation, natural gas can be substituted for coal with limited incremental cost. In markets that have transitioned quickly to renewables, natural gas power generation may be the only viable back-up for intermittent wind and solar power given the current state of technology. Outside of the electricity sector, natural gas remains widely used in buildings, in industrial processes, and in transportation.

Biofuels, green hydrogen, carbon capture, storage and utilization (CCUS), electrification and behavioral change are all likely to play a role in displacing natural gas in the future.

Among the companies in our portfolio with natural gas exposure, we saw good progress in fugitive emissions management and identified several key initiatives related to future alternatives for natural gas.

Company Name

Williams Companies

Initiative Overview[20]

Methane emissions management is crucial in the fight against climate change due to methane's potent greenhouse gas properties. Methane is over 25 times more effective at trapping heat in the atmosphere than carbon dioxide over a 100-year period. Williams' infrastructure network handles roughly 30 percent of the natural gas that is used in the United States, giving it differentiated visibility into the entire natural gas value chain.

During 2022, the company outperformed its target of reducing methane emissions by 5% from a three-year average. Part of this reduction came from installing additional leak detection technology in 43 pipeline compressor stations. Additional transparency and data continue to support mitigation efforts and in early 2023, Williams joined a global initiative designed to improve the energy industry's methane emissions reporting and to encourage progress in reducing those emissions.

Williams continues to utilize new technology to progress methane reduction through NextGen Gas, a term the company coined to represent natural gas

[20] Source: Company reports. https://www.williams.com/energy-insights/what-is-next-gen-gas/
https://www.williams.com/wp-content/uploads/sites/8/2023/07/Williams_2022SustainabilityReport-2.pdf

that has been tracked and independently certified as being low emissions throughout the value chain. This is a more robust process than 'responsibly sourced natural gas' which is only verified at the production site. In partnership with Context Labs, who offers decarbonization technology via blockchain to create an emissions profile from producer to end user, NextGen Gas will be gathered, processed, stored, and transported to end users through optimally efficient pathways through their vast pipeline infrastructure. Multiple sensing devices, satellites as well as aerial flyovers are used to provide real-time data to identify these efficient pathways and are also designed to comply with OGMP 2.0 Gold Standard protocols, a global framework established to monitor and reduce methane emissions.

In addition to using NextGen Gas to improve the company's downstream emissions, Williams is building a marketing platform to sell NextGen gas upstream to utility customers and LNG export facilities as demand for lower emission fuels increase.

Company Name

China Resources Gas

Initiative Overview[21]

In addition to natural gas distribution, CR Gas operated distributed energy projects (including rooftop solar and heating/cooling), hydrogen refueling stations, and charging piles in 2022. Together with energy management solutions and the use of smart devices and analytics, CR Gas's service capabilities help users procure reliable energy supplies while reducing their carbon footprints. Furthermore, the company is leveraging its integrated energy solutions to develop zero-carbon industrial parks, important industrial and technology hubs that have become a key battleground for sustainable energy consumption. CR Gas currently has 200+ integrated energy projects in place yielding 1.59kWh of energy sales, representing a small but meaningful step towards addressing the 553 industrial parks and 2,292 hospitals in its service territory - a estimated RMB28bn market opportunity. The company also operates 170+ electric vehicle charging stations with 270mm kWh of electricity sales in 2022 and 7 hydrogen refueling stations with 219 tons of hydrogen sales (with 15 more hydrogen stations under construction) in support of the energy transition in transportation. CR Gas is involved in various pilot projects and ongoing research efforts to study hydrogen production, blending and combustion and to advance its application in energy use and storage, including collaborations with Tongji University, CR Scientific and Research Institute and Shenzhen Tsinghua University.

