Principal
Asset Management℠

2023 Stewardship and Engagement report

Introduction and highlights

The Principal Asset Management Stewardship and Engagement Report outlines our approach to effective stewardship. It details our organizational structure, beliefs, culture, policies, and processes, as well as showcases our engagement activity throughout the year.

This year's report reveals that 2023 was a successful year of advancement as we continue our sustainable investing journey. We continually reflect on the ways which we can strengthen our stewardship and engagement capabilities and are pleased to highlight the material changes made during the reporting period of 01 January 2023 – 31 December 2023.

Stewardship integration and monitoring

Due to an increased focus on stewardship and engagement reporting, we began development of an engagement tool to centralize the monitoring and reporting of our stewardship and engagement activities. This tool will allow us to track progress on engagement priorities and objectives throughout the organization and improve reporting of our stewardship and engagement activities to stakeholders.

After engaging with clients on the increasing importance of corporate governance and active engagement, our Origin investment team developed a methodology to actively engage with companies, where instructed by the client, using a process that aligns with their systematic investment approach.

Investments in systems, processes, and people

Resources were added with a specific focus on sustainable investing. Located in London, these hires included a senior sustainable investing analyst on our Sustainable Investing Team and an ESG manager for Principal Real Estate.

The governance oversight process managed by our Sustainable Investing Oversight Committee was improved to automate annual submissions by investment teams. This new system enables teams to complete online forms ready for submission and review, simplifies the process for management to sign off, and promotes greater transparency, controls, monitoring, and record-keeping of annual submissions.

U.K. Stewardship Code mapping

Principle 1	7-11, 17
Principle 2	2, 19-27, 79-82
Principle 3	75-78
Principle 4	13-16, 70-74
Principle 5	3, 36, 41
Principle 6	10,12
Principle 7	29-35, 79-82
Principle 8	79-82
Principle 9	40-56
Principle 10	60-61
Principle 11	57-59
Principle 12	63-68

Read more on our detailed mapping on page 84.

Introduction, *continued*

Managing risk and policies

We implemented a platform exclusions policy for our funds on our UCITS platform, domiciled in Dublin, Ireland*. This policy aims to exclude investment across specific controversial categories. The policy was created and implemented following feedback from our clients and distribution networks in the region.

Stewardship and engagement

New case studies showcasing our stewardship and engagement activities are provided in chapter five. These case studies highlight our approach to direct and collaborative engagements, including the background and objectives for engagement, the active engagement conducted by our investment teams, and any outcomes that resulted from the specific engagement.

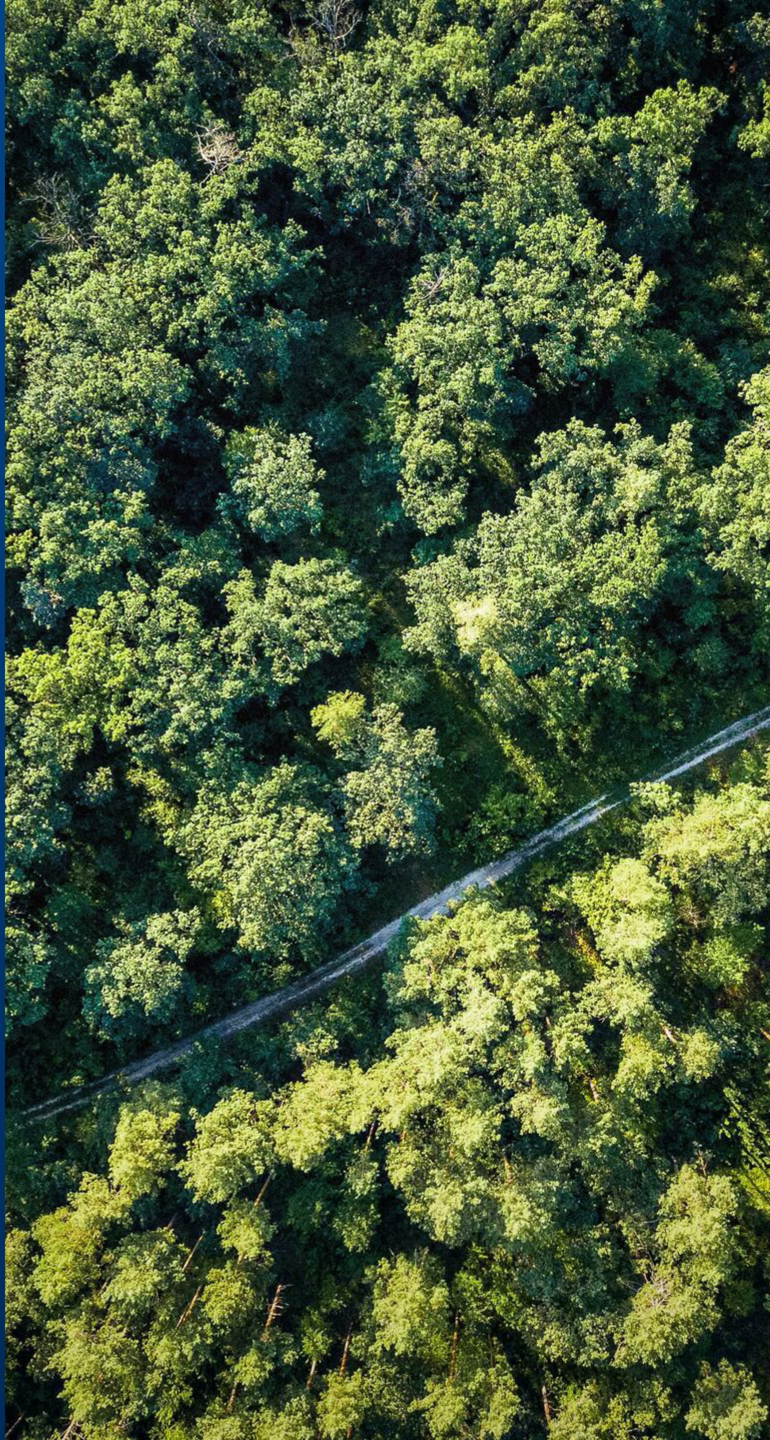
We also launched our new proxy voting disclosure tool via our website. Our enhanced disclosure tool allows for an interactive view of our security level voting history.

Stewardship codes

Our 2022 Stewardship and Engagement Report was successfully submitted to the UK Stewardship Code, maintaining our signatory status. During 2023, we continued the alignment of the UK Stewardship Code principles within the chapters of our Stewardship and Engagement Report as well as the detailed mapping table to help link the overall chapters to the 12 U.K. Stewardship Code principles.

In line with the Financial Reporting Council (FRC) fundamental review of the UK Stewardship Code to ensure high quality stewardship outcomes in a proportionate way, we updated for material changes and focused on relevant activity and outcomes during the reporting period. Where information, policy, or processes have not changed materially, content is used from previous reporting. This is indicated in the mapping table.

* Certain vehicles have not been registered with the United States Securities and Exchange Commission under the United States Securities Act of 1933 and may not be directly or indirectly offered or sold in the United States or to any United States person.



Contents

CHAPTER

01 About Principal Asset Management℠

We are a global leader in providing investment solutions. People depend on us to help them achieve their investment goals.

A message from our leader

Principal Asset Management has consistently advanced stewardship practices aimed at maximizing long-term value for our clients and stakeholders. We continue to put our clients' best interests at the center of all we do—with the purpose of putting financial security within reach of people across the more than 80 markets we serve.

This year's Stewardship and Engagement Report showcases our standards and progress— including notable achievements and advancements within our processes, procedures, data, and reporting capabilities. These efforts underscore our ongoing dedication to transparency, accountability, and sustainable investment practices.

As signatories to the U.K. Stewardship Code since 2012, we continue to align our stewardship efforts to support our clients' best interests. We continue to build on our sustainability journey, and the Stewardship and Engagement Report is another great opportunity to share our progress—which is strongly aligned with our advisors, strategic partners, employees, and communities we serve.

Kamal Bhatia

President and Chief Executive Officer
Principal Asset Managemnet

A global leader in asset management

Principal Asset Management is a diversified asset management organization and a wholly owned subsidiary of Principal Financial Group® Inc. Founded in 1879, Principal Financial Group is one of the originators of retirement solutions in the United States (started providing plan services in 1941), and continues to be a leading global financial institution, offering a wide range of financial products and services through a diverse family of financial services companies. At Principal Asset Management, we are well-positioned to serve organizations and individuals, offering institutional and retirement expertise, guidance, and outcome-based strategies for real-life challenges.

Principal Asset Management is a multi-team investment organization that manages assets on behalf of a broad range of sophisticated investors in over 80 nations and territories. We manage assets for public and private pension funds, foundations and endowments, central banks, insurance companies, sub-advisory arrangements, sovereign wealth funds, and individual investors. Our network of specialized investment teams offers access to investment capabilities and expertise in fixed income, equity, and real estate investments, asset allocation, lifecycle funds, exchange-traded funds, stable value management, and alternative investment strategies.

Principal World Headquarters

Des Moines, Iowa
United States

Our purpose

As long-term stewards of our clients' investments, we have a strong and unwavering commitment to behaving responsibly and sustainably in accordance with our clients' stated investment objectives.

This commitment is reflected throughout everything we do for our clients – in our purpose, investment beliefs, strategy, and culture. We strive to improve on our actions and approach in all areas and actively engage with our clients to ensure we understand their views where we are managing their assets.

1990s

Began managing custom-screened, socially responsible mandates for some institutional clients

2010s

Became a signatory to the Principles for Responsible Investment (PRI)

Became a signatory to the Financial Reporting Council U.K. Stewardship Code

2020s

Maintains:

- Sustainable investing integration capabilities
- Internal ESG ratings
- ESG guiding policies
- Principal Asset Management Sustainable Investment Council
- Principal Asset Management Sustainable Investing Oversight Committee

As an asset manager entrusted with numerous individuals' savings and retirement plans, we bear a significant responsibility in keeping investors' interests at the forefront of everything we do. Our fiduciary duties contribute to the organization's shared purpose—

to help foster financial security for all.

At its simplest, our purpose can be described as "doing what's right for the right reasons."

Principal Asset Management[SM]

Our culture and values

Our core values are the foundation of our continued long-term success. Integrity, commitment, and best-in-class service are the driving forces within our business and our people. Asserting these values every day in our investment beliefs drives our approach to being both a responsible investor and a responsible owner.

A strong, positive culture is key. We continuously seek to improve and maintain a work environment based on our core values, with diversity and inclusion being foundational to our approach. Our culture champions integrity, respect, community, and trust - enabling our employees to reach their full potential and do their best work for our customers. Talented employees are the heart and soul of our company. We believe development inspires individuals to engage, empower, and embrace a growth mindset that directly contributes to the success of our organization.

Our culture helps us deliver on our purpose and values, makes us a better company, and is simply the right thing to do.

Awards and recognition

Principal Asset Management was named a top-20 fund family in *Barron's Best Fund Families.*
(2023)

Recognized as a *2024 World's Most Ethical Companies®* honoree by Ethisphere
(December 2023. An application fee was paid by the firm to be considered for the award.)

Listed as a Forbes *Best Employers for Diversity 2024.*
(April 2024)

Principal Asset Management was named a *Best Place to Work in Money Management* by Pensions & Investments for the **12th consecutive year.**
(December 2023)

Scored 100 out of 100 on the *Disability Equality Index (DEI)* for our disability inclusion efforts.
(July 2024. An application fee was paid by the firm to be considered for the award.)

Named a 50 Out Front *Best Place to Work for Women and Diverse Managers* by Diversity MBA.
(July 2024)

Principal was recognized by IDG's Computerworld *Best Places to Work in IT* for the **22nd consecutive year**.
(November 2023)

2024 Military Friendly Employer
Bronze ranking
(November 2023)

Principal was ranked as one of *America's Most Responsible Companies 2024* by Newsweek.
(December 2023. Newsweek/Statista. One of 600 companies ranked in 2023.)

Information is related to Principal Financial Group®, unless noted otherwise.

Our investment beliefs

Principal Asset Management acts as a fiduciary for our clients and always strives to act in their best interests. In doing so, we maintain the highest regard for good corporate governance and model our business accordingly. We live by our values and our belief that, subject to our clients requirements, no matter the asset class, investing responsibly and sustainably helps generate positive long term outcomes for our clients. By designing new, sustainable investment products, incorporating environmental, social, and governance (ESG) factors into our evaluation process, engaging with clients on the financial, social, and environmental performance of their investments, and encouraging our investee companies to act sustainably, we can help drive better outcomes for our clients over time.

Our customer focus, workforce development, operational excellence, and integrity all serve our mission to promote financial security for all. We're making continuous progress on our sustainable investing initiatives by coordinating our strategy across the entire Principal enterprise and expanding the scope and detail of our reporting. We use stakeholder feedback from consumers, employers, investors, and employees to prioritize long-term goals and guide our communication.

We believe good stewardship of stakeholders builds value for shareholders. Put simply, we create value by living our values.

Our stewardship and engagement strategy

As an investor, Principal Asset Management is in a privileged position. We are committed to engaging with and encouraging companies to be leaders on sustainability through long-term stewardship of their human, natural, and financial resources.

Our analysts meet with senior executives and investor relations teams of the companies we invest in to discuss topics relevant to our investment including material sustainability issues, company ownership, board membership, and remuneration. Through engagement, we seek to strive for shared values, reduce potential investment risks, and drive better client experience and outcomes.

By being active stewards of our clients' investments, we can better understand and align our efforts with their stated investment objectives, which may include sustainability objectives. Sustainable investing is a core strategy for Principal Asset Management. To help create a more successful, resilient, and sustainable business and world, we are continually making our sustainable investing initiatives, including stewardship, more transparent and integrated into our policies and procedures. Stewardship activities are a part of each investment teams' separate philosophies and processes. Each team has autonomy to define the approach and scope of its engagement with companies and participation in industry and sector collaborative engagements.

Read more on sustainable investing initiatives in chapters 4 & 5.

Read more on stewardship activities in chapter 4.

Assets under management

When clients choose to invest with Principal Asset Management, they gain access to the full range of our global investment management expertise. As of 31 December 2023, Principal Asset Management manages US $540.4 billion.

Our key areas of strength include:

- Breadth and depth of capabilities
- Consistent client results
- Quality of research
- Global reach

As of December 31, 2023. See Important Information page for AUM description. Due to rounding, figures and percentages shown may not add to the totals or equal 100

Total AUM

Our diverse range of asset classes is managed by our global investment teams. As of December 31 2023.

Principal Asset Management

A	Real estate	*18.6%*
B	Equities	*42.8%*
C	Fixed income	*38.2%*
D	Alternatives	*0.3%*

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Industry-wide engagement

At Principal Asset Management, we firmly believe in participating in industry initiatives that support and promote the ongoing improvement and proper functioning of our financial markets. We actively engage with various institutions, councils, associations, and industry groups across all levels of the organization. Through our various roles within these organizations, we are able to engage and encourage stakeholders and policymakers on a broad range of issues that impact our industry and stay at the forefront of best practices.

We actively participate within various industry groups around the word in a number of different ways, including calls, committees, and working groups, and thus have been able to contribute and collaborate on sustainable investing issues and best practices.

Affiliations with organizations focused on sustainability issues:

Organization	Principal entity affiliation	Since
United States Green Building Council	Principal Asset Management (Real Estate)	2007
ENERGY STAR Partner	Principal Asset Management (Real Estate)	2009
Principles for Responsible Investment (PRI)	Principal Asset Management	2010
CDP	Principal Financial Group	2011
Better Building Alliance	Principal Asset Management (Real Estate)	2014
Global Real Estate Sustainability Benchmark (GRESB)	Principal Asset Management (Real Estate)	2014
Business Roundtable	Principal Financial Group	2019
CEO Action for Diversity & Inclusion	Principal Financial Group	2020
Sustainable Development Goals (SDGs)	Principal Financial Group	2020
Investor Alliance for Human Rights	Principal Asset Management	2021
The Council of Institutional Investors	Principal Asset Management	2021
The International Corporate Governance Network	Principal Asset Management	2021
United Nations Global Compact	Principal Financial Group	2021
CFA Institute DEI Code (USA & Canada)	Principal Financial Group	2023

Membership organizations and industry initiatives

On the following pages are some examples of how we play an active role within industry initiatives across the globe, including how we participate, the extent of our contribution, and an assessment of our effectiveness.

Membership organizations and industry initiatives, *continued*

BVI

BVI, the German Investment Funds Association, representing the interests of 116 fund companies and asset managers with some EUR 4 trillion in investment capital for private investors, insurance companies, pension funds, banks, churches and foundations.[1]

We are an active member of BVI and participate in their regular meetings across several workstreams (often quarterly), including:

- Real Estate
- Sustainability
- Regulatory & Legal
- Risk Management

Our aim is to engage with other members of the fund industry to understand developments and changes in the market as well as work on market standards and practices.

ICI The Asset Management Industry SERVING INDIVIDUAL INVESTORS
INVESTMENT COMPANY INSTITUTE

The Investment Company Institute, a leading association representing regulated investment funds, carries out its international work through its Global Affairs team. As an active member, Principal Asset Management has numerous individuals across the U.S., U.K., and Europe, that participate in various working groups, industry calls and symposiums, discussing a number of topics regarding investment fund regulation, including those relating to sustainable investing and the continued improvement of functioning financial markets.

By being able to participate within the ICI Global Affairs forums, we respond to regulators' priorities and contribute to the optimization of capital markets by providing valuable input into effective regulation in the marketplace and for funds. The ultimate goal is to strengthen the foundation of the asset management industry for the benefit of the long-term investor.

The contributions of Principal Asset Management support ICI Global Affairs' efforts to strengthen legal frameworks and promote sound governance and fiduciary practices

PRI Principles for Responsible Investment

Principal Asset Management has been a PRI signatory since 2010, highlighting the firm's dedication to sustainable investing issues. The 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 sixth Principle for Responsible Investment states that we will report on our activities and progress towards implementing the Principles. To this end, Principal Asset Management has committed to fulfill the annual signatory reporting requirement. Our current PRI Transparency Report is made publicly available on our website and can also be found on the PRI website.

1 As of 9/30/2024 as reported on BVI website.

The 2023 United Nations Climate Change Conference (COP28)

Recognizing the pressing climate concerns and investors' interests in supporting climate action, we were honored to participate in COP28, the 28th annual United Nations climate meeting. We shared our views on sustainable investing, especially related to food and biodiversity in the face of a warming world. That same week, we released research on how global investors can help advance food security.

As a company focused on building a more financially inclusive and resilient society, we recognize the significant and complex challenges that climate change creates for individuals, communities, and governments globally. Rising temperatures and greater weather volatility impact how we live, eat, and work—and most aspects of our connected global economy.

One of the most pressing challenges is the significant impact of climate change on agriculture and the world's ability to feed and sustain itself. And we recognize this as a critical area of focus for investment to develop more sustainable and climate-resilient systems. Managing food security is critical given its historical linkages to social unrest, conflict, and warfare globally.

While much has been written on the impact of rising food insecurity, this research focuses on one specific aspect of the issue—namely, how different climate change scenarios, and the resultant impact on global food production, could affect economic performance.

In partnership with the Centre for Economics and Business Research (Cebr), we leveraged publicly available literature and research to explore and extrapolate the potential impacts of rising global temperatures on agricultural yields. We also considered how this could affect economic output, labor productivity, and inflation for 121 markets across the world.

For a deeper dive into mitigating the impact of greater food insecurity, read **Advancing food security in a connected climate crisis (PDF).**

Principal sent a delegation to Dubai to participate in the COP 28, the annual UN Climate Conference.

The event sought to engage clients and prospects, showcase our expertise via speaking opportunities on sustainability topics, and amplify our food security research.

From left to right:
Martin Frandsen, Portfolio Manager
Kamal Bhatia President & CEO, Principal Asset Management
Binay Chandgothia, Managing Director – Portfolio Management

Reflecting on our participation

During 2023, we continued to join, attend, and play a leading role in multiple industry groups, initiatives, and organizations with a focus on sustainable investing related topics. These organizations allowed us to collaborate with industry peers and stakeholders, provide feedback, and share valuable research—as well as lead and participate in various discussions that help to establish a foundation for long term value enhancement. These interactions enhance the knowledge within our investment teams and overall organization. They also demonstrate our contribution to key industry initiatives that help to promote the continued improvement in the functioning of financial markets. We are proud to be a part of organizations that help to lay the groundwork for success in sustainable investing for the industry, our organization, and our clients.

Principal Asset Management[SM]

CHAPTER

02 Governance and resourcing

Our governance structures and processes help ensure our investment professionals have the information and resources needed to create and maintain sustainable investment products and solutions for clients and to drive our stewardship priorities.

Resourcing stewardship activities

Each investment team has the responsibility of determining, for their asset class, the most appropriate approach to sustainability and stewardship. Many teams maintain their own sustainable investment teams, dedicated resources and implementation structures to best pursue the best outcomes for that asset class.

Given the scope of our global asset management business and the different asset classes we work with, the rationale for our sustainable investing approach and stewardship governance structure is to ensure that all areas of the business are represented at a strategic level while maintaining the independence to develop dedicated and individual sustainable investing approaches within the overall vision.

The alignment and collaboration between Principal Asset Management and Principal Financial Group Sustainability Task Force allows our governance and oversight teams to understand the differing nature of the various parts of the business and to react and continuously improve our policies and processes accordingly. Senior leaders across Principal Asset Management and Principal Financial Group maintain governance and oversight responsibilities, which helps increase accountability and promote consistency in the integration of our sustainable investing and stewardship practices.

Principal Asset Management℠

Sustainable investing oversight and collaboration

At Principal Asset Management, we continually review and look for opportunities to improve our governance structures and processes directly related to the oversight and accountability of our stewardship practices across the business.

Starting with the Nominating and Governance Committee of the Principal Financial Group Board of Directors, we extensively collaborate on matters pertaining to sustainability. The graphic to the right displays our aligned collaboration between investment management and the enterprise.

Sustainable investing oversight and collaboration, *continued*

PRINCIPAL FINANCIAL GROUP

Sustainability Task Force

The Principal Financial Group Sustainability Task Force comprises members appointed by Chairman, President, and CEO Dan Houston. Members are leaders across the organization and report quarterly to the Nominating and Governance Committee of the Principal Board of Directors. The Sustainability Task Force ensures that material sustainability issues are integrated into and help guide our business decisions, drive our sustainability strategy, and support continuous engagement with stakeholders. This keeps us aligned with internal goals, third-party standards and reporting frameworks, and other business groups and signatories such as the United Nations Global Compact. The Sustainability Task Force meets monthly in accordance with its charter.

Beth Wood
Chair, EVP, and
Chief Marketing Officer

Binay Chandgothia
Managing Director,
Portfolio Management

Kevin Farley
Vice President,
Enterprise Worksite Services

Jane Keairns
Director,
ESG and Emerging Strategies

Natalie Lamarque
EVP, General Counsel
and Secretary

Miriam Lewis
Chief Inclusion Officer

Ken McCullum
EVP and
Chief Risk Officer

Jo Christine Miles
Director, Principal Foundation
and Community Relations

Chris Reddy
Executive Managing Director,
Principal Asset Management

PRINCIPAL ASSET MANAGEMENT

Sustainable Investing Oversight Committee

Led by Jeff Vorwerk, the Sustainable Investing Oversight Committee classifies, reviews, approves, and assures implementation of products and strategies Principal Asset Management actively markets in accordance with appropriate sustainable investing definitions. It also reviews alignment of internal product classifications and capabilities on a periodic basis to assure alignment remains appropriate. Additionally, the Committee reviews global policy accord recommendations and regulatory/industry policy submissions and identifies critical risks affecting sustainability support within the firm. The Committee meets at least quarterly.

The Committee was expanded in 2022 to include voting members from our international offices to help assure implementation of funds and strategies in accordance with the appropriate sustainability-related definitions.

Jeff Vorwerk, Ed.D., CIMA®

Managing Director - Sustainable Investing & Investment Team Governance

Jeff Vowerk leads the Sustainable Investing Team at Principal Asset Managment, which includes research, stewardship and engagement, go to market, and general ecosystem support.

PRINCIPAL ASSET MANAGEMENT

Sustainable Investment Council

Led by Daniela Spassova, the objective of the Sustainable Investment Council is to be the connective hub of sustainable investing information in the firm; establish consistency across investment teams; share best practices and provide support to all investment teams; assist investment teams in formulating strategy and reporting; sharpen our sustainable investing stories at the firm and strategy level; and serve as the liaison between Principal Asset Management and the broader Principal organization. The Council meets quarterly.

Daniela Spassova, CFA

Senior Director, Sustainable Investing

Daniela Spassova also serves on the Principal Asset Management Sustainable Investing Oversight Committee and the Sustainable Investing Team leading research, stewardship, go to market functions and engagement activities.

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Sustainable investing oversight and collaboration, *continued*

PRINCIPAL ASSET MANAGEMENT

Sustainable Investing Team

Chris Reddy
Executive Managing Director, Principal Asset Management

Jeff Vorwerk, CIMA®
Managing Director, Sustainable Investing & Investment Team Governance

Daniela Spassova, CFA
Senior Director, Sustainable Investing

Syd Del Cid
Senior Sustainable Investing Analyst, Research

Ryan Fitzgerald
Senior Sustainable Investing Analyst, Stewardship & Engagement

Ross Jones
Senior Sustainable Investing Analyst, Stewardship & Engagement

The Principal Asset Management Sustainable Investing Team translates client sustainability preferences into investment solutions.

We help ensure our investment professionals have the information and resources needed to create and maintain investment products and solutions for clients.

Sustainable Investing Team

Investment team resources

- General account
- Investment solutions
- Multi-asset
- Public markets
- Private markets

Enabling functions

- Change Management
- Compliance
- Distribution
- Information Technology
- Invesment Operations
- Law
- Marketing
- Platform
- RFP Content
- Risk
- Training

How our governance structures support effective stewardship

We believe our governance structures continue to effectively support our stewardship activities. Our global strategy is implemented across our business, while giving our investment teams the flexibility to shape the strategy to their own considered approach. This ensures that each team takes responsibility and accountability for their own assets and their own relevant client needs – which we believe leads to better outcomes for our clients.

In addition, our Sustainable Investing Oversight Committee and Sustainable Investment Council play a central role in ensuring our consistent yet flexible approach. They bring together investment teams and senior leaders from different parts of the organization to review investment products and capabilities, and promote best practice as all teams comply with greater expectations from regulators and clients alike.

As we continuously review and assess our governance structures and processes to ensure they effectively support our evolving stewardship efforts, we are planning to implement a dedicated Stewardship and Engagement Working Group with a focus on collaboration around investment team engagement activities. In 2023, we started developing an engagement tool to centralize the monitoring and reporting of our stewardship and engagement activities. We also added two new hires in London dedicated to supporting sustainable investing initiatives.

Investment teams

Independent perspectives, sharper insights

Specialized investment teams each utilize unique ways of optimizing outcomes.

Principal Asset Managements investment capabilities span all major asset classes across both public and private markets.

EQUITIES

FIXED INCOME

ASSET ALLOCATION

REAL ESTATE

Over 700 investment professionals bring a depth of investment knowledge.

Seasoned investment professionals *average 18 years in the industry* and 14 years with our firm.

Investment professionals *from 13 countries* offer global perspectives.

Organizational and workforce structures

Across all asset classes, our dedicated portfolio management teams are backed by significant industry and firm-wide experience:

Investment team	Investment professionals	Average years with Principal	Average industry tenure
Principal Aligned	10+	10 years	15 years
Principal Asset Allocation	30+	9 years	15 years
Principal Claritas	25+	6 years	6 years
Principal Dynamic Growth	5+	11 years	16 years
Principal Edge	10+	9 years	20 years
Principal Equities	75+	13 years	18 years
Principal Finisterre	10+	6 years	10 years
Principal Fixed Income	110+	11 years	19 years
Principal Origin	5+	11 years	17 years
Principal Real Estate	325+	13 years	16 years
Post Advisory Group	20+	8 years	12 years
Spectrum Asset Management	10+	19 years	28 years

As of 12/31/2023.

The portfolio management teams are supported by dedicated professionals across operations, global research, data & analytics, and finance. We conduct regular internal and external sustainable investing training to ensure our staff are adequately resourced to carry out all duties as they relate to stewardship activities. Staff is also encouraged to attend workshops and industry events to strengthen awareness of sustainable investing best practices, where relevant to their roles.

Investment team working group examples

Additional sustainable investing working groups at the asset class level include:

Working group	Responsibilities
PRINCIPAL EQUITIES *Purposeful Equity Strategy Group*	Meets quarterly and comprises portfolio managers, traders, and analysts. It works closely with the Principal Asset Management Sustainable Investing Oversight Committee in order to advance best practices in research, analytics, and client advisory.
PRINCIPAL EQUITIES *Data & Client Group*	Meets monthly and focuses on reviewing internal ESG ratings and sharing research and engagement outcomes. It comprises investment professionals from Principal Equities and a member of the Principal Asset Management Sustainable Investing Leadership team.
PRINCIPAL FINISTERRE *ESG Committee*	Responsible for reviewing ESG ratings of existing holdings and making investment recommendations.
PRINCIPAL FIXED INCOME *Sustainability Policy Working Group*	Comprises cross-functional representation from portfolio managers, traders, and analysts, and works closely with Principal Asset Management Sustainable Investment Oversight Committee to share ideas for sustainable investing integration and evaluate how sustainable investing issues can most effectively be incorporated into our investment processes.
PRINCIPAL REAL ESTATE *Private Equity Sustainable Investing Working Group*	The Principal Real Estate Private Equity Sustainable Investing Working Group is a tactical working group made up of cross-disciplinary members of Principal Real Estate's private equity teams, including acquisitions, asset management, portfolio management, architecture and engineering, operations, and senior leadership in addition to the sustainable investing team. The Private Equity Sustainable Investing Working Group is tasked with formulating sustainability strategy, implementing strategies outlined in the Pillars of Responsible Property Investing (PRPI) sustainable investing platform, monitoring progress towards sustainability goals and ensuring results, facilitating centralized initiatives, and strengthening accountability and oversight on the private equity program’s execution.
PRINCIPAL REAL ESTATE *Private Debt Sustainable Investing Working Group*	The Principal Real Estate Private Debt Sustainable Investing Working Group is comprised of the sustainable investing team as well as key representatives from the private debt origination and servicing teams. The purpose of this group is to set both organizational and fund level priorities, and to help drive those through the organization and to the borrowers for implementation at the asset level.

CHAPTER

03 Sustainable investing

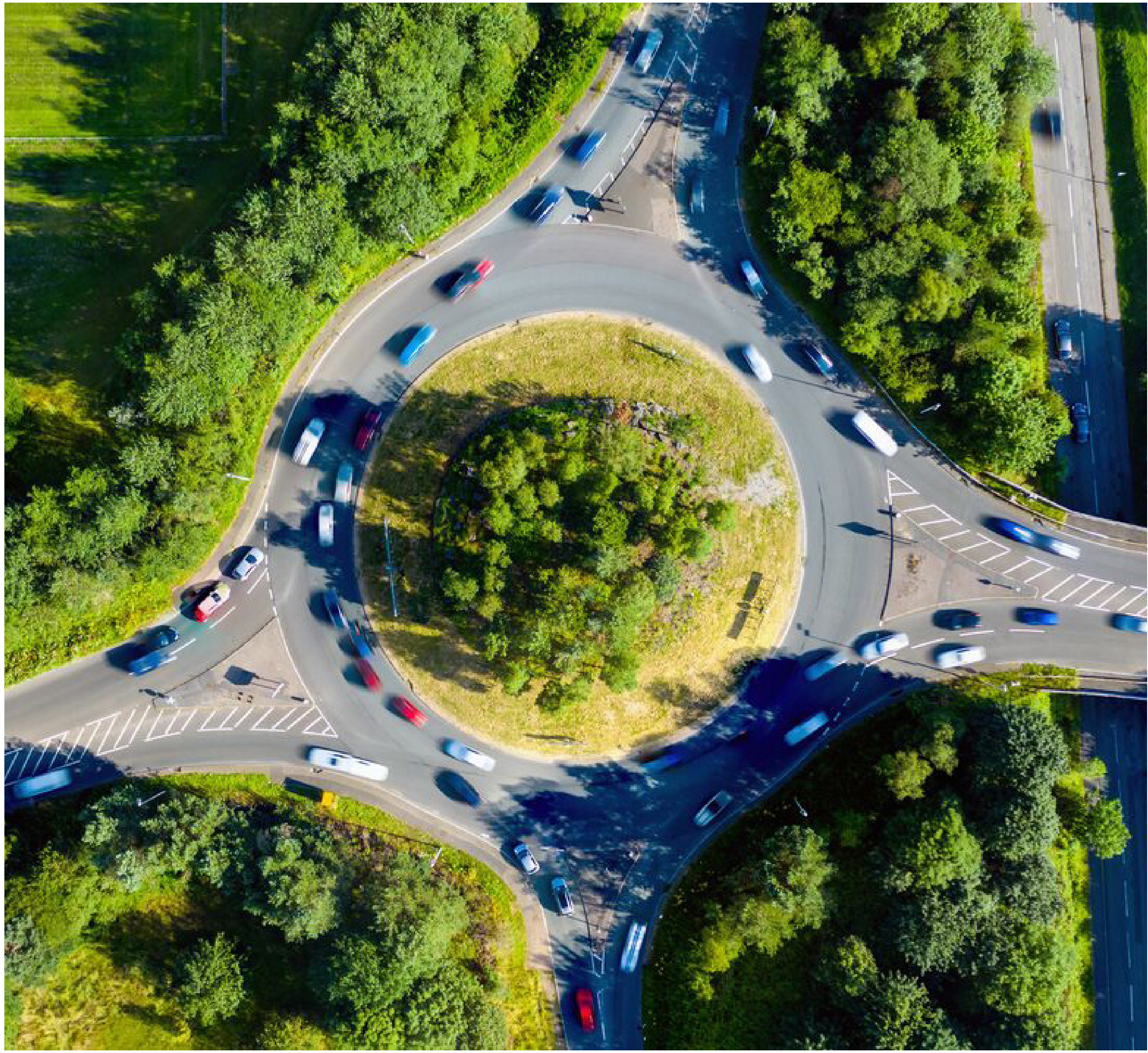
Our commitment to sustainable investing revolves around a key factor—our fiduciary responsibility to our clients. Acting in their best interest comes first and foremost. Our approach to sustainable investing is at all times driven by that priority.

Principal
Asset Management℠

Our approach

We believe sustainable investing offers the potential to enhance outcomes by providing a holistic view of the environmental, social, and governance (ESG) factors driving risk and return.

Our sustainable investing approach integrates ESG considerations and factors across all actively managed asset classes, where required to meet clients needs. The investment team determines the integration approach based on the specific investment process within the underlying asset class.