Company Name

NextEra Energy

Initiative Overview[22]

Green hydrogen has the potential to replace GHG emitting sources of energy or industrial hydrogen in some applications. It is produced by using renewable-generated electricity to electrolyze hydrogen from water. NextEra is the largest developer of renewable generation in the US, via its NextEra Energy Resources division. Its leadership in renewables is enabling the company to take a prominent role in the development of green hydrogen infrastructure. The company is also investing in hydrogen through its Florida Power & Light regulated electric utility (FPL). During its 2022 Capital Markets Day, the company highlighted potential green hydrogen opportunities representing $20Bn of investment and 15GW of renewable generation capacity that would be used to manufacture green hydrogen for industries and operations such as agriculture, chemicals, transportation and powering forklifts in distribution centers. In 2022, Florida Power & Light broke ground on a $65mm hydrogen hub at one of its power plants, to use green hydrogen as long-duration energy storage that can be used as fuel for power generation at times of high demand.

[21] Source: Company reports
[22] Source: Company reports

Our approach

Stewardship activities are essential to our role as active, long-term investors. Generally, we 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. Companies are also more likely to provide access to top management if they believe the conversation will be mutually beneficial.

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 portfolio.

Engagement activities and outcomes

CURRENT ENGAGEMENT PRIORITIES

Our engagement efforts over the period 2022-2024 are emphasizing the following topics.

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.

2022 ACTIVITIES

In 2022, we held 33 engagements dedicated to ESG and sustainability topics, covering >90% of our 34 portfolio companies at year end. These engagements typically involved proactive outreach and a request for a specific meeting with the individual(s) responsible for ESG and sustainability.

Specific outcomes related to our stated priorities in calendar year 2022 include:

1. Management alignment

- We discussed this topic as part of our engagements with each portfolio company.
- Several companies expressed intention to discuss the topic with their boards. We also provided a list of peers that incorporate such metrics in compensation to one of our portfolio companies to support its conversations with senior management.
- At least three portfolio companies expressed that this topic is expected to be addressed in 2023.

2. Credibility of emissions reduction targets

- We discussed this topic as part of our engagements with each portfolio company.
- Five portfolio companies announced material new commitments or targets related to carbon emissions reduction, including the acceleration of existing targets.

- Several of our portfolio companies also received third party recognition for the credibility of their emissions reduction efforts:
  - One portfolio company was recognized as the first and only company to fully align its corporate disclosures with the Climate Action 100+ Net Zero Company Benchmark.
  - Eight portfolio companies were named to the CDP A List 2022.
  - Four portfolio companies saw the Transition Pathway Initiative upgrade its assessment of management of greenhouse gas emissions and of risks and opportunities related to the low-carbon transition.

3. Workforce diversity

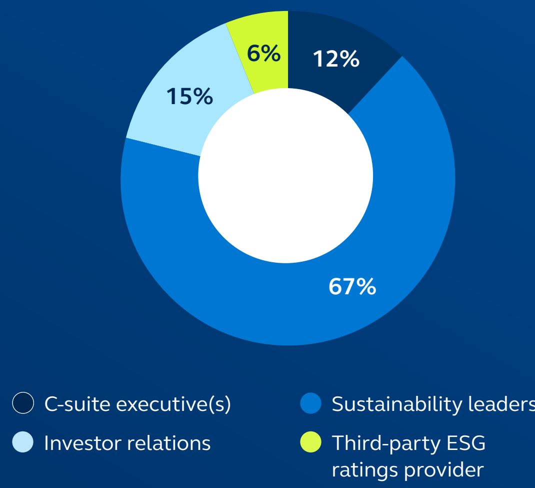
- We discussed this topic as part of our engagements with each portfolio company.
- We confirmed with two Chinese portfolio companies that they expect to meet the Hong Kong listing requirement of adding a woman their boards by year end 2024.

4. Market perception of underappreciated issuers

- Nine portfolio companies were upgraded by a leading third-party data provider in its latest rating action. Three companies were downgraded, which is expected to inform part of our future engagement activity.
- We engaged directly with the ESG ratings team of a leading third-party data provider on behalf of two of our emerging market portfolio companies. In both cases, we had identified factually inaccurate information that was reflected in ratings. Our efforts resulted in improvements to the quantitative ESG scores of both companies.

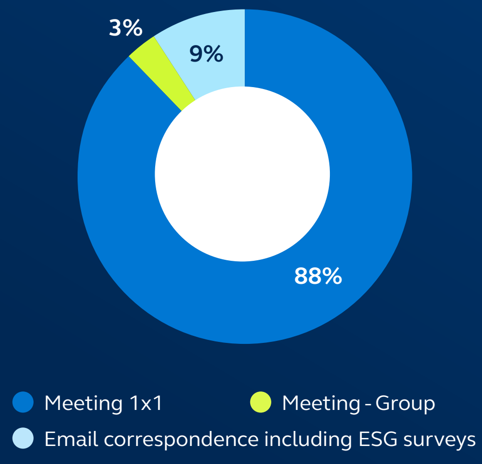
Summary of engagements

Management level



To potentially have the most positive impact with our engagements and stay current on evolving sustainability initiatives, our engagement framework prioritizes meeting with those at a company with responsibility for leading sustainability initiatives. This augments our relationships with C-Suite executives, which we typically meet in other settings 2-4 times a year. During 2022 67% of our engagements were with sustainability leaders at portfolio companies. We expect this number to increase over time as more companies invest in their sustainability function.

Engagement type



We also value most the opportunities to meet one on one with company representatives so we can continue to further our specific engagement agenda. Within our engagements, 88% were conducted as one on one meetings.

Overall in 2022 our targeted engagement efforts led us to have an expected positive outcome from 82% of our engagement meetings.

Source: Principal Asset Management, 31 December 2022

DTE Energy

U.S. UTILITY COMPANY

ENGAGEMENT TYPE	1x1 meetings with sustainability leaders, investors relations and C-Suite executives
BACKGROUND	Our discussions with DTE Energy in 2022 largely focused on assessing the evolution of the company's decarbonization initiatives, specifically its plans for the retirement of several coal generation units and continued rollout of new renewable generation. While DTE's net zero ambitions were consistent with those of peers at the time of our initial investment in 2021, we had noted that the company expected to continue to operate its coal generation longer than many peers, including one peer with operations concentrated in the same state.
OBJECTIVES	Our objective for the engagement was to evaluate the reasons for DTE's planned timing of coal retirements and renewable generation growth and to assess the potential for its decarbonization targets to be accelerated.
ACTIVITIES	We met with representatives of DTE's investor relations and sustainability teams in March 2022 to discuss, among other ESG-related items, the credibility of its emission reduction targets. At that meeting we sought to understand the potential to accelerate the targets and the key limitations the company was facing in doing so. The company indicated to us that the conversion of one very large coal plant to other fuels had the potential to be accelerated. We then met with the CEO and CFO at an investor conference later that spring, where management confirmed in a group setting that the acceleration of coal unit closures was likely to be included in the company's Integrated Resource Plan (IRP), a regulatory filing that sets out a utility company's long-term power generation capacity needs, when filed in October 2022.
OUTCOMES	DTE accelerated the retirement of two coal units from 2028 to 2025 and 2026, and of its largest coal plant from 2040 to 2035 with the filing of its IRP in October 2022. The IRP filing also included the addition of 15.4GW of renewable generation capacity and 1.83GW of battery storage by 2042. As a result of the IRP filing DTE Electric advanced its goal to reduce its CO_2 emissions by 80% from 2040 to 2035, and added a target to reduce CO_2 emissions by 90% by 2040 (using an industry-standard 2005 baseline). Importantly, these accelerated commitments were made alongside critical social contributions, such as commitments to reskilling employees that support its legacy generation base. The above outcomes are in addition to the company having accelerated its Scope 3 net zero target for its gas company from 2050 to 2040 in April 2022 and are part of a broader pattern that give us conviction in the company's decarbonization trajectory even though its business began this decade as more carbon intensive than many U.S. utility peers. Going forward, we expect to engage with DTE at least once annually to ensure continue progress on its decarbonization commitments.