Principal Asset Management[SM]

To meet our various client needs, we classify our products and investment strategies across our sustainable investing continuum.

Screening

The exclusion or inclusion of certain sectors, companies or practices based on specific ESG criteria.

ESG integration: Foundational

An investment strategy in which Environmental, Social, and/or Governance (ESG) characteristics are considered, alongside other non-ESG characteristics, when making investment decisions with the goal of achieving risk and return objectives.

ESG integration: Enhanced features

An investment strategy that integrates Environmental, Social, and/or Governance (ESG) characteristics into the investment process with the goal of achieving risk and return objectives while committing to the promotion of specific ESG criteria using enhanced product features such as, for example, specific sector exclusions, security exclusions, or carbon risk management framework.

Thematic

An investment strategy focused on themes or assets specifically related to sustainability (e.g., clean energy, green technology, or sustainable agriculture), with the goal of achieving risk and return objectives.

Impact

An investment strategy with targeted investments (e.g., community investing) aimed at addressing social or environmental challenges. These targeted investments are intended to generate measurable environmental or social impact while aligning to the goal of achieving risk and return objectives.

Stewardship and engagement

Striving for shared value and employing stakeholder power to encourage corporate behavior, including through direct corporate engagement (i.e., communicating with senior management and/or boards of companies).

Our products are classified each year by the Principal Asset Management Sustainable Investing Oversight Committee and based on our internal sustainable investing continuum 2023 AUM would fall into the following categories.

As of December 31, 2023

ESG integration—Foundational AUM	*$240.2B*
ESG integration—Enhanced features AUM	*$64.3B*
Thematic AUM	*$151.1M*
Impact AUM	*$2.7M*

In total, approximately

$304.6B

are sustainable investment products representing,

61% of assets managed. Increase from 55% in 2022[1]

[1] AUM representative of Principal Global Investors investment teams as of December 31, 2023. Based on a total AUM figure of $499.5 billion. The AUM calculation differs from the marketing AUM for Principal Asset Management, which includes additional assets. See Important Information section for AUM descriptions. AUM that are sustainable investment products are internally classified as Principal Asset Management and not by any third party or regulatory body.

Our approach, *continued*

Consistent with our overall investment philosophy, our sustainable investing approach focuses on delivering better outcomes for our stakeholders. Managed appropriately, we believe ESG integration may contribute to enhanced long-term returns and reduced risks. Where consistent with the specific investment team's strategies and practices, the consideration of ESG factors is embedded directly within our research process in assessing the fundamental attributes of companies. Our focus is not limited to companies that rate highly according to third-party research providers, but strive to be better versions of themselves. Our focus and commitment can therefore be summarized by our guiding purpose: By encouraging corporations to be leaders on sustainability through better long-term stewardship of human, natural, and financial resources, we play an active role in delivering better outcomes for our stakeholders.

The table on the following page illustrates how each investment team integrates sustainable investing and stewardship to best complement their investment expertise.

OUR GUIDING PURPOSE

By encouraging corporations to be leaders on sustainability through better long-term stewardship of human, natural, and financial resources, we play an active role in delivering better outcomes.

Our approach, *continued*

Asset class	Investment team	Our approach
ALTERNATIVE CREDIT	*Principal Alternative Credit*	Our sustainable investing approach incorporates four foundational pillars of analysis embedded throughout the investment process: 1) Sustainability of the borrower's business model, 2) Sustainability of the cash flows to support the investment, 3) Sustainability of capital formation, and 4) Sustainability of our role in the conversation. By analyzing how traditional ESG factors inform each of the four pillars of sustainability, we believe that we will be able to appropriately identify key risk considerations and generate attractive risk-adjusted returns for clients while being mindful of the role we play as capital provider in enhancing corporate sustainability.
ASSET ALLOCATION	*Principal Asset Allocation*	Our sustainable investing process focuses on measurement, activation, and management of related factors at the asset class and strategy level. We generally prefer that our sub-advisors be signatories to the Pillars of Responsible Investing (PRI). This ensures that we are we engaging with investment partners who share our belief that ESG issues may impact the performance of investment portfolios. Further, we prefer that each sub-advisor submit an ESG policy, which details their individual philosophy and ESG methodology.
EQUITY	*Principal Aligned*	Our process involves frequent discussions with former employees, customers, suppliers, etc. to fully understand the health of the stakeholder ecosystem. We generally have small-to-zero weight in industries known for heavy environmental costs as they tend to be capital intensive, commoditized businesses without a competitive advantage.
EQUITY	*Principal Dynamic Growth*	Our approach to ESG considerations is informed by our active avoidance of unresolved or anticipated major controversies from a risk management perspective, which has naturally led to strategies with low fossil fuel involvement.
EQUITY	*Principal Edge*	Our proprietary qualitative industry ranking approach evaluates ESG factors and focuses on diversity, carbon emissions, and pay equity within the context of each sector, recognizing leaders and laggards.
EQUITY	*Principal Equities*	Our proprietary ESG ratings framework incorporates both risk considerations and change catalysts associated with ESG-related issues.
EQUITY	*Principal Origin*	Our focus on the quality and sustainability of financial returns, which is central to our investment process, results in consistently avoiding companies with larger carbon footprints.
FIXED INCOME	*Principal Finisterre*	Our ESG-integrated quantitative process is used to detect opportunities and exclusions to enhance and improve a portfolio's ESG footprint.
FIXED INCOME	*Principal Fixed Income*	Integrating ESG considerations into our process is a natural extension of what we've always done. Incorporating ESG research into our Fundamentals, Technicals, Valuations (FTV) framework helps provide guidance for decisions within a portfolio.
FIXED INCOME	*Post Advisory group*	We consider various ESG factors during the analysis and due diligence of each issuer, which is encapsulated through our proprietary Value Scoring Model tool.
FIXED INCOME	*Spectrum Asset Management*	Tiered-risk approach measures the severity of ESG issues, which is part of the qualitative assessment in our proprietary credit analysis. We weight ESG risks and opportunities, along with other qualitative and quantitative credit metrics.
EQUITY, FIXED, INCOME ALTERNATIVE	*Principal Claritas*	ESG metrics are evaluated qualitatively during the analysis process, then if applicable may be quantitatively applied to reflect a higher discount rate or explanation of potential liability to be reflected in the company's valuation.
REAL ESTATE	*Principal Real Estate*	We believe integration of ESG into our investment management process helps reduce risk, improve a property's competitive stature, and increase tenant attraction and retention by providing a foundation to deliver positive financial and ESG outcomes. As fiduciaries for our investors, we understand, quantify, and act upon ESG through our sustainable investing platform, the Pillars of Responsible Property Investing.

Sustainable investing - Principal Equities

Principal Equities embraces the clean energy imperative. Yet, rather than excluding resource intensive industries (unless directed by client or fund mandate), we focus on companies demonstrating strong progress and commitment to carbon reduction and renewable energy initiatives in capital investment plans. As a manager with experience in international and emerging markets, including small- and mid-cap strategies globally, we focus on change that can make an even greater impact than merely aligning with somewhat arbitrary third-party "low carbon" designations. We believe ESG initiatives that focus on change potential present the best opportunities to make a real difference.

Within Principal Equities

Our key principles:

Clients first

We serve clients around the world of many different types, but our heritage and culture are centered on serving retirement plan investors. This is a substantial commitment that requires continual diligence to help ensure that our focus, interests, and incentives are fully aligned with the interests of each client we serve, and the governing fiduciary standards of each jurisdiction in which we operate. This fiduciary mindset has long served as a key distinction of our culture, not only within Principal Equities, but for the overall Principal organization.

Independent assessment

We see third-party ESG scoring metrics a bit like credit ratings. They may provide useful historical context and background information but are often structurally flawed. The fact that the most popular providers have vastly different ratings on many companies highlights this, as do their obvious structural preferences for large established companies, particularly those based in Europe. We must look beyond those biases, not blindly screen on ratings.

Direction not level

This reflects the most direct extension of our investment philosophy and what we believe is the key source of alpha opportunities through engagement. In our view, restricting opportunities to well rated ESG companies is not a long-term viable alpha source. Rather, we are focused on identifying companies with scope for improvement. For instance, limiting consideration to top ESG rankings explicitly disfavors emerging markets and smaller companies – which we believe is an opportunity set that affords the best scope for positive progress. Avoiding those strikes us not only as detrimental to performance, but also to the potential for favorable societal impacts. In the end, we believe proponents of sustainability should focus on change potential to identify the best opportunities to make a real difference.

Alpha of risk reduction

We believe the avoidance of "bad actors" or companies that knowingly exploit economic externalities at the expense of others is also an important source of enhanced returns, risk reduction and fiduciary responsibility. While we do not advocate overtly screening out entire industries, unless at the direction of clients, our selection criteria embraces the importance of downside risk mitigation. This includes standards for financial stability and quality, corporate governance and ultimately, trust in the companies in which we invest. Companies lacking a strategic commitment to positive and sustainable fundamental change in our view will simply be avoided.

Active engagement

Our central focus on positive fundamental change and the related principles highlighted above provide a powerful framework for sustainable investing. Our researchers engage directly with approximately 1,500 companies per year on average, through a variety of forums and methods. Such contact is only as useful as the quality of the discussions and questions posed. Rather than demanding specific actions, we take a more consultative approach, sharing our views and preferences on pertinent sustainability priorities, and by beginning the process by simply asking "what is changing?" This tends to foster more constructive dialogue and can be further supplemented formally through proxy voting and other tactics, including the prompt disposition of shares as warranted.

Sustainable investment integration and monitoring

The consideration of sustainability factors is integrated into our sustainable investing approach across all actively managed asset classes. The integration approach is determined by the specific investment process of the investment team within the underlying asset class.

Some investors may require a more customized approach to their sustainable investing objectives, so we provide a range of portfolio construction options. Our flexible investment process allows us to manage investment strategies to any universe a client may define.

Our investment teams proprietary technologies and infrastructure enhance our ability to tailor strategies to distinct client and regulatory parameters, a key competitive strength. Similar to how we approach other traditional aspects of our fundamental research process, our approach underscores the importance of independent assessment, not third-party rating/scoring systems.

As the sustainable investing landscape continues to evolve, we offer options that follow a repeatable investment process while supporting our clients' values and helping them reach their financial goals. We will continue to adapt our sustainable investing efforts to the changing needs of the world around us.

Our clients benefit from the signatory status of Principal Asset Management in the PRI which allows us to play a role in defining and shaping the ongoing global sustainable investing discussion and best practices.

Sustainable investment integration and monitoring examples

Principal Fixed Income

Principal Fixed Income assigns a specific ESG score for each issuer owned in the high-yield universe using a numeric-based system ranging from 1 (poor) to 10 (excellent).

The score indicates the analyst's overall view of the company from sustainable investing perspective. Our analyst raise any concerns about sustainable investing issues and other fundamental concerns during meetings with corporate management teams. The response they receive feeds into their assessment of the company's outlook and potential fit for the portfolio or strategy. Principal Fixed Income has developed a process for tracking sustainable investing engagements and outcomes.

Principal Fixed income ESG score rating system

☆ ☆ ☆ ☆ ☆ ☆ ☆ ☆ ☆ ☆

Poor **Excellent**

Principal Equities

Principal Equities conducts three levels of independent assessment on recommended companies.

Review the company's corporate stewardship reporting and plans including third-party ESG analytics, controversy tracking, and upcoming proxy initiatives.

Identify key upcoming sustainable investing engagement proiorities for monitoring and discussion with company management teams, aligned with and tailored to industry drivers and risks.

Assign independent proprietary ratings for owned companies. Companies are relative to industry peers, segmented by geographic regions to maximize comparability and avoid structural biases (that are typical of third-pary ratings). The ratings incorporate two distinct dimensions, with three ratings categories for each:

- Sustainability Risk Level (low, Medium, High)
- Sustainability Trend (Improving, Stable, Deteriorating)

Depending on the client mandate, recommended stocks can include all three risk levels, but the greatest focus is on the trend rating. Recommendations strongly favor improving or stable profiles. A deteriorating trend rating generally accompanies a sell recommendation.

Sustainable Investing policies

During 2023, Principal Asset Management reviewed and approved the Sustainable Investing Policy Statement. This Policy Statement reviews our purpose, scope, responsibility, approach, commitment, and integration of how this policy statement is applied by the investment teams of Principal Asset Management. The policy is reviewed once a year and is publicly available via our sustainable investing website.[3]

Principal Equities, Principal Fixed Income, Principal Asset Allocation, and Principal Real Estate maintain and publish their sustainable investing policies. In addition, our equities and fixed income investment groups have engagement policies.

Read more about our Sustainability Investing Policies at Principal Asset Management

3 https://www.principalam.com/eu/about-us/sustainable-investing

Principal Asset Management℠

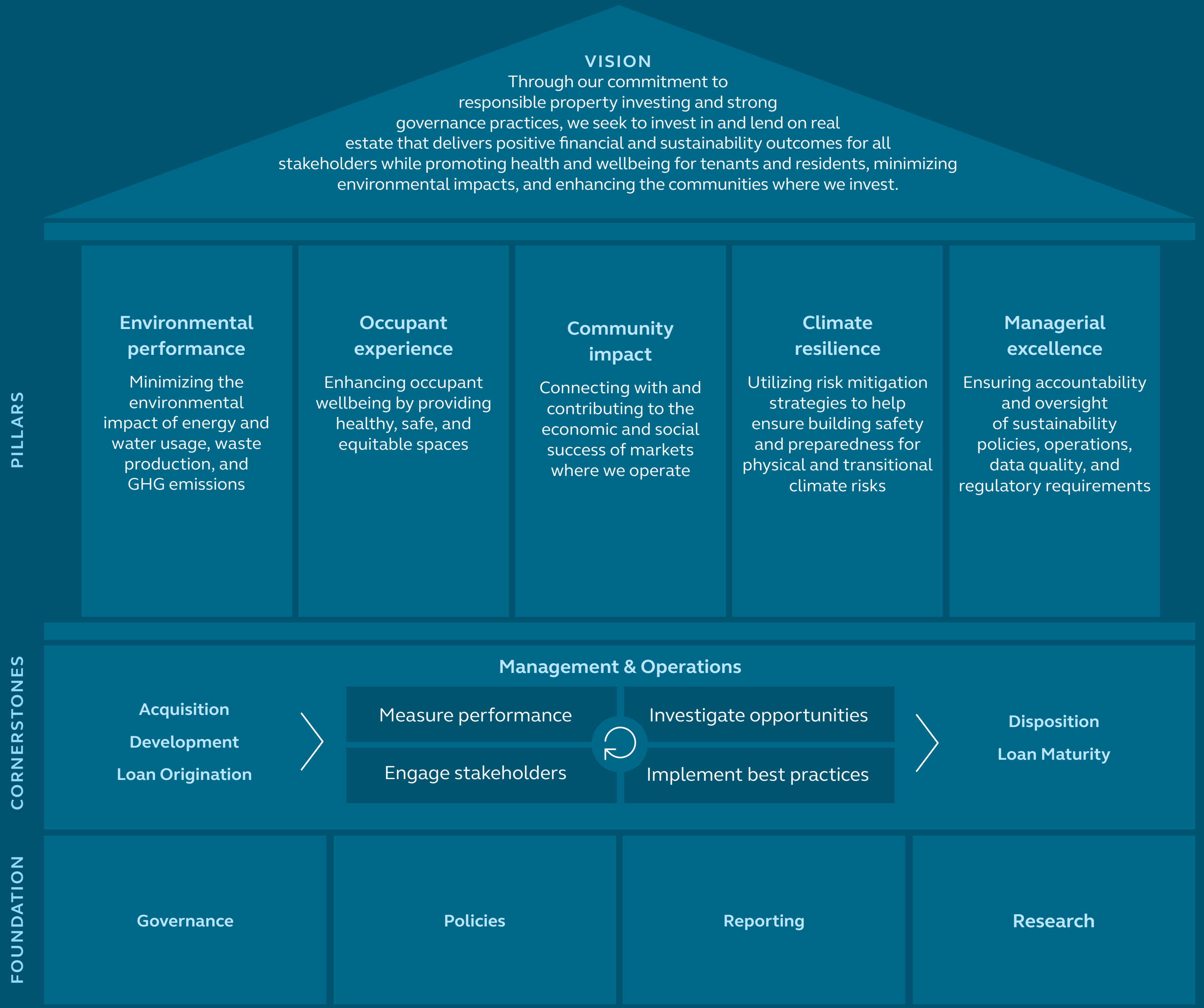
Case Study

Pillars of Responsible Property Investing (PRPI)

Principal Real Estate's Private Equity and Private Debt Sustainable Investing Platform

Principal Real Estate's PRPI program outlines how responsible property investing is incorporated throughout the investment lifecycle.

There are many levels of structured program governance that are reported publicly to provide transparency to stakeholders; set and follow clear sustainable investing policies while continually researching new practices for improved sustainable investing performance.



Case Study

Pillars of Responsible Property Investing (PRPI), *continued*

Starting at acquisition, each team identifies material sustainable investing issues during due diligence, utilizing a standard process for existing assets and new development projects.

Examples include:

- historic environmental performance
- sustainable building features
- physical climate risk
- transitional climate risk
- location and access to transportation
- regulatory requirements

That information is incorporated into investment decisions including the committee underwriting process and annual business planning; it forms the baseline for key performance indicators that are tracked and monitored over the life of the investments and factored into the financial modelling as appropriate.

Sustainability issues are a key part of the management and operations of the assets including third-party property managers and JV partners as well as engagement with tenants, residents, and other stakeholders. This continuous improvement cycle includes measuring performance, investigating opportunities, implementing best practices, and engaging stakeholders.

Principal Real Estate has established a portfolio-wide target to reduce GHG emissions by 40% by 2035 with an ultimate goal of net zero by 2050 (using a 2019 baseline[3]) which is in alignment with the net zero goal set by Principal Financial Group.

We define net zero in accordance with the Net Zero Asset Managers Initiative: the annual carbon emissions generated from a building's use of fossil fuel, greenhouse-gas-emitting energy reduced to zero based on the adoption of energy efficiency, on and offsite renewable energy sources, and carbon removal offsets, if needed.

[3] Targets applicable to open-end discretionary private equity funds. Open-end discretionary private equity funds are the US Core, US Core Plus, Principal General Account, European Core, European Office, European Long Income, and European Care Home strategies..

[4] These targets and the calculation methodology will be reviewed every 5 years and adjusted in alignment with industry standards.

[5] Baselines are individually set for each property depending on data availability and property acquisition/ development date. The first 12 months of available data on or after calendar year 2019 will be utilized as the baseline for each asset.

[6] Principal Real Estate's energy and water reduction goals are measured using energy/water intensity, defined as energy/water per square foot. It's calculated by dividing the total energy/water by the gross floor area of the building.

[7] Building certifications include new development and operational asset certifications for all sectors within the portfolio, by number of assets.

Principal Real Estate targets for 2035[4] (over a 2019 baseline[5])

20% reduction in energy-use intensity[6]	**20%** reduction in water-use intensity[6]
20% waste diversion from landfill	**50%** data coverage (input into ENERGY STAR portfolio manager)
20% of energy use from renewables	**50%** of portfolio with sustainable building certifications[7]

* The targets stated above may not materialize.

Principal Asset Management[SM]

CHAPTER

04 Stewardship in action

Stewardship activities are essential to our role as active, long-term investors.

Stewardship and engagement

For our investment teams, engagement means striving for shared value and employing stakeholder power to encourage corporate behavior. This includes direct corporate engagement, for example communicating with senior management and/or boards of companies, voting on shareholder proposals, and maintaining sustainable proxy voting guidelines. We believe that by encouraging corporations to be leaders on sustainability through better long-term stewardship of human, natural, and financial resources, we can play an active role in delivering better outcomes for our stakeholders.

While we have been successful in seeking certain changes in line with our clients' expectations when directly engaging with issuers (see our case studies below), we also view unsuccessful attempts as opportunities to reconsider our approach and look for alternative ways to engage.

Our **Principal Asset Management Stewardship and Engagement Policy Statement** (PDF) unifies the work conducted across Principal Asset Management by our various investment teams under one guiding document. The policy provides a further framework to guide company engagement and is an important structure for executing our stewardship responsibilities.

As a global firm, we recognize that standards and norms of corporate governance differ between markets. However, we believe there are certain fundamental elements of governance practices that are intrinsic to any company's ability to create long-term value.

This set of global themes is outlined in our Stewardship policy, and are anchored in transparency and accountability:

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

We aim to:

- Engage and collaborate with the companies we invest in, using our shareholder advantage to encourage responsible and sustainable practices by the company.
- Encourage greater transparency by companies on their sustainability practices.
- Encourage companies to manage risks related to ESG factors and react swiftly to achieve a competitive advantage relative to peers regarding remuneration, boards/directors, audit issues, regulations, litigations, and other impactful market factors.
- Encourage companies to disclose relevant ESG metrics through public reporting and to explain how they may fit into the the company's overall business activities.

Objectives for sustainable investing, engagement, and stewardship.

As a fiduciary for our clients, we welcome the broader investment prism that the PRI Principles represent. We value the voice that our status as a PRI signatory gives us in defining and shaping the sustainability discussion, the development of best practices, and ultimately, we believe the consideration of sustainability issues and ESG factors has the potential to enhance the risk-adjusted returns we deliver to clients. Examples of ESG and Sustainable Investing policies are listed below but are not limited to the following. For a complete list please see our **website**.

- **Principal Equities Sustainability Overview**
- **Principal Fixed Income Sustainable Investing Policy**
- **Principal Asset Allocation Sustainable Investing Policy Statement**
- **Pillars of Responsible Property Investing (PRPI) Sustainability Policy**
- **Principal Listed Infrastructure Sustainable Investing Policy**

Stewardship activities

Stewardship activities are a part of each investment team's separate philosophy and process. Each team has freedom to define the scope of its engagement with companies and participate in industry and sector collaborations.

- We use our equity shareholder advantage to create direct engagement opportunities.
- Fixed income engagements revolve around direct communication with issuers.
- Our Real Estate teams approach engagement across stakeholders, tenants, and communities, upholding the objectives and values of the Principal Real Estate PRPI.

Principal Equities

In implementing our investment process, Equities seeks to mitigate unnecessary risk for our clients and enhance potential shareholder value. Ongoing monitoring of investee companies is a key element of this process, facilitated by our ongoing communication with the management of companies we invest in on behalf of our clients. Sustainable investing considerations are embedded in the fundamental research conducted by our analysts who provide essential insights into industry trends and company-specific considerations. These insights are crucial for evaluating sustainable competitive advantages and risks at a company and industry level. Specifically, we view governance considerations as integral to

We seek to invest in companies that are well-managed and/or are improving their corporate governance. Our belief is that sound corporate governance creates a framework within which a company can be managed in the best interests of its shareholders.

our investment philosophy and process. Companies that demonstrate strong shareholder protections and alignment policies naturally garner premium valuations over peers with lesser standards. At the same time, improving governance policies and practices provide a basis for improved relative valuation, while governance dilution or deterioration represents an inherent source of risk and valuation compression. Our analysts identify and formally comment on the most relevant sustainable investing engagement priorities within their thesis documented for companies. They specifically focus on how pertinent sustainable investing priorities shape our overall views on sustainable, fundamental change for companies. To promote greater consistency and repeatability across the firm, our research teams have identified specific sustainable investing pillars for each major market sector. Across all sectors, leadership and governance are key dimensions, but other dimensions differ. Most importantly, these issues are considered within the context of their impact on the sustainability of a company's fundamentals, ultimately driving the timing, amount, and certainty of future earnings and cash flows.

To supplement our independent assessments, we integrate multiple sources of third party ESG analytics in our process and monitoring tools, third-party giving us access to company specific ESG scores, trends, potential controversies, and other notable sustainable risk considerations. The overall ESG score and the underlying scores of environmental, social, and governance are integrated directly with our central research dashboard. We emphasize trends in ESG metrics over current levels and scores, recognizing that mainstream ESG scoring metrics may incorporate significant structural biases—systematically favoring large capitalization companies and developed market nations. This runs counter to the aspirational aims of sustainable investing engagement, as companies with below average scores may offer greater opportunities for positive change—and vice versa. We monitor investee companies through investment publications, corporate annual reports, regulatory filings, meetings, road shows, company visits, outside investment research of broker-dealers, and other third-party sources. Our monitoring process feeds into investment decisions prior to buying and on an ongoing basis; our analysts look for early identification of fundamental drivers of an investee company and make buy, sell, hold, or sizing recommendations. Our proprietary tool captures and communicates these recommendations to relevant portfolio managers.

Over the years, our processes have grown to include engagement with companies on sustainability issues and we believe that direct communication between investors and companies on sustainability matters is an important element of the portfolio management services provided to clients. Engagement may lead us to make decisions that favor actions intended to maximize a company's shareholder value and contribute to our overall research to develop a holistic fundamental view of the company. We take seriously our commitment to our community and society. We believe that we must take responsibility for educating others and ourselves by addressing a range of sustainability issues that encourage the wellbeing of our community and society and may enhance shareholder value.

Case Study

Principal Listed Infrastructure - Engagement priorities

Our engagement efforts focus on 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 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 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 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 ask issuers to disclose workforce breakdowns as relevant in their local markets. We 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 and 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.

Principal Fixed Income

Fixed Income's philosophy is defined by deep fundamental research and disciplined risk management—integrating sustainable investing into our process is a natural extension of what we have always done.

We strive to invest in companies that operate in a socially and environmentally acceptable manner, uphold robust corporate governance policies, and maintain appropriate board structures.

Our analysts directly engage and raise any concerns about sustainability issues like lax safety or environmental protocols that would result in worker injury or release of pollutants into the environment, during direct engagement meetings with corporate management teams.

If we consider that sustainability issues have resulted or are likely to result in a material risk to the company's business or ability to meet financial obligations, increased frequency and urgency of engagement occurs. If an issue inconsistent with the interests of our clients is identified, we take appropriate action in mitigating our exposure.

Our analysts directly engage and raise any concerns about sustainability issues such as a company's involvement in the financing of controversial weapons and other fundamental concerns such as regulatory or legal infractions that could impact a company's ability to attract customers and hence remain profitable.

Case Study

Consumer and professional products company

Example from Principal Fixed Income – Global High Yield

We connected with this company's CFO to try to get better disclosure around current trends. The company has chosen not to hold earnings calls due to a strategic review that has been ongoing for more than three quarters. Although the company provided annual guidance, we believe backlogs are being consumed rapidly and are more cautious around the outlook and the lack of disclosure. After our interaction, the company continues to opt for maintaining disclosure limited to the publication of its 10-Q/10-K, and we were unable to get a real-time update. Given the negative impact to governance, coupled with our concern about fundamentals for the business, we decided to reduce our exposure to the company. Subsequent to our engagement and reduction in exposure, the company began hosting earnings calls.

Energy company

Example from Principal Fixed Income – Global High Yield

This energy company is the result of a merger in early 2022. The company's ESG score of five reflects stronger emissions reporting efforts versus peers—partially offset by a higher absolute emissions industry. In June 2022, this energy company released its sustainability-linked financing framework—focusing on Scope 1 and Scope 2 GHG emissions intensity, Scope 1 and Scope 2 methane emissions intensity, and female representation in corporate office positions. The company released its inaugural sustainability report in July 2023, at which point it was determined the company had set its baseline emissions at a level Principal determined to be artificially elevated and no longer represented adequate reduction targets. Since this time, we reduced our holdings in that energy company by more than 50%.

Principal Real Estate

Stakeholder engagement is a key part of Principal Real Estate PRPI initiative. We share an engagement toolkit with property management teams to provide direction and resources to better involve and inform stakeholders.

Each property's engagement plan is created by the property manager with strategies tailored for the specific property type, tenant profile, opportunities for engagement with the community, and geographic location. Through compliance and oversight, we verify that each property participating in the PRPI platform has a tenant and community engagement program. Outcomes are measured through tenant satisfaction, tenant retention, and tracking of environmental and social key performance indicators.

Private Real Estate teams are required to develop a communication, education, and engagement plan for tenants and community stakeholders. Tenant engagement provides guidance for encouraging tenants, vendors and community to participate in sustainable practices, and improve their environmental performance, whilst our community engagement program seeks to engage local stakeholders with sustainable activities.

Our engagement toolkit for Property Managers includes the following guidance:

- Comply with our Sustainable Guidelines for Health and Wellness
- Utilize our green leasing language, which allows us to: pass energy efficiency-related capital expenses through to tenants, require disclosure of tenant utility consumption information for the purposes of whole building benchmarking, require tenants to purchase efficient equipment and fixtures during improvement projects, and install submeters to track tenant space energy consumption.
- Participate in our enhanced appraisal program by collecting relevant sustainability information detailed in the appraisal checklist to share with appraisers.
- Leverage utility and regional incentives, rebates, and technical resources.
- Seek applicable sustainability certifications
- Develop a tenant, vendor, and community engagement plan.

Tenant engagement for each property is unique, but often includes environmental and social issues included in lease agreements:

- Utility management consumption and reporting
- Sustainable procurement
- Indoor environmental quality management
- Environmental initiatives
- The community engagement program includes:
  - Public space enhancement program
  - Employment in local communities
  - Community health/well-being programs
  - Property and tenant support of local charities/community groups
  - Sustainability education programs
  - Community outreach events
  - Publishing articles about energy savings methods in local papers
  - Partnering with local schools on energy reduction education

Investment Team Case Studies

We have included case studies from 2023 which highlight our approach to stewardship and engagement. While there are no significant changes in overall investment processes, the new case studies demonstrate the continued effectiveness of our process, and reflect the importance of our investment teams when managing ESG risks, resourcing stewardship, engaging with issuers on ESG matters, and escalating our efforts when necessary.

Private energy company

Example from Principal Fixed Income – Global High Yield

ENGAGEMENT TYPE: Direct - Letter to the Board

BACKGROUND: This private energy company advertises as one of the largest charitable organizations in the greater Houston area. In addition, the company recently announced an employee retention program.

OBJECTIVES: To understand the drivers and KPIs associated with the privately owned company and their retention program.

RATIONALE: We elected to engage to better understand the mechanics of a bottom-up sustainability framework.

ACTIVITIES: We met with the company's president and chief financial officer at their office in November 2023. The meeting focused on understanding the potential KPIs, payouts, and action steps for this ambitious operating plan. Their program aims to double the company's revenue and earnings before interest, taxes, depreciation, and amortization (EBITDA) from a 2021 base-level by 2025 while lowering emissions intensity by 30%. To further incentivize employee engagement, the company will donate $10,000-$20,000 per employee to the local charity of their choice upon completion.

OUTCOMES: A better understanding of the KPIs associated with the firm's large growth plan. We believe this unique incentive structure shows a distinct balance of financial incentives and community engagement while pushing toward a more sustainable firm. Principal has maintained its existing ownership in the company.

We will continue to monitor the status of the plan to determine its ultimate success.

Private energy company

Example from Principal Fixed Income – Global High Yield

ENGAGEMENT TYPE: Direct

BACKGROUND: This private energy company provides diesel and electric compression to large-scale oil and gas firms for movement of molecules within pipelines. Recently proposed EPA rules look to limit the emissions from these devices.

OBJECTIVES: To understand the possible impacts of the EPA's proposed Good Neighbor rule, which looks to limit the emissions intensity of large-scale compression.

RATIONALE: We view the company as an industry leader in sustainability as evidenced by its recent investments in electric compression, and robust sustainability reporting.

ACTIVITIES: We met with the company's chief financial officer in the company offices in Houston, Texas. The conversation revolved around the pace of diesel to electric conversion, the impact of the proposed EPA Good Neighbor rule on the company and the industry, and future voluntary reduction activities.

OUTCOMES: We believe we have a stronger understanding of the compliance risks associated with the proposed EPA rule. We also believe the conversation highlighted how the proposed rule may impact the company's competitors and its relative position versus peers.

We continue to monitor the status of the EPA's proposed rule, which recently ended its public comment period. We maintain our existing investment in the firm given our view of its relative strength and proactive steps taken by management versus peers to minimize financial risks.

Energy company

Example from Spectrum Asset Management

ENGAGEMENT TYPE: Direct

BACKGROUND: This energy company is one of the largest vertically integrated oil and gas companies in the world. The company has three business segments:

1. Production and operations (which includes oil and gas production, refineries, and pipelines)
2. Gas and low carbon energy
3. Customers and products (which contains aviation fuel products, convenience stores, electric vehicle charging, and fuel supply and midstream)

Given the nature of the oil and gas industry, this company remains exposed to environmental and social risks, such as energy transition risk and product safety risk. However, those risk exposures are mitigated by the company's sound governance practices.

OBJECTIVES: The objective is to engage with the issuer to confirm that it's properly managing its ESG risks, which helps to better inform our broader credit analysis.

ACTIVITIES: Spectrum engaged with the company's management team to discuss material ESG factors, including the company's sustainability targets and strategy. In particular, we assessed the company's greenhouse gas emissions reductions plan and business model resilience.

OUTCOMES: Management recognized the company's transition risks but also addressed the importance of a trilemma that the company faces: affordability, reliability, and clean energy. The company has laid out 10 net zero aims in various business sectors to achieve net zero emission by 2050, such as operations, productions, and sales. While the company's major business is hydrocarbon, it has focused on investing in transition growth over the next decade. In 2022, it increased its transition growth investment to $4.9B from $2.4B in 2021. In addition, management pointed out that the company's diversified geographic footprint allows the company to mitigate rising geopolitical tensions. Spectrum continues to monitor the progress of the company's sustainability strategy, and we view its ESG risks as manageable.

Diversified financial services company

Example from Spectrum Asset Management

ENGAGEMENT TYPE: Direct

BACKGROUND: This company is a diversified financial services company that provides a wide range of financial products and services to consumers and businesses. It's a major issuer of Visa and MasterCard credit cards in the U.S. It also offers debit cards, auto loans, and other consumer lending products through commercial and consumer banking business segments. In line with its peers, the company is exposed to moderate environmental and social risks. It has solid governance practices, which help mitigate these risks.

OBJECTIVES: The objective is to engage with the issuer to confirm that it's properly managing its ESG risks, which helps to better inform our broader credit analysis.

ACTIVITIES: Spectrum engaged with the company's management team to discuss material ESG factors, including the company's cybersecurity and data protection strategy.

OUTCOMES: Management emphasized their strong risk management, despite deficiencies during 2019 when they experienced a data breach due to a cyberattack that affected millions of customers. The bank responded promptly to enhance security measures, and the deficiencies have been remediated since then. Management outlined seven categories included in the risk management framework that they have been implementing in order to fully integrate ESG-related risks at the board level. On the customer-facing side, the company established a green auto hub to educate customers on the benefits of electric vehicles. In addition to building the protection of data security and customer privacy, management highlighted that they continue to invest in digital tools that provide better experiences for customers as the bank expands its business towards digitalization. Spectrum continues to monitor the implementation of the company's cybersecurity strategy, and we view its ESG risks as manageable.