China Tower

CHINESE CELL PHONE TOWER OPERATOR

ENGAGEMENT TYPE	1x1 meeting with Investor Relations, email correspondence with third-party rating agency
BACKGROUND	MSCI identified several deficiencies in China Tower's ESG practices relative to domestic and global peers, including its board composition and governance structures. MSCI also penalized the company's social score based on labor intensity, consequent exposure to work disruption risks, and limited labor management initiatives, as well as for finding limited evidence of initiatives to bridge the digital divide or increase communications for underserved populations. Our independent assessment of China Tower's ESG practices and social impact diverged meaningfully compared to the views expressed by MSCI. China Tower constructs and operates cell towers in China in both urban and rural areas. These towers are a foundational building block for mobile communications in the country and a key enabler of access to information. By the nature of its business, it is a critical player in the bridging of the digital divide and increasing access to information. The company is active in promoting inclusive telecom services for remote rural areas, undertaking numerous projects of inclusive telecom services and has various initiatives to support rural revitalization. In addition, the company provides emergency communication support against natural disasters and has initiatives to support infrastructure resilience.
OBJECTIVES	Our objective in engaging with China Tower was to discuss in detail the criticisms raised by MSCI and learn more about the company's ESG resourcing. We also sought to communicate the importance we as shareholders place on board independence and board diversity and understand the company's timeframe for demonstrating continued improvement in these areas. We also asked the company to engage in more regular communications to ensure all of its positive ESG attributes are reflected in third-party ratings.
ACTIVITIES	In October 2022, we met with China Tower's head of IR, who is the only company executive working directly on ESG-related matters. Broadly, the conversation reinforced our view that MSCI's assessment of the company is negatively impacted by China Tower's lack of ESG resourcing and therefore offers an incomplete view of the company's fundamentals in addition to failing to reflect meaningful improvements being made. Supplementing our engagement with China Tower, we proceeded to engage directly with MSCI over the subsequent six weeks to clear up certain misperceptions. This entailed multiple rounds of email correspondence. MSCI responded to our questions with additional information about its methodology and ratings rationale. We raised further questions and shared additional details regarding areas of disagreement, including 1) how a larger employee base creates operational efficiencies and reduces labor intensity, 2) employee training disclosures, 3) ways in which China Tower improves communications and information services for underserved populations, and 4) how China Tower directly contributes to affordability for mobile access to the Chinese society. We expressed our conviction that China Tower deserves a higher score in the areas of labor management, access to communications, and board composition, and urged MSCI to take our examples into consideration going forward.

Continued on next page

China Tower (continued)

OUTCOMES

The company confirmed its intent to add a female director by year end 2024, which will improve board diversity and allow the company to comply with Hong Kong listing rules. We intend to reconfirm the company's commitment to doing so at least once a year until this deadline. We note that the company already has a dual board structure with half of the supervisory board consisting of female directors, so we see the lack of female representation on the board of directors as reflective of a talent pool linked that is gender imbalanced by virtue of its links to Chinese politics rather than a reflection of the company's commitment to female advancement. The company also added two independent directors with meaningful capital markets experience in 2022, and the updated slate represents a stronger board than reflected by MSCI in our view. Board independence has now improved from <30% to 40% since China Tower's 2018 IPO.

Our engagement also resulted in a correction of a technical error on MSCI's part, which increased CTC's social score. MSCI also updated their report to reflect the new board appointments and improved governance after we brought its attention to these areas. We continue to disagree with MSCI's broader view of CTC's ESG quality and certain aspects of their methodology in reflecting the company's full social contributions, as elaborated upon in our email communications, and hope to further our dialogue in time, especially as the company improves its disclosures in these areas. In the meantime, we will continue to engage with the company in encouraging them to improve disclosures and to further their direct communications with MSCI.