Consumer finance company

Example from Spectrum Asset Management

ENGAGEMENT TYPE: Direct

BACKGROUND: This company provides banking products and electric payment services. It operates through two business segments:

1. Digital banking, which includes consumer banking and lending products such as credit cards and personal loans
2. Payment services, which includes PULSE network to provide payment transaction processing and settlement services

Like its peers, the company has faced low environmental risk exposures and moderate social risks associated with cyber security and data privacy. The company has been addressing its legacy governance issues with respect to compliance and regulatory risks.

OBJECTIVES: The objective is to engage with the issuer to confirm that it is properly managing its ESG risks, which helps to inform our broader credit analysis.

ACTIVITIES: Spectrum engaged with the company's management team to discuss material ESG factors, including the company's improvement in corporate governance.

OUTCOMES: Management discussed some of the ESG efforts that they have been making related to social impact, cybersecurity, and governance structure. Management stated various financial inclusion goals to increase business diversity. On the cybersecurity side, the company built an enterprise-wide incident management framework to mitigate risks, in addition to enhanced data protection practices. From a governance perspective, management has recognized its legacy challenges. However, while the company was in the phase of a CEO transition, management also emphasized its progress in improving compliance and governance structure. For example, they established a separate risk oversight committee at the board level to strengthen risk management. Moreover, they increased spending on compliance to hire more directors with diverse skillsets and background, including experts from banking and regulatory backgrounds. Spectrum continues to monitor the development of their risk control system, and we view its ESG risks as manageable.

Transportation infrastructure company

Example from Global Listed Infrastructure

ENGAGEMENT TYPE: Direct

BACKGROUND: This company is the operator of the largest airport in Beijing and its key international gateway. The company exhibited the lowest board gender diversity level in our portfolio, with no gender diverse directors as of year-end 2022. While consistent with the limited board gender diversity seen at many other Hong Kong-listed Chinese companies, this represented a key weakness in the company's ESG practices relative to international norms.

OBJECTIVES: Hong Kong listing rules now require companies to add at least one gender-diverse director by year-end 2024. One of the areas in which we focused our engagement efforts with Hong Kong-listed portfolio companies is the companies' commitments to complying with this requirement and expected timelines for doing so.

ACTIVITIES: We have engaged with this company since 2022, initially indicating specific ESG improvements that we believed would benefit the company's sustainability, including: enhanced emissions disclosures, establishment of net zero targets, and better gender diversity at all levels, including at the board level. In 2023, we met with the secretary to the board, commercial development general manager, and deputy general manager while on an investor research trip in China, seeking to reiterate our team's current sustainability priorities and to ask for an update on the company's progress regarding diversity.

OUTCOMES: The company added a female director to its board in June 2023, therefore satisfying the Hong Kong-listing requirement. With just one of nine (11%) of board members a woman, the gender diversity of the board remains below our portfolio's average. However, we recognize this development as a positive first step and expect future improvements may follow over the medium term. The addition of the female director also brought the board to being majority independent, and both governance updates were reflected in an improvement to the company's governance rating.

Utilities company

Example from Global Listed Infrastructure

ENGAGEMENT TYPE: Direct

BACKGROUND: This utility company is a Canadian regulated utility holding company, with the majority of its net income derived from its Florida utilities. They have been a portfolio holding since 2019. During our fundamental research process, we identified that the company offered above-average gender diversity versus the peer group but was less impressive on racial diversity metrics. We also noted the opportunity for the company to accelerate its decarbonization plans in Nova Scotia and show material near-term progress in company-wide emissions. The company targets a 55% reduction in CO2 emissions by 2025 off of a 2005 base and delivered a 41% reduction by year-end 2022.

OBJECTIVES: Our recent engagements with the company focused on workforce diversity initiatives and progress on its carbon emissions reduction goals.

ACTIVITIES: We met with senior members of the company's sustainability and investor relations teams in 2023 to discuss decarbonization progress and the potential for increased diversity disclosures and targets. This conversation built upon prior engagements in 2021 and 2022 and was part of our investment team's initiative to engage with each portfolio company at least once annually. This engagement conversation complemented our several meetings with other C-suite executives on financial topics in 2023.

OUTCOMES: The company recently reported that it delivered a 47% reduction in CO2 emissions off its 2005 base as of year-end 2023. Coal use has declined by 77% over that time frame. The ongoing progress was tied to the start-up of Maritime Link transmission and the retirement of coal usage at Big Bend unit 3 in Florida in 2023. We see this continued progress as supporting the credibility of the company's emissions reduction targets and continue to believe its 2025 target is well within reach. As further support, we note that the company's 2024 short-term incentive plan makes specific reference to the achievement of a year-end forecast that demonstrates the company "is on track to fully achieve its 2025 Climate Commitment Goal." Otherwise, we plan to continue to engage regarding the potential for the company to accelerate its longer-term emissions reduction and coal closure targets.

In its 2023 sustainability reporting, the company also updated its diversity performance indicators to provide greater visibility on minority and underrepresented members of the workforce. This is a positive given our belief that companies with workforces that reflect the diversity of their service territories will be better positioned to meet the evolving needs of their customers. The new disclosures highlight that while their workforce exhibits less minority diversity than the population it serves, the company is closing the gap. For example, 42% of U.S. employees identified as visible minorities compared to approximately 50-70% of the population in its service territories. We expect the company to continue to evaluate the possibility of adding workforce diversity targets, which could be another positive outcome related to our engagement efforts over time.

Renewable energy company

Example from Global Listed Infrastructure

ENGAGEMENT TYPE: Direct

BACKGROUND: This energy company is a European-based renewable energy company that operates a global renewables portfolio of 16 GW focused on wind farms and increasingly solar assets in the U.S. (50% of assets) and Iberia. It is the fourth largest wind operator globally based on installed capacity. We have owned shares since 2019.

OBJECTIVES: Given the company's leadership role in developing renewable power, its Scope 3 emissions is the largest component of the company's footprint. Our recent engagements have therefore focused on Scope 3 emissions as well as other areas in which the company has room to improve its ESG proposition from an already strong position. We also sought to communicate our preference that the company reports to CDP as a standalone entity. Given resource constraints, the parent company is the only entity reporting to CDP. We recommended the company consider reallocating its own reporting resources to prioritize CDP over some of the recognition we deem more marketing-based, such as the Dow Jones Sustainability Index.

ACTIVITIES: We met with the head of sustainability in 2023 as part of our initiative to engage with each portfolio company at least once annually. This conversation built upon prior engagements in 2021 and 2022 and complemented our regular meetings with other C-suite executives on financial topics in 2023.

OUTCOMES: The company flagged several enhancements to its internal processes and planning around Scope 3 emissions. In 2022, it required all suppliers to sign an acknowledgment of their emissions reduction ambitions for the first time. During our conversation in 2023, the company outlined its plans to push its suppliers to align targets with the company's, though management anticipates this will take a couple of years. The company noted that in general, wind suppliers were more mature in their emissions reduction initiatives than solar suppliers. The company also has a pilot going to offset business travel, and this is something that could be expanded depending on how much progress is made with suppliers. We also noted that the company submitted its scope 3 ambitions to SBTi for approval in 2023 and expect the net zero target across all three scopes will be approved by SBTi at some point in 2024.

The company also highlighted some minor challenges related to scope 2 emissions reduction, citing difficulties of both a fully electric company vehicle fleet in some jurisdictions because of a lack of availability of charging networks. In some cases, it is also difficult to secure green electricity to supply self-consumption. We plan to follow up on these challenges in 2024.

Lastly, while the company was receptive to our preference that it report to CDP as a standalone entity, the company made no commitments to do so. We will also follow up on this topic in 2024.

Materials company

Example from Principal Equities

ENGAGEMENT TYPE: Direct engagement with investor relations

BACKGROUND: The company is an Australia mining company.

OBJECTIVES: Our key objectives were to discuss with investor relations ahead of their annual company meeting the remuneration policy and remuneration committee chair.

ACTIVITIES: We spoke with the company's investor relations (IR) team ahead of the company's annual general meeting (AGM). Since ISS have used incorrect data to come up with their recommendations to vote against the remuneration policy and the remuneration committee chair, we directed our votes to support the company. In particular, we note:

- ISS noted that the stock price fell 8% over the fiscal year (to June 23), but it actually increased by more than 30%. ISS used this to argue that pay was not aligned with performance, which does not seem reasonable.
- ISS compared director pay in USD last year to AUD this year and concluded the pay increase was excessive.
- ISS included the new CEO's sign-on bonuses in the ongoing annual pay and concluded that his annual pay is excessive vs. peers.

OUTCOMES: Remuneration vote did not pass.

Industrials company

Example from Principal Equities

ENGAGEMENT TYPE: Direct engagement with the company

BACKGROUND: This company is a Japanese manufacturer of computerized numerically controlled (CNC) machine tools and other industrial machinery.

OBJECTIVES: Since becoming a holder of the company, we've had ongoing discussions about improving balance sheet efficiency.

ACTIVITIES: In our meeting in September, we once again encouraged the company to consider using the large net cash balance to increase share buybacks. The executive noted they have not paid too much attention to their balance sheet and capital efficiency in the past but are aware that the level of equity is something they can control in order to improve ROE. The current announced guideline is 35% shareholder returns with potential for more cash return if there is excess future cash flow (FCF) generation, but we will continue to encourage a step up in cash returns.

OUTCOMES: Investment thesis playing out as expected on more aggressive buybacks and high U.S. exposure, leading to better-than-expected orders.

IT company

Example from Principal Equities

ENGAGEMENT TYPE: Direct engagement with the company.

BACKGROUND: This company was originally established as a research laboratory in 1937 and commenced research and trial manufacture of selenium rectifiers. Using rectifier technology, the firm developed power semiconductors, automatic voltage controllers, inverters, and converters, which helped establish the foundation for its evolution into a power electronics firm. The company produces power electronics products, mainly semiconductor devices for autos and home appliances.

Our analyst and team have been focusing on:

- Alignment between management compensation and attainment of financial targets
- Intentions of its subsidiary stake and management desire to unlock shareholder value

ACTIVITIES: In the latest meeting, our analyst further focused on how to close the valuation gap between the subsidiary and the core market cap. Additionally, there were discussions on management compensation KPIs and operating profit margin improvement initiatives.

OUTCOMES:

Management compensation key performance indicators (KPIs)/Linkage to annual & MT financial targets

Compensation is tied to business performance; there are short and long-term incentives. Short-term incentives are tied to core parent company operating profit (OP); each business unit has its own KPI. Long-term incentives are tied to consolidated metrics. The company also added ESG goals this year.

Subsidiary IPO/Current stake/Implied core business valuation

The subsidiary was originally purchased back in 1990, with an IPO initially contemplated back in 2007/2008. However, when the 'Lehman Shock' occurred it was necessary to recruit high level engineers on a global basis. The IPO was finally completed in 2020.

The company intends to retain their majority holding, allowing time to enhance enterprise value and close the valuation gap that the stock market is giving. Improving OP margin will help close that gap.

Capital allocation priorities

The company's primary priority is organic investment back into the business to improve margins and profitability. The dividend payout will remain stable.

Industrials company

Example from Principal Equities

ENGAGEMENT TYPE: Direct engagement with investor relations

BACKGROUND: The company is a German industrial conglomerate that reports three core segments:

1. Digital industries (30% of sales, 38% of EBITDA): Market leader in automation and digitalization, with products including industrial software, factory automation products, CNCs for machine tool automation, process automation, and motion control.
2. Smart infrastructure (26% of sales, 22% of EBITDA): Low-voltage products, medium-voltage products, building automation and fire protection systems, HVAC controls, and digital grid.
3. Mobility (14% of sales, 8% of EBITDA): Rolling stock, rail infrastructure, and service.

OBJECTIVES: The main objective has been meeting with the company to simplify the portfolio to enhance value and reduce governance risks.

ACTIVITIES: We encouraged continued portfolio optimization, noting that despite the extensive changes to the portfolio in recent years, the group remains too complex, and energy is still creating headaches despite the majority divestment. IR note that the company continues to wind down the energy stake, and it won't be there in the mid-term. However, the company remains committed to being a majority holder in its digital services holding company, which the company likes very much for the secular growth trends (though the 75% stake is not set in stone). The re-rating process as a result of de-conglomeration won't happen overnight; the company has to demonstrate consistent performance.

OUTCOMES: We have since moved on from our position given the lack of execution to release the underlying value.

Consumer discretionary company

Example from Principal Equities

ENGAGEMENT TYPE: Direct engagement with the company

BACKGROUND: This company is the leading automaker globally, with approximately nine million units manufactured annually and approximately 12% global market share last year. Despite global leadership in scale, the company's multiple has been impacted by the fact that the company is late to the electric vehicle (EV) transition. Recent developments are providing a path to accelerated progress. The announcements around battery innovation and in-house production should reassure the market that the company is capable of leading with a secure source that carries a cost advantage longer-term.

OBJECTIVES: Leadership and governance:

The company has an extensive list of holdings in suppliers and other original equipment manufacturers (OEMs). This list is ripe for consolidation of divestment that could unlock value and improve sustainability. Given the evolution taking place in the industry, we see this as a competitive opportunity to engage with management and ensure the company leads on cost and technology.

ACTIVITIES: We met with the executive product manager and investor relations to discuss the organizational structure post the KDDI divestment, increasing cash balances through the continued sale of minority holdings, and returning capital to shareholders.

OUTCOMES: As shareholders, we agree with the strategy discussed and encouraged the company to move in this direction in a timely manner.

IT company

Example from Principal Equities

ENGAGEMENT TYPE: Direct engagement with the company

BACKGROUND: Timing devices maintain synchronization of electronic devices. This company holds more than a 90% share of the silicon microelectromechanical systems timing market. Timing remains dominated by quartz/crystal products, but silicon is gaining share due to better performance, smaller size, lower power consumption, programmability, and supply chain resilience.

OBJECTIVES: Our objective is to follow up on proxy and sustainability items given the lack of disclosures.

ACTIVITIES: In May, we met with management on the following:

- DEI metrics were disclosed for the first time in the most recent ESG report. We had discussed the company possibly disclosing these metrics in a prior meeting. They noted that public commitments are being considered.
- DEI metrics for 2022 vs. 2021: Male 78% vs. 78%. Female 22% vs. 22%. Non-White and non-Asian 6% vs. 3%. Asian 51% vs. 55%. White 44% vs. 43%.
- Using our proxy voting guidelines, ISS recommends withholding votes for two directors due to the classified board and supermajority vote required to modify certain corporate governance documents with no sunset provision.
- The company has considered modifying these governance items but is not ready to at this time. We recommended considering a sunset provision.
- Using our proxy voting guidelines, ISS recommends voting against executive compensation due to the magnitude of potential incentive compensation.
- Executive compensation plan dollar amounts seem excessive, but very aggressive (maybe even aspirational) targets make it unlikely that all of the RSUs are exercised if shareholder returns are mediocre. The company disclosed megawatt hours (MWh) of energy used from the electric grid (2,646 MWh in 2022 vs. 1,855 in 2021) but did not disclose CO_2 emissions.

OUTCOMES: The company is moving in the right direction with disclosures, and we'll continue to engage on topics mentioned in the activities section.

Consumer discretionary company

Example from Principal Equities

ENGAGEMENT TYPE: Direct engagement with the company

BACKGROUND: This company is the leading dollar store operator in Canada, with 1,525 stores and seven warehouses located across the country. They have over five times more stores than the closest competitor and see opportunity to add an additional 475 stores in the home market. Products are sold at select fixed price points up to $5, and stores carry a broad mix of consumer products with more than 6,000 active year-round SKUs and over 800 seasonal products. Sales by segment: consumables 44%, general merchandise 42%, seasonal 14%.

OBJECTIVES: Our main engagement focus has been on supply chain transparency.

ACTIVITIES: During our discussion with the VP of finance, the main topic was the supply chain and transparency. We raised concerns about conflicts of interest in the auditing process, particularly in Asia. We described the company's diversification in the region, the requirement to sign off on standards, random checks, and how easily the company can switch suppliers if necessary. China remains the largest supplier, but they are diversified in Asia. There's no change in China exposure in recent history. We also mentioned that the companies from which they supply directly source to others, so there are efforts from multiple multinationals to manufacture ethically.

OUTCOMES: Still ongoing at this point.

Industrials company

Example from Principal Equities

ENGAGEMENT TYPE: Direct

BACKGROUND: The company stated manufacturing issues regarding aircraft engines.

OBJECTIVES: We wanted to better understand the scope of the issue, the root cause, remedies in place, and the overall health of the supply chain given the strain we've seen since the pandemic.

ACTIVITIES: Since the announcement, we held quarterly calls with the company to understand any changes to the scope or potential costs that could arise from the issues. We also spoke to several sell-side analysts, as they have good understandings of technical aspects and historical examples of engine issues on previous large commercial engines.

We participated in several sell-side and industry expert calls to gather several data points, helping us to frame the situation and the broader impact to the company and downstream markets.

OUTCOMES: Nearly one year after the initial announcement, the company continues to work through the issues. Fortunately, the problems seem to be contained within the original scope. Despite the uncertainty, the company managed to identify which engines were at risk and proactively worked on fixes before any major incidents occurred. From an investment thesis perspective, the production issue, remedies, and ongoing supply chain dynamics led us to believe that this was a near-term problem—not a longer-term fundamental or structural issue with the company.

We came to the conclusion that the long-term thesis remained intact.

Chemicals company

Example from Principal Edge

ENGAGEMENT TYPE: Direct

BACKGROUND: This company has a $15bn clean energy capex pipeline, including several large blue and green hydrogen projects. The company invested more heavily into the clean energy opportunity than their competitors, which has weighed on the stock as the projects are long-term in nature and more unproven than traditional industrial gas projects.

OBJECTIVES: Understand the potential return on investment from these clean energy projects and the assumptions underlying the company's underwriting. Understand the drivers of underlying demand for clean energy, including regulations and incentives.

ACTIVITIES: Hosted multiple calls and in-person meetings with investor relations. The company is very confident in future underlying demand for clean hydrogen, driven by increasing regulations and incentives such as those under the U.S. Inflation Reduction Act and Infrastructure Investment & Jobs Act. The company is confident they will get double digit IRRs on these clean energy projects under conservative assumptions.

OUTCOMES: We maintained our position while we continue to monitor changes in regulation/incentives, new project announcements, and progress on current projects.

Escalation of stewardship activities

At Principal Asset Management, our analysts and portfolio managers consider escalation of issues on a case-by-case basis. If an investment analyst deems an issue requires escalation, the individual analyst decides how to execute the appropriate course of action. This may include:

- seeking additional information using all available research methods
- making investment recommendations
- deviating from a voting recommendation
- divesting in an asset

Analyst decisions may be made autonomously or in collaboration with a portfolio manager(s) if a transaction is required. Specific client instructions on handling a mandate supersede this process.

Factors that lead to an escalation process may vary by industry, company, and geography as well as by our exposure to the company. We utilise third party data providers to analyse company ratings and risk factors to determine materiality when monitoring issues. For example, when a company makes changes that impact one or more ESG factors resulting in lower rated ESG scores, our analysts may conduct further due diligence and company engagement, as part of their escalation process.

We engage in predominantly private meetings with management and communicate concerns and progress documented by our analysts and stored within our research database. We reserve the option to exit our shareholding if we believe the timeframe for effective improvement and/or change does not suit the best interests of our clients.

While escalation does not directly translate to our real estate business, there may be circumstances whereby escalation on specific property issues is necessary with our partners, developers, and property managers. For example, a data center purchased by a Principal client was identified as a high risk for extreme heat. The Principal Real Estate team took emergency preparedness steps—subscribing to local alert systems, developing a tenant communication plan, and updating building policies to include risk mitigation strategies and emergency response actions.

Utilities company

Example from Global Listed Infrastructure

ENGAGEMENT TYPE: Escalation

BACKGROUND: This utility company is a holding company which owns the main electric and gas utility for the eastern third of Michigan, as well as unregulated energy infrastructure, energy trading, and industrial energy management businesses. Historically, our discussions with the company largely focused on assessing the evolution of its decarbonization initiatives, specifically its plans for the retirement of several coal generation units and continued rollout of new renewable generation. While the company's net zero ambitions were consistent with those of peers at the time of our initial investment in 2021, we 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: The primary purposes of our engagement in 2023 were to discuss the company's advancement of its GHG emissions reduction goals following the submission of its Integrated Resource Plan (IRP) in 2022 and approval in 2023 and to communicate our views on the company's relatively low proportion of women on the board (27% at the time) as we considered implementing a new policy that entailed voting against the chair of a board's nominating committee when a board is less than 30% gender diverse.

ACTIVITIES: We met with several members of the company's management team in a formal engagement conversation in 2023, including the head of investor relations, VP environmental management and sustainability, and head of ESG reporting. This engagement meeting built on prior successful engagement efforts in 2021 and 2022. It also complemented our regular meetings with other C-suite executives on financial topics in 2023 and was part of our initiative to engage with each portfolio company at least once annually.

As expected, given the accelerated retirement of coal closures and related advancements in emissions reduction targets announced in October 2022, the company is unlikely to update its targets before the next IRP in 2026. However, the company indicated in our conversation that it would likely advance its interim decarbonization goals at that point and is more focused on decarbonization in the near-term window than on advancing its net zero goal. The next major step down in reported emissions will come with the cessation of coal use and conversion of one of its plants in 2025-2026. The company has reviewed what would be required for a Scope 3 net zero target but does not believe this is realistic currently.

We also highlighted our possible policy change to vote against nominating committee chairs if gender diversity is below 30%. The company took this feedback under advisement but declined to provide any commitment regarding the time frame in which the board would achieve this 30% level.

OUTCOMES: While we remain confident the company's commitment to decarbonization remains robust and see the company as a leader in several social metrics, our investment team implemented a new approach starting with the 2024 proxy voting season whereby we strongly consider voting against the chair of a board's nominating committee if the board is not at least 30% gender diverse. We believe taking action to improve board diversity can improve our investment returns. Specifically, we expect that infrastructure companies with workforces and boards that reflect the diversity of the communities in which they operate will be better positioned to meet the evolving needs of its customers and related stakeholders.

Given that the company declined to commit to a time frame for appointing additional gender diverse directors in our 2023 conversations and subsequent follow-up in early 2024, we elected to vote against the chair of the board's nominating committee. While he was ultimately reelected, he did receive the most votes against of any independent board members.

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Health care services company

Example from Principal Edge

ENGAGEMENT TYPE: Escalation

BACKGROUND: The company has a history of low reported ESG scores across the major ESG rating agencies. Our midcap client engaged with our team in September 2023 following an updated annual report (released in August 2023) to address specific concerns about the company's ESG policies and specific "controversy" ratings. From there we engaged with them directly many times in 2023, both with our client and separately, to address these issues.

OBJECTIVES: To help the company better disclose information to improve its ESG metrics and address specific questions and concerns related to ESG from one our major clients.

ACTIVITIES: In September through December of 2023, our team held two virtual meetings with the company (including one with its CFO) in an effort to address our client's concerns related to disclosures and to provide advice/recommendations that could lead the company toward better ESG ratings in the future. Our team also corresponded via email several times in the September-November time frame with the company's head of communications and sustainability to ask/answer questions on these topics and provide guidance.

OUTCOMES: In November 2023, the company furnished a new nine-page report that directly addressed raised concerns. The company also noted improvements in its communications with ESG rating agencies as a result of these efforts. **We believe there has been positive progress made by the company because of our efforts.**

Collaborative engagements

Engagement is one of many elements that influence our holistic view of shareholder value and long-term, risk-adjusted return potential. Through collaboration, we play an active part in defining and shaping the ongoing sustainable investing discussion, the development of best practices, and the potential to enhance the risk-adjusted returns we deliver to clients.

Collaboration at an industry level on thematic risks

As a global investment manager, we take seriously our commitment to society on a global basis. We must educate ourselves and others by addressing a range of ethical, social, environmental, and governance issues that are critical to the well-being of the many communities in which we operate and may impact our clients' investments and shareholder value.

Tackling the big issues of our time—most notably climate change—cannot be done individually; it requires full collaboration at an industry level and beyond to have any chance of long-term success.

Collaboration with existing and prospective investee companies

We use our position as one of the largest asset managers in the world in a positive manner to act directly and collaboratively with investee companies.

We prefer to begin the process by simply asking, "What is changing?" as this tends to foster more constructive dialogue and can be further supplemented formally through proxy voting and other tactics (including the prompt disposition of shares as warranted).

Principal Equities key focus for engagement themes remained unchanged:

- Engaging on particular sustainability practices, such as carbon emission levels or diversity and inclusion practices
- Greater transparency and alignment of sustainability practices and how they fit into the company's overall business activities
- Management of governance risks

Collaboration with peers/ asset managers/investors on specific issues

While we believe that direct communication between investors and companies on sustainability matters is an important element of the portfolio management and research services we provide, we also support collaborative engagements with our peers on specific issues that are aligned with our clients' best interests and in keeping with our internal policies and procedures.

We use collective engagement if an issue is deemed—by us or a client—to create significant corporate or broader economic stress or if it would significantly and meaningfully reduce the value of the company. We believe effective stewardship can encompass any issue that may impact a company's long-term risk-adjusted return potential, including sustainability issues.

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GRESB 2023 collaboration

Example from Principal Real Estate

ENGAGEMENT TYPE: Collaborative – GRESB 46 Companies across 13 markets

BACKGROUND: Principal Real Estate joined the 2023 GRESB APAC Real Estate round of collaboration that engaged companies in sustainability conversations. There were 46 target companies. Eighteen of those target companies held meetings with the group, which was an improvement in the engagement ratio from 2022.

OBJECTIVES: To address concerns for companies that considered GRESB mainly related to:

- Issues around the availability of tenancy data (energy, water, waste) leading to concern of lower scores for double net lease or triple net lease scenarios.
- Being benchmarked against ESG leaders/peers that had started ESG journeys early—concern of rankings and lower scores.
- Resources needed for data collection

ACTIVITIES: From April to August, we proactively reached out to 46 target companies. Our approach entailed initiating introductory emails or phone calls to introduce our engagement program and ensure we were in contact with the appropriate individuals. Subsequently, we followed up with a detailed letter sent via email. Throughout this process, we maintained diligent communication, conducting a minimum of two follow-ups with each entity. It is worth noting that we refrained from sending hard copies of the letter.

Through our press release this year, we effectively communicated that a substantial number of our esteemed global investor members, who collectively manage assets totaling USD 8.1 trillion, share the conviction that GRESB will serve as the common language for evaluating their investees' ESG management practices and performance.

OUTCOMES: The increasing relevance of the Task Force on Climate-related Financial Disclosures (TCFD) in Asia, combined with GRESB's alignment with other global ESG benchmarks, yielded tangible outcomes. Notably, GRESB's concerted engagement with investors in the global real asset industry led to significant developments. A remarkable one-third of investors now regard GRESB scores as a prerequisite for investment screening, elevating the significance of GRESB participation to a new echelon. Hearing direct quotes from investors emphasizing the growing importance of GRESB reinforced the compelling business case for engaging in GRESB reporting.

Principal Asset Management[SM]

CHAPTER

05 Actively exercising our rights and responsibilities

As a fiduciary and as a responsible investor, we are stewards of capital and must exercise our rights accordingly for our stakeholders.

As explained in Chapter 1, our core values and investment beliefs shape our approach to sustainable investment and stewardship in the best interests of our clients and in an effort to deliver positive outcomes for our stakeholders. As well as being responsible investors, we must be responsible owners—taking the opportunity to exercise our shareholder rights in the furtherance of our commitments. In line with our governance structures and individual asset level approaches explained in Chapter 2, we take a bespoke approach to the way in which we exercise our rights and responsibilities across our assets.

Proxy voting: An integral part of the investment process for Listed Equities

Engagement with corporates and participation in industry and sector collaborative engagements—combined with our bottom-up research process—formulates our views and execution of proxy voting responsibilities as a core responsibilities for our more than 100 equity investment professionals.

Principal Asset Management executes these responsibilities consistent with the desire to seek the best outcomes for our clients while also ensuring our investee companies adopt and execute sound governance practices to produce long-term shareholder value. Our approach to exercising our rights and responsibilities through proxy voting is conducted in line with our client expectations and our wider sustainable investing and stewardship processes. Rather than take a one-size-fits-all strategy to voting, our approach may differ across products and jurisdictions as we seek particular outcomes for our clients.

Principal Asset Management has a dedicated committee—comprised of analysts and portfolio managers—responsible for developing and monitoring our proxy voting policy and guidelines across all vote themes as well as providing oversight of all matters related to proxy voting, including the services of our third-party proxy research and administration provider, ISS. The Proxy Voting Committee is charged with:

- Overseeing the voting of proxies and ISS
- Where necessary, making determinations as to how to instruct the vote on certain specific proxies
- Verifying ongoing compliance with the proxy voting policy
- Reviewing the business practices of ISS
- Evaluating, maintaining, and reviewing the proxy voting policy and guidelines on an annual basis

To the extent conflicts are identified in the proxy voting process, Principal Asset Managment would seek to engage the Proxy Voting Committee.

In 2023, we launched our new vote disclosure tool via our **website.** The Proxy Voting Committee implemented additional vote disclosures with two primary benefits in mind.

- From an investment decision making standpoint, we sought to create enhanced transparency into vote results and rationales to help elevate engagement topics and the way in which we partner with the companies in which we invest on behalf of our clients.
- From a client support perspective, we wanted to give our clients, the asset owners, the ability to interact more real time directly with not only the rationale for our vote outcomes but also allow for close to real time interactions with those results.

Our enhanced disclosure tool now allows for an interactive near real time elevated disclosure into security level voting history, which also includes our vote rationales.

Proxy voting guidelines

Principal Asset Management has adopted and implemented written Proxy Voting Policies and Procedures that are reasonably designed to ensure that proxies are voted in the best interests of our clients.

Our Proxy Voting Policy describes our approach to exercising voting rights including how we deal with conflicts of interests and when we might choose to abstain from voting. Principal Asset Management utilizes the Policy and Guidelines for both US and non-US clients, allowing for regional variance in voting U.S. company proxies and voting non-U.S. company proxies.

The Proxy Voting Committee, in partnership with our third-party administrator, is responsible for the formation of all Vote Guidelines (when clients delegate proxy voting responsibility to us). In certain instances, clients may choose to maintain their own voting responsibilities.

We have engaged a third party to provide proxy voting services in accordance with our Policy. The Principal Asset Management Proxy Voting Committee oversees the services provided by the proxy advisory firm, including the voting of proxies, and the development and adoption of proxy voting Guidelines and Procedures, which are reviewed on an annual basis and may change from time to time. Each investment team is responsible for determining how to vote proxies for those securities held in the portfolios their team manages.

We currently have two primary sets of Voting Guidelines, Principal Base Guidelines and Principal Sustainable Guidelines. Investment teams maintain the right to deviate from the Guidelines on a case-by-case basis when aligned with the protocols established for this process. Where an investment team has a position which deviates from the Guidelines, an alternative set of guidelines for that investment team may be created.

There may be instances where proxy votes will deviate from the Guidelines. For example, clients may instruct Principal Asset Management to utilize a different set of guidelines, request specific deviations, or directly assume responsibility for the voting of proxies. In addition, Principal Asset Management may deviate from the Guidelines on an exception basis if the investment team or Principal Asset Management has determined that it is in the best interest of clients to do so.

The majority of our clients have delegated proxy voting responsibilities to us. For clients that seek unique outcomes, we can apply client-specific vote guidelines. Additionally, for clients that participate in securities lending programs, we assist clients in share recall processes.

We view proxy voting topics as potentially impactful to the long-term outcomes we seek. We work with our proxy advisor as well as other organizations and peer investor forums to advocate our views on topics or vote themes we feel can have an impact on our assets.

Principal Asset Management has a fiduciary responsibility to make investment decisions that are in its clients' best interests by maximizing the value of their shares. Proxy voting is an important part of this process through which Principal Asset Management can support strong corporate governance structures, shareholder rights and transparency.

Principal Asset Management℠

Fixed income assets

The Principal Fixed Income portfolio management team engages with issuers that we consider do not meet high standards on environmental, social, or governance metrics as measured by our proprietary value scoring model and ESG scorecard. We work to engage with these companies to encourage responsible and sustainable practices aligned with our investment thesis for the company.

Additionally, we encourage companies to disclose relevant and material ESG metrics through public reporting and to describe how these considerations inform the company's overall business activities. These types of engagements, we believe, help encourage greater transparency from companies we invest in and improve the overall sustainability metrics of our portfolio.

We review all prospectuses and transaction documents for fixed income assets. We work with the underwriters—and, if necessary, our peers—to make sure our securities experience the most limited impairment possible and issuers do not overstep the boundaries of contract and good governance to impair our obligations.

When a company issues new debt, we are involved in conversations around indentures. We actively negotiate covenants within indentures upon new issue in the global high-yield market. Access to trust deeds and/or impairment rights along with reviewing prospectus and transaction documents are all standardized in the global high-yield marketplace.

Stewardship and engagement

Engagement with corporates and participation in industry and sector collaborative engagements are core responsibilities for our investment professionals.

- Stewardship activities are a part of each investment team's separate philosophy and process.
- We use our equity shareholder advantage to create direct engagement opportunities. For fixed income and real estate, engagement revolves around direct communication with issuers.
- We augment our internal processes with the use of numerous third-party providers and broker-dealers.
- We have a dedicated committee responsible for developing and monitoring our proxy voting policy across vote themes, while also providing oversight of all proxy voting related matters. This includes the services of our third-party proxy research and administration provider, Institutional Shareholder Services (ISS).
- To ensure the sustainability risks are appropriately considered, we review all prospectuses and transaction documents with underwriters, and if necessary, our peers. We actively negotiate covenants and pricing to reflect those considerations.