AENA

SPANISH AIRPORT OPERATOR

ENGAGEMENT TYPE	1x1 meeting with sustainability leaders
BACKGROUND	The air travel industry is under increasing scrutiny for its environmental impact, and as a result we are continuously seeking to update our views regarding the viability of the airport business model in a net zero world and how we should approach discounting transition risks for airport infrastructure in our investment underwriting. Aviation is responsible for around 2.5% of global CO2 emissions and at the same time demand for flying remains very high. There are limited near term solutions to reducing this impact, as electric and hydrogen aircraft technology remains decades away, but one of the more credible solutions to decarbonising aviation is via the use of sustainable aviation fuels (SAF).
OBJECTIVES	The objective of our engagement was to assess whether Aena was taking appropriate steps to support the broader industry's decarbonization plans, specifically as it relates to its efforts to facilitate greater usage of SAF.
ACTIVITIES	We met with representatives of Aena's sustainability and IR teams in April 2022 and again in October 2022 to discuss the role that Aena is playing in reducing carbon emissions within the aviation ecosystem and outside of the company's own directly reportable Scope 1-3 emissions. Whilst we discussed its Climate Action Plan and other ESG matters more broadly, we focused our conversations on the steps Aena is taking to incentivize take up and in the provision of SAF.
OUTCOMES	Aena confirmed that it is seeking to provide regulatory incentives for airlines to use cleaner fuels in its ongoing conversations with Spain's Ministry of Transport. Precedent exists, where many airports currently offer discounted tariffs to airlines using aircraft models that reduce noise and nitrogen oxides (NOx) emissions. We expect that Aena will achieve a final draft regulatory agreement that includes such incentives by year end 2023, with implementation possible from 2024. Aena also confirmed its involvement in a national programme that would coordinate the logistics in bringing SAF to airports, as well as provide visibility on demand by scaling airline requirements across a country wide network. This is a critical contribution in our view as supply of SAF is quite limited at present. We will confirm progress on these two initiatives in a follow-up engagement conversation in 2023.

Source: Principal Asset Management, 31 December 2022

2022 Voting Record – Principal Listed Infrastructure

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 for the listed infrastructure accounts for which we are authorized to vote proxies.

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 do not consider proxy voting to be a substitute for engagement, and in practice we aim for our engagements to preemptively address the topics that feature in our votes against management.

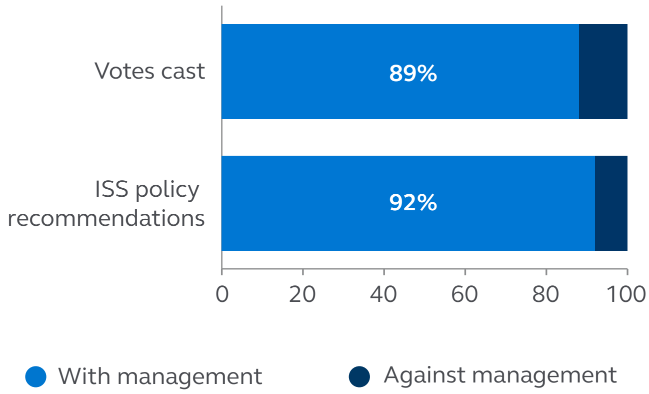
Read our detailed Sustainable Voting Guidelines here

2022 VOTING RECORD

Meeting overview

Category	Number
Votable meetings	46
Meetings voted	46
Proxy contests voted	0
Meetings with against management votes	20
Meeting with against ISS votes	7