2023 Principal Equities shareholder meeting summary

Category	Number
Votable meetings	4,839
Meetings voted	4,806
Proxy contests voted	10
Meetings with against management votes	2,470
Meetings with against ISS votes	435

Our proxy voting record is indicative of the independence of our process

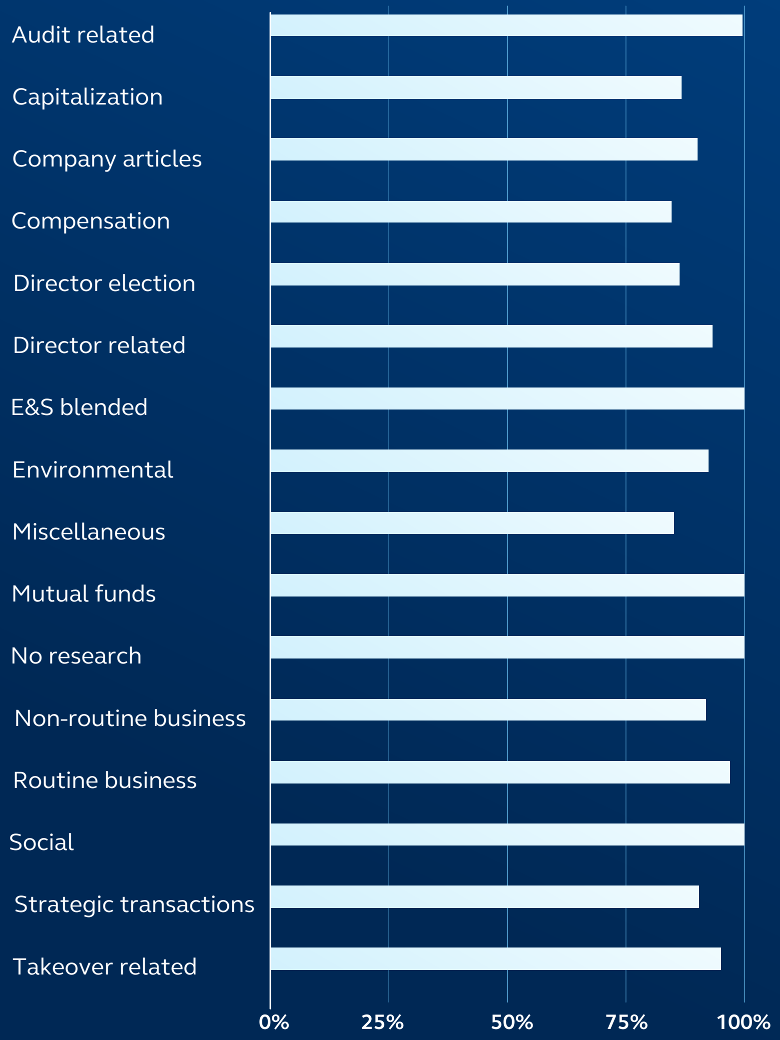
It is the policy of Principal Asset Management to attempt to vote all proxies on behalf of clients. Differences between votable meetings and meetings voted may be attributable to the complexity of the proxy voting process, international regulatory schemes, inherent inefficiencies in the process, and other factors that are outside the control of Principal Asset Management.

Proxy voting results

Find proxy results on the Principal Asset Management sustainable investing website.

Reporting Period: 1 January 2023 through 31 December 2023. This disclosure covers the shareholder engagement process of i) Principal Equities, ii) Principal Aligned and iii) Principal Edge (specialised investment management groups in Principal Global Investors LLC) and iv) Principal Real Estate Securities (a specialised investment management group in Principal Real Estate Investors, LLC).

Votes cast on management proposal categories



Votes cast on shareholder proposal categories

Case studies and rationale of governance structure proxy voting

Medical technology company

PROPOSAL: Vote to Ratify Named Executive Officers' Compensation

VOTED: Against

VOTE OUTCOME: Passed

KEY TAKEAWAYS: A vote AGAINST this proposal is warranted as the pay-for-performance misalignment has not been mitigated. CEO's high compensation is mainly driven by time-vesting equity awards. In addition, there is limited disclosure with respect to the annual incentive program.

Technology company

PROPOSAL: Approve Performance Share Program for key employees and related financing

VOTED: Against

VOTE OUTCOME: Passed

KEY TAKEAWAYS: A vote AGAINST item is warranted because the proposed plan raises multiple concerns regarding the nature and length of the performance period, the lack of disclosure of performance targets, and the proposed third-party swap agreement.

Commercial Service Company

PROPOSAL: Approve Remuneration Report

VOTED: Against

VOTE OUTCOME: Passed

KEY TAKEAWAYS: : A vote AGAINST is warranted because the proposed remuneration is below par in relation to market standards. Furthermore, the CEO receives an additional one-off contingent bonus for which it is unclear how the performance assessment was implemented. In addition, the CEO and deputy CEO are granted a significant increased base salary without the company providing any compelling rationale. Overall, the total quantum of CEO pay for 2022 is considered to be excessive. Finally, a concern is raised because the company provided limited response to last year significant dissent on the remuneration report.

Service Company

PROPOSAL: Reelect Director

VOTED: For

VOTE OUTCOME: Passed

KEY TAKEAWAYS: : A vote FOR the reelection of this non-independent nominee is warranted given the satisfactory level of board independence (including all board members: 50.0 percent vs 33.3 percent recommended; excluding employee representatives): 60.0 percent vs 50 percent recommended) and the absence of specific concerns.

CHAPTER

06 Managing risk and policies

As a global company operating in a regulated industry, we understand the expectations to embed sustainable, ethical, and equitable policies and practices throughout our business functions and teams.

Active risk management

A key management philosophy for Principal

We identify and respond to internal, external, market-wide, and systemic risks through our Enterprise Risk Management (ERM) Program.

Active risk management is an essential component of our culture and business model. Our ERM Program includes the Principal Financial Group Chief Risk Officer (CRO), whose team operates independently from the business units and investment teams. Within Principal Asset Management, there is a dedicated CRO as well as regional and local risk professionals, where applicable. In addition, our regional risk committees review and manage risk, reporting to the broader governance structure.

The Enterprise Risk Management Committee, comprised of members from the executive management group, exercises enterprise-wide oversight of our most significant risk profiles. The Committee met seven times during 2023, covering a wide range of enterprise risk topics with considerable focus on information security, financial risk, insider risk, and audit and risk consulting.

Principal Asset Management and the Principal Financial Group Board of Directors oversee the execution and performance of risk management responsibilities. The Board considers strategic threats, opportunities, and risks that Principal and its businesses and investment teams manage. The Chief Risk Officer and other members of the Executive Management team provide reports to and have discussions with the Board in relation to the Principal risk profile, the impact of external and systemic risks, and the way in-flight, strategic initiatives intersect with market-wide and systemic risk considerations. The Board receives updates from management on how we are responding to and managing market-wide and systemic risk issues.

Climate-related risk management

ERM uses a variety of scenario planning, risk assessments, modeling, and exercises to identify, assess and manage current or potential climate risks and opportunities in our business practices. As transition and physical (acute and chronic) climate risks are identified, material factors are incorporated into ERM activities. While these vary according to the line of business, product, or service, understanding and reacting to them is important to our ERM practices.

We use a risk-based approach, including materiality, likelihood, and severity, to help management prioritize risks. Risk acceptance, mitigation, control, or transfer are all considered as risk-informed decisions are made across the enterprise as part of implementing our business strategy.

Looking ahead, primary oversight of climate disclosures will be part of our Board Audit Committee's oversight of financial statements and SEC disclosures, which is in line with industry benchmarking and best practices.

EXAMPLE:

Real Estate

As an asset owner, the Private Real Estate investment teams assess our portfolio's exposure to climate-related risks and opportunities. As part of each new development project and property acquisition, we review physical and transitional climate risks through a third-party climate risk data provider:

- Physical risks reviewed include flooding, heat stress, hurricanes and typhoons, sea level rise, water stress, wildfires, and earthquakes. Our risk analysis provider reviews these hazards at both the RCP 4.5 and 8.5 scenarios, and on multiple time horizons (current, 2030, 2040, 2050, 2075, and 2100). For existing property acquisitions, information on identified high risks is provided to the Property Condition Assessment (PCA) consultant, who considers the high-risk hazards in their onsite review and provides recommendations for mitigation practices via capital improvements and/or operations practices. These recommendations are reviewed by the engineer and acquisitions team and incorporated into the underwriting and Investment Committee approval process as needed. Upon closing, the asset manager and property manager are notified of the property's climate risks and prescribed climate risk mitigation strategies for each identified risk.

  For new property developments, the engineer reviews the property design to determine if it properly accounts for high-risk hazards. Design adjustments and/or operational procedures for risk mitigation are implemented as applicable.

- **Transition risk**

  From a policy and legal perspective, an increasing number of jurisdictions and regional governments are adopting climate action plans, renewable energ portfolio standards, or other environmental regulations targeting greater energy efficiency and reduced carbon emissions associated with commercial buildings. Our climate risk analysis process includes identifying if the property is exposed to specific energy disclosure (benchmarking), audit, or emissions reduction mandates (building emissions performance standards). As required through our Pillars of Responsible Property Investing (PRPI) initiative, property managers must comply with these regulations in a timely manner.

Cybersecurity and data privacy

We take the protection of the confidentiality of the personal data entrusted to us by our customers, employees, business partners, and other individuals seriously. We limit access to personal data to those with a business need, and only disclose such information as required or permitted by law. Our enterprise approach combines information security, privacy, and data governance to foster a culture of data protection.

We understand the nature of cyber threats and the importance of being able to defend against and respond to them. We proactively assess risk on new services or systems integrated with Principal network or data. In our current systems and applications, we continuously test for and resolve weaknesses and vulnerabilities using network and infrastructure vulnerability testing, dynamic application security testing, static application security testing, and adversary emulation. The frequency of automated vulnerability scanning varies from daily to monthly depending on the type of testing and target. Principal also undergoes a third-party assessment of our information security program maturity every two years.

Aligning investments and risk

The Principal specialized investment team model empowers our investment professionals to focus their time and expertise as they deem appropriate for management processes when investing including assessing, measuring, and monitoring investment and market risks.

Our investment teams use a variety of risk-management techniques and tools appropriate to their asset class to monitor sustainability risks at the company-specific and portfolio level. Using a mix of proprietary risk management tools and third party analytics, risk monitoring is integrated into each of our investment processes to continually assess new and evolving potential sources of risk that could affect portfolio performance.

We consider opportunities and risks from several different perspectives. Risk management helps ensure compliance with investment guidelines and provides the necessary oversight to manage drawdowns on an absolute and/or relative basis.

We believe risk management processes should be intuitive, scalable, predictive, and reflective of current market conditions. Risk management is ingrained in every step of our investment process from broad allocation to individual security selection.

Effectiveness assessment

ERM is a key part of our business model at Principal. Our ERM approach is formalized to systematically identify, measure, monitor, communicate, and manage risks within defined limits and risk tolerances.

Our ERM policy and related resources set guidelines, targets, and limits to mitigate undesirable risk, behavior, or concentrations. We use an integrated risk management framework to help inform strategic and tactical decision-making and help us adapt to changes in our businesses and the external environment.

Each business unit has its own committee that meets regularly to oversee material risks. We also have internal committees that provide oversight around a certain risk or group of related risks across the enterprise. This matrix approach helps us maintain comprehensive risk coverage and preserve an integrated view of risks.

As highlighted in Chapter 1 – Principal Asset Management is an active member, participant and/or signatory to various organizations and industry initiatives that collaborate around market-wide risks and industry issues. Some of these organizations are well-established networks of asset managers and institutional investors that focus on effective industry collaboration and seek to enhance long-term value for investors and clients by being advocates for a spectrum of sustainable investing issues. It is through these collaborations that we effectively play our part in responding to market-wide and systemic risks and promote well-functioning markets.

Read more on examples of our collaboration with industry peers and stakeholders in chapter 4.

Our actions and performance in 2023

- Added subject matter experts (e.g. technology risk) to Enterprise Risk Management who can continue to drive capabilities and partnership to improve second-line consultation in high-risk areas.
- Matured processes by taking inventory and assessing the various risk reports and key risk indicators (KRI) used by each business unit risk team to determine areas of overlap and inconsistencies—both internationally and domestically. This will help us identify, assess, and mitigate risk among key programs such as incident management, operational loss, and business continuity relationships.
- Enhanced our key risk indicators program to improve the data in our operational risk profile. We matured our KRI program by reviewing and refreshing our list of metrics. This includes adding new metrics, revising current metrics, and removing metrics that no longer provide value.
- Fully integrated a quarterly assessment of capital at risk into our Board review. This assessment focuses on changes driven by the shifting macro environment and the impact on our various businesses.

Conflicts of interest

Principal Asset Management is fully committed to the highest standards of ethical and professional behavior, a critical part of which is the identification and management of potential and actual conflicts of interest. In accordance with our beliefs and standards and in compliance with the global regulatory environment in which we operate, we developed a detailed suite of policies and procedures to assist in the identification and mitigation of conflicts of interest including but not limited to our Code of Conduct, Code of Ethics, and Trade Allocation policies (together, Conflicts Policies).

We expect all our employees to adhere to our high standards and processes when managing any potential conflict of interest with our clients, always acting in the highest ethical and professional manner. We require all employees to apply our Conflicts Policies in a fair and appropriate manner, acting in the best interests of our clients and ensuring that conflicts do not have an adverse impact on those interests. Failure to adhere to our Conflicts Policies can lead to disciplinary action, up to and including dismissal.

Our Conflict Policies are reviewed annually and updated where necessary. All staff is required to complete mandatory annual Code of Conduct training to reinforce the obligation on employees to identify, manage, and report conflicts that arise within their functional roles.

These policies ensure we practice, among other things, good governance and that we as a global group of companies, staff, and representatives adhere to the best possible standards of good governance in a transparent, holistic, and sustainable manner.

The main aspects of our Conflicts Policies are summarized as follows:

Identifying conflicts

As a global organization, we recognize that conflicts may arise in multiple ways across the business, affecting different parts and jurisdictions of our operation across our various services and products. Being able to identify and manage conflicts at a global level is central to ensuring our high standards of professionalism are maintained.

A non-exhaustive list of potential conflict areas:

- Employee: employee personal account dealing, business gifts and entertainment receipt/provision, United States political contributions, and engagement in outside business activities
- Affiliate/business relationships: affiliate relationships, board memberships, broker-dealer relationships, and client access to information (e.g., side letters)
- Investment: when managing multiple accounts, conflicts may exist in the allocation of investment opportunities. We may also invest in securities issued by a company that has engaged us to manage assets on their behalf.
- Fees: conflicts may exist where we manage accounts side by side and charge differing fees to those clients and where certain accounts pay a performance fee.

Conflict management

We seek to identify and mitigate conflicts to the extent possible through the implementation of various policies and procedures, such as:

- Code of Ethics: requires reporting of employee personal securities accounts as well as pre-clearance of personal trades, certain transactional restrictions, and preclearance and disclosure of U.S. political contributions
- Insider Trading policy: requires reporting of potential material non-public information and trading restrictions while in receipt of such information
- Outside business activity reporting and preapproval requirements, gifts and entertainment reporting and approval requirements, and pre-set allowable thresholds
- Trading policies on the fair and equitable practices for trade aggregation and allocation, cross trading, best execution, treatment of commissions, proxy voting, and prohibitions on manipulative trading practices related to client accounts and portfolios

Global conflict management

We have various systems and controls to identify, prevent, and manage conflicts of interest globally, many of which are outlined and implemented at Principal Financial Group, Principal Asset Management investment teams, and all regional levels including the U.K. and European jurisdictions. These include but are not limited to the following:

- Conflicts of Interest
- Global Code of Conduct
- Investment Research
- Gifts and Entertainment Policy and Standards
- Anti-Bribery and Corruption Policy
- Travel and Entertainment Policy
- U.S. Political Activity and Government Relations Policy
- Insider Trading Policy

Evaluating our conflict management process

Within our identification and management of conflicts, we consider how these may impact our stewardship activities including:

- where we choose to engage with an investee company that is also a client
- where we hold voting rights in a company that is a shareholder of a Principal entity
- where the engagement priorities of our clients differ
- where an employee has a personal relationship with a senior officer of or an outside activity associated with a company with which we engage

We did not identify any material conflicts during 2023 that were not appropriately mitigated through our existing conflict management policies and processes. However, we have provided some examples below of how potential conflicts relating to stewardship may be identified, managed, or otherwise addressed.

Conflicts of interest related to proxy voting

To assist in conflict-mitigation related to proxy voting, we work with third-party proxy advisory firms. They provide corporate governance advisory and proxy voting services, as well as research on eligible individual companies and vote administration for such ballots.

When our clients give us the discretion to vote, the portfolio managers vote on their investee companies' motions in the best interests of each client. The portfolio managers determine what is best for the client based on investment objectives and relevant voting preferences. In adherence with the Proxy Voting Policy, portfolio managers are required to receive approval from the compliance department prior to deviating from the Principal Custom Proxy voting policy recommendation.

In exceptional circumstances, consultation with senior management, compliance, legal, and/or the potentially affected client might occur before a decision on how to vote is made. To avoid any specific conflict of interest with our parent company, Principal Financial Group, we do not actively invest managed portfolios in shares of our parent company.

Proxy votes cast in accordance with the Proxy Voting Policy and ISS recommendations are generally not viewed as the product of any conflicts of interest because such votes are cast pursuant to a predetermined policy based upon the recommendations of an independent third party.

Conflicts of interest when allocating investment opportunities

Principal Real Estate recognizes the importance of transparency and fairness in the allocation of potential investment opportunities, particularly in private asset classes with heterogeneous assets that cannot be readily replicated. Ideally, we seek to avoid mandates that are directly competing and situations where a conflict of interest with a fund or a client may appear. However, such situations can arise as investment strategies evolve and markets change.

Three main conflicts that may arise are:

1. **Between two separate funds/clients that are competing for the same type of investment opportunity**

   Where two or more client mandates are equally well-placed to acquire an investment, a rotation log is created. The first such asset is allocated to the client mandate with the longest tenure. Following the successful conclusion of the transaction, that client mandate moves to the bottom of the log. Subsequent opportunities are offered to the next client mandate on the log.

2. **Where one client is selling an asset another client wishes to acquire**

   In such situations, the client wishing to acquire the asset might be the best buyer, so it is in the interest of both parties that the potential purchaser is allowed to bid. Here, the vendor is informed of the situation, and, if they agree, a separate team is formed to represent the potential buyer, with clear segregation of information and duties. The asset in question is exposed to the market using a suitably qualified third party. The potential "internal" purchaser is treated in the same way as third-party bidders, and the successful party is selected based on the best interests of the vendor.