Alignment with management



Source: Principal Asset Management, 31 December 2022

Appendix

Top 10 holdings	12/31/2022 weight	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	Sustainability thesis
NextEra Energy, Inc.	6.31%	✓	✓	✓	✓	✓	✓	Global leader in renewables adoption and development and well-positioned to capture market share in future energy transition technologies. Efficiency and relatively low customer bills encourage economic development, and industry-leading storm hardening and hurricane recovery efforts mitigate effects of climate change. New target to reach "Real Zero" by no later than 2045, defined as zero absolute Scope 1 and 2 carbon emissions with no reliance on offsets, is industry-leading.
American Tower Corporation	6.14%		✓	✓	✓	✓		Strong efforts to increase access to wireless communication in each of its markets. Focus on developing countries relative to peers, supporting targets 7.b.1, 9.a.1, 9.c.1. Business model of developing and leasing neutral infrastructure to multiple communications providers fundamentally reduces consumption of resources.
American Electric Power Company, Inc.	5.11%			✓	✓	✓		High legacy coal exposure sets AEP up as one of the better emissions reduction stories in the U.S. utility sector, with coal set to decline from 41% to 19% of generation capacity and renewables to increase from 23% to 53%, both between 2022 and 2030. AEP targets net zero by 2045 and has one of the most aggressive regulated renewables growth programs in the U.S. As a major transmission developer, AEP enables the connection of new renewables to the grid and helps to enhance resilience.
Transurban Group Ltd.	4.64%		✓	✓	✓	✓	✓	Best-in-class within among global transportation operators from a sustainability perspective. It has robust measures in place to support actions against climate change, infrastructure access and safety, workplace diversity and inclusion, community involvement, and stakeholder management. Leading GHG emission reduction targets, which include Scope 3 and are validated by the Science Based Targets initiative.
National Grid plc	4.47%		✓	✓	✓	✓	✓	National Grid supplies gas and electricity to millions in the UK and the U.S. The company's efforts directly contribute to the decarbonisation of the energy system, from building and maintaining transmission lines that bring clean energy to demand and exploring ways to reduce the carbon intensity of gas. NG has made several strong, public commitments which demonstrate alignment with SDGs 5, 7, 9 and 13, including a leading commitment to run its gas distribution business free of fossil fuels by 2045.
Williams Companies, Inc.	4.36%	✓	✓	✓	✓	✓		Williams was one of the first energy infrastructure companies to establish a Net Zero 2050 target and has reduced GHG emissions by 47% on an absolute basis since 2005. The company has been an innovator in developing solar power for its own needs. As a natural gas infrastructure company, Williams is one of the major enablers of the replacement of coal fired power generation in the U.S.
Public Service Enterprise Group Inc	4.35%		✓	✓	✓	✓	✓	PEG has some of the most impressive targets and best reporting in the peer group, highlighted by its net zero 2030 commitment. The company has made good progress in reducing emissions intensity. It has a strong track record on storm hardening. New opportunities also align with the SDGs, with transmission for offshore wind development being the most significant.
Aena SME SA	4.24%		✓	✓	✓	✓	✓	Aena was one of the first global transport infrastructure companies to publish its Climate Action Plan in 2020, showing strong alignment with SDGs 7 and 13. Its plan is positively differentiated for including scope 3 emissions in its overall net zero by 2040 target as well as targets in areas like percentage of sustainable aviation fuel (SAF) used in its network. Further, Aena has also made explicit reference to the SDGs in its policies since 2015.
CenterPoint Energy, Inc.	3.85%		✓	✓	✓	✓	✓	ESG targets are among the more impressive, specifically the 2035 net zero target whereas most peers target 2050. Declines in emissions in recent years will accelerate further with coal closures and renewables growth in U.S. state of Indiana. Resiliency capex in Texas is a major component of the long-run capital plan. Also one of the leaders in planning capacity for accelerated (EV) adoption.
Canadian National Railway Company	3.79%			✓	✓	✓	✓	Best reporting and the best sustainability targets in the North American freight rail peer group. Explicitly demonstrates alignment with SDGs in sustainability report. Freight rail as a whole has environmental advantage over trucking.

Key: ✓ Aligned ⊗ Misaligned

Companies shown are taken from the top ten holdings of the Global Sustainable Listed Infrastructure Portfolio as of 31 December 2022. A check indicates full alignment with the goal and an X indicates some material aspect of a company's operations or products are misaligned with the goal. Sustainable Development Goals (SDGs) are a collection of 17 global goals set by the United Nations General Assembly. This is provided for information only and should not be construed as specific investment advice, a recommendation to buy, sell or hold, 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.

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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 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: https://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 within this report.

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