3. **Between Principal Real Estate and a fund/client**

   When Principal Real Estate is directly conflicted, the situation is disclosed, and the fund/client's interests are put first. In addition, there is a segregation of duties between the Management Committee which looks at running and developing the business and the Investment Committee which focuses only on the investment rationale and suitability for the client.

   Such conflicts are rare, as we believe the long-term interests of Principal are best served by always putting the interests of our client ahead of our own.

Conflicts of interest with investment personnel personal trading

Specific conflicts may arise when investment personnel (portfolio managers, traders, etc.) engage in personal trading activity. For example, a portfolio manager's personal security trading should have no effect on the decisions they make for the mandates they manage. To mitigate these conflicts of interest:

- No portfolio manager may personally transact in securities that are held or traded in an actively managed mandate for which they are responsible.
- Portfolio managers must obtain approval to transact in securities as well as in certain reportable funds (including the fund they manage at Principal)
- All staff must seek approval to transact in securities; those with access to real-time trading data are prohibited from trading a security seven calendar days before and after the firm's portfolios have transacted in the same security. This blackout period runs for a total of 15 calendar days.

Managing and monitoring service providers

Principal Asset Management adopts the Principal Financial Group Supplier Management Policy and Standards and the Global Sourcing Policy, designed to help mitigate and manage supplier risk, factor in the group's core values, and enhance measures to secure positive performance for the group.

Our value chain – suppliers, vendors, and business partners, both upstream and downstream of our business – serves a critical role in helping us deliver products and services to our clients and customers. By managing environmental, social, and governance risks and integrating these factors into our supply chain management process, we gain more transparency into how we can add extra value for our partners, mitigate business risks, and work to help create positive social and environmental outcomes.

Global Supplier Code of Conduct

We expect all suppliers, vendors, and companies we do business with to comply with our **Global Supplier Code of Conduct**, and/or our **Global Code of Conduct.**

In 2023, we established a **Sustainable Procurement Statement** that took a step beyond our Global Supplier Code of Conduct to address our expectations that all suppliers comply with our Supplier Code of Conduct, Human Rights Statements and Supplier Standards. The statement also encourages suppliers to conduct their operations in an environmentally conscientious manner and implement strategies that minimize their environmental impact, including measurement and disclosure of their energy consumption, greenhouse gas emissions, water usage, and waste usage and disposal. The statement indicates that as a part of our supplier management efforts, Principal may pursue additional sustainable sourcing discussions with suppliers to mitigate supplier non-compliance with our Supplier Code of Conduct and address any violations. A Supplier Relationship Management team was established to address ongoing management of our most strategic suppliers, including their efforts to adhere to our supplier standards. The statement is currently public on our ESG Data Center.

All suppliers are evaluated with our NAVEX Risk Rate tool during onboarding for risk-based due diligence, including monitoring and screening for social impacts, negative news, and conduct-related risks. Principal monitors suppliers for unethical and illegal conduct, adverse civil or criminal litigation, illegal hiring practices, human trafficking, or other unethical behavior and negative media.

Supply chain management

The Supplier Management Policy and Standards are applicable to all Principal entities, including Principal Asset Management, and ensure that we actively and consistently monitor and manage supplier risk and performance during the entire engagement. The Supplier Management Policy and Standards sets out minimum expectations for managing suppliers from initial conversations through off-boarding.

Material considerations in supplier assessments include the following:

1. Supplier diversity

Diversity and inclusion are the foundation of our culture and vital to our continued success. Through our supplier diversity program, Principal actively supports and facilitates the purchase of products and services from diverse businesses. We strive to include diverse suppliers in all bidding opportunities and seek partners that contribute to our strategic business objectives as well as financial performance. We continuously look for opportunities to refresh our processes to improve our supplier bid inclusion and diverse spending across all categories.

For example, we have consciously removed suppliers of legal services from our shortlist where they have been unable to demonstrate diversity within their working practices.

Additional information on our **supplier diversity program** can be found on our website

2. Fair dealing and integrity

We want to work with companies that share our beliefs and treat their customers and employees with integrity.

3. Bribery, corruption, and anti-money laundering

As part of our supplier due diligence, we comply with our legal and regulatory obligations in undertaking checks and negotiating contractual agreements to ensure that our suppliers comply with local laws, rules, and regulations.

4. Human trafficking and slavery

We have zero tolerance for human trafficking and slavery; all employees are trained to recognize and report concerns in our business or supply chain.

We are committed to implementing and enforcing systems and controls to ensure human trafficking does not take place in our business or supply chains. We expect our suppliers to share our commitment. Our Supplier Code of Conduct requires that suppliers not engage in slavery or trafficking of persons and is communicated to third-party vendors, suppliers, etc. that we do business with at the time of contract negotiation. Principal Asset Management publishes a Modern Slavery and Human Trafficking Statement[6] that is approved by the Board, reviewed annually, and updated as required.

6 https://www.principalam.com/about-us/our-story/modern-slavery-and-human-trafficking-statement

Supplier risk assessment

All supplier engagements are assessed to determine the level of risk in their appointment. This includes assessing the nature of the services provided and the adequacy and appropriateness of such services for the applicable business units. A designated supplier manager is assigned for all suppliers, and a supplier risk assessment is completed. Where the supplier risk tier rating is assessed as high or medium and the supplier is determined to be critical to the business, the relevant business leader will be engaged. The supplier manager will complete a supplier management plan and a performance scorecard to document the risks and performance obligations.

Risk monitoring

Monitoring and managing a supplier's risk, contract compliance, and performance is ongoing and consistent. The supplier manager assesses and determines the minimum standards for a given supplier and continues to evaluate the supplier risk through frequent assessment. Supplier risk assessments are completed annually for high- or medium-risk suppliers and every two years for low-risk suppliers. If the supplier is deemed critical to the business or enterprise, a supplier management plan and performance scorecard document are required even if they have a low-risk tier rating. The performance scorecard is required bi-annually.

Supplier management plan

The supplier management plan is used to document the strategy for ongoing risk monitoring and performance management of a supplier throughout the lifecycle of the engagement including key contract provisions, contingency plans for short- and long-term supplier downtime, and issues monitoring.

Supplier performance scorecard

All suppliers with a risk rating of high or those deemed critical to the business are required to complete and present a performance scorecard every six months (or as events dictate). This process assesses how suppliers have met required obligations and highlights areas for supplier improvement as needed. For new suppliers with a high rating, a performance scorecard must be prepared and shared with the supplier within 180 days of engagement. The performance scorecard is used to update the supplier management plan and any associated performance considerations and agreed requirements.

Case Study

Monitoring service providers

Data providers:

Principal engages the services of multiple data providers to gain access to critical data used in the research and decision-making process and necessary for carrying out investment activities as part of our stewardship. The supply of such data is deemed to be business critical, so we engage with these suppliers throughout the year to ensure the services provided are maintained and meet expectations.

Ongoing engagement

Due to the critical nature of the data services that we use, if there are any issues identified with data quality and/or coverage, the relevant business unit makes direct contact to resolve the issues. We engage with our data providers on an ongoing basis to help them improve the accuracy and timeliness of their data as well as the level of coverage they provide for us across different sectors. We believe this engagement is important as it improves the precision of their data but also reinforces our internal scoring as we can update our ESG metrics and scoring quickly based on new information, set internal controls, and allow for greater coverage.

Monthly relationship calls

We believe regular and consistent engagement is important to ensure the services being provided meet our needs, as agreed in the supplier contract.

Monthly relationship calls are held between our data service provider's relationship managers and a Principal designated supplier manager, involving relevant internal business units as deemed appropriate. Discussions focus on new products, new initiatives, any outstanding issues, new or renewing contracts, status updates for ongoing project work, performance review of data services and licenses, progress on resolutions, training sessions, and feedback gathering.

Examples of agenda items for monthly relationship calls include but are not limited to:

- **ESG data integration** – implementation and training
- **WFH product enhancements** – features and training
- **Disaster recovery status** – status updates and future plans
- **New security features** – mechanics for setup
- **Licensing** – use cases and commercial review

Where relevant, the tracking of ongoing initiatives, issues, and corrective actions allows us to highlight when the supplier is not meeting our expectations and provides the opportunity for continuous improvement.

Annual review

At the end of each year, the supplier management plan is reviewed and updated. This annual review considers the activity during the year and any changes required to how the supplier was being managed in relation to the existing contract, risk assessment and monitoring process, issue tracking, and ongoing engagement.

Key agenda items discussed during the review are:

- Review of key performance indicators, any updates, and/or additions
- Corrective action plans and timing
- Review of the supplier's capacity against future requirements, projections, or initiatives
- Other topics as dictated by the nature of the supplier's engagement

We believe that application of and adherence to our Supplier Management Policy and Standards is effective, as demonstrated by the above example of how we have monitored our ESG Data service provider. The services with which Principal Asset Management were provided in the 2023 reporting period were delivered in a way that allowed us to carry out our stewardship activities in accordance with the high standards we set.

Principal Asset Management℠

CHAPTER

07 U.K. Stewardship Code

The following pages provide a detailed mapping analysis and breakdown showing where in the report we speak specifically to the 12 principles of the U.K. Financial Reporting Council (FRC) for continued commitment to being a U.K. Stewardship Code signatory.

For sections of the code where there has been no material update in 2023, the mapping table refers to, and is linked to, the **2022 version of Global Stewardship Report.**

ID	Type	Principle	Description	Chapter	Page(s)
1	CONTEXT	*Principle 1*	Signatories should explain the purpose of the organization and an outline of its culture, values, business model, and strategy	CHAPTER 1	7-11
2	CONTEXT	*Principle 1*	Signatories should explain their investment beliefs, i.e. what factors they consider important for desired investment outcomes and why	CHAPTER 1	10
3	ACTIVITY	*Principle 1*	Signatories should explain what actions they have taken to ensure their investment beliefs, strategy, and culture enable effective stewardship	CHAPTER 1	7-11
4	OUTCOME	*Principle 1*	Signatories should disclose how their purpose and investment beliefs have guided their stewardship, investment strategy, and decision-making	CHAPTER 1	10-11
5	OUTCOME	*Principle 1*	Signatories should disclose an assessment of how effective they have been in serving the best interests of clients and beneficiaries	CHAPTER 1	17
6	ACTIVITY	*Principle 2*	Signatories should explain how their governance structures and processes have enabled oversight and accountability for effective stewardship within their organization and the rationale for their chosen approach.	CHAPTER 2	19
7	ACTIVITY	*Principle 2*	Signatories should explain how they have appropriately resourced stewardship activities, including their chosen organisational and workforce structures.	CHAPTER 2	19-27
8	ACTIVITY	*Principle 2*	Signatories should explain how they have appropriately resourced stewardship activities, including their seniority, experience, qualifications, training, and diversity.	CHAPTER 2	20-27
9	ACTIVITY	*Principle 2*	Signatories should explain how they have appropriately resourced stewardship activities, including their investment in systems, processes, research, and analysis.	CHAPTER 2	2, 19-24
10	ACTIVITY	*Principle 2*	Signatories should explain how they have appropriately resourced stewardship activities, including the extent to which service providers were used and the services they provided.	CHAPTER 2	79-82
11	ACTIVITY	*Principle 2*	Signatories should explain how any performance management or reward programs have incentivised the workforce to integrate stewardship and investment decision-making.	CHAPTER 2	2022 Report pg. 30

ID	Type	Principle	Description	Chapter	Page(s)
12	OUTCOME	*Principle 2*	Signatories should disclose how effective their chosen governance structures and processes have been in supporting stewardship; Signatories should disclose how they may be improved.	CHAPTER 2	24
13	CONTEXT	*Principle 3*	Signatories should disclose their conflicts policy and how this has been applied to stewardship.	CHAPTER 6	75-78
14	ACTIVITY	*Principle 3*	Signatories should explain how they have identified and managed any instances of actual or potential conflicts related to stewardship.	CHAPTER 6	75-78
15	OUTCOME	*Principle 3*	Signatories should disclose examples of how they have addressed actual or potential conflicts.	CHAPTER 6	75-78
16	ACTIVITY	*Principle 4*	Signatories should explain how they have identified and responded to market-wide and systemic risk(s), as appropriate	CHAPTER 6	70-73
17	ACTIVITY	*Principle 4*	Signatories should explain how they have worked with other stakeholders to promote the continued improvement of the functioning of financial markets	CHAPTER 1	13-16
18	ACTIVITY	*Principle 4*	Signatories should explain the role they played in any relevant industry initiatives in which they have participated, the extent of their contribution, and an assessment of their effectiveness, with examples	CHAPTER 1	13-16
19	ACTIVITY	*Principle 4*	Signatories should explain how they have aligned their investments accordingly	CHAPTER 6	73
20	OUTCOME	*Principle 4*	Signatories should disclose an assessment of their effectiveness in identifying and responding to market-wide and systemic risks and promoting well-functioning financial markets	CHAPTER 6	74
21	ACTIVITY	*Principle 5*	Signatories should explain how they have reviewed their policies to ensure they enable effective stewardship.	CHAPTER 3 & 4	3, 36, 41
22	ACTIVITY	*Principle 5*	Signatories should explain what internal or external assurance they have received in relation to stewardship (undertaken directly or on their behalf) and the rationale for their chosen approach.	CHAPTER 6	2022 Report pg. 91
23	ACTIVITY	*Principle 5*	Signatories should explain how they have ensured their stewardship reporting is fair, balanced, and understandable.	CHAPTER 6	2022 Report pg. 91

Principal Asset Management[SM]

ID	Type	Principle	Description	Chapter	Page(s)
24	OUTCOME	*Principle 5*	Signatories should explain how their review and assurance has led to the continuous improvement of stewardship policies and processes.	CHAPTER 6	2022 Report pg. 91
25	CONTEXT	*Principle 6*	Signatories should disclose the approximate breakdown of their client base, for example, institutional vs retail, and geographic distribution	CHAPTER 1	12
26	CONTEXT	*Principle 6*	Signatories should disclose the approximate breakdown of assets under management across asset classes and geographies	CHAPTER 1	12
27	CONTEXT	*Principle 6*	Signatories should disclose the length of the investment time horizon they have considered appropriate to deliver to the needs of clients and/or beneficiaries and why	CHAPTER 1&3	10 2022 Report pg. 42-44
28	ACTIVITY	*Principle 6*	Signatories should explain how they have sought and received clients' views and the reason for their chosen approach	CHAPTER 3	2022 Report pg. 43
29	ACTIVITY	*Principle 6*	Signatories should explain how assets have been managed in alignment with clients' stewardship and investment policies	CHAPTER 3	2022 Report pg. 44
30	ACTIVITY	*Principle 6*	Signatories should explain what they have communicated to clients about their stewardship and investment activities and outcomes to meet their needs, including the type of information provided, methods, and frequency of communication to enable them to fulfill their stewardship reporting requirements	CHAPTER 3	2022 Report pg. 45
31	OUTCOME	*Principle 6*	Signatories should explain how they have evaluated the effectiveness of their chosen methods to understand the needs of clients and/or beneficiaries	CHAPTER 3	2022 Report pg. 45
32	OUTCOME	*Principle 6*	Signatories should explain how they have taken account of the views of clients and what actions they have taken as a result,	CHAPTER 3	2022 Report pg. 42-45
33	CONTEXT	*Principle 7*	Signatories should disclose the issues they have prioritised for assessing investments, prior to holding, monitoring through holding, and exiting. This should include ESG issues of importance to them	CHAPTER 3	29-38

ID	Type	Principle	Description	Chapter	Page(s)
34	ACTIVITY	*Principle 7*	Signatories should explain how the integration of stewardship and investment has differed for funds, asset classes, and geographies	CHAPTER 3	29-32
35	ACTIVITY	*Principle 7*	Signatories should explain the processes they have used to integrate stewardship and investment, including material ESG issues, to align with the investment time horizons of clients and/or beneficiaries	CHAPTER 3	34-35
36	ACTIVITY	*Principle 7*	Signatories should explain the processes they have used to ensure service providers have received clear and actionable criteria to support the integration of stewardship and investment, including material ESG issues	CHAPTER 6	79-82
37	OUTCOME	*Principle 7*	Signatories should explain how information gathered through stewardship has informed acquisition, monitoring, and exit decisions, either directly or on their behalf, and with reference to how they have best served clients and/or beneficiaries,	CHAPTER 3	34-35
38	ACTIVITY	*Principle 8*	Signatories should explain how they have monitored service providers to ensure services have been delivered to meet their needs.	CHAPTER 6	79-82
39	OUTCOME	*Principle 8*	Signatories should explain how the services have been delivered to meet their needs.	CHAPTER 6	79-82
40	OUTCOME	*Principle 8*	Signatories should explain the action they have taken where signatories' expectations of their managers and/or service providers have not been met.	CHAPTER 6	79-82
41	ACTIVITY	*Principle 9*	Signatories should explain how they have selected and prioritised engagement (for example, key issues and/or size of holding)	CHAPTER 4	40-45
42	ACTIVITY	*Principle 9*	Signatories should explain how they have developed well-informed and precise objectives for engagement with examples	CHAPTER 4	40-45
43	ACTIVITY	*Principle 9*	Signatories should explain what methods of engagement and the extent to which they have been used	CHAPTER 4	40-45
44	ACTIVITY	*Principle 9*	Signatories should explain the reasons for their chosen approach, with reference to their disclosure under Context for Principle 1 and 6	CHAPTER 4	40-45
45	ACTIVITY	*Principle 9*	Signatories should explain how engagement has differed for certain funds, assets, or geographies	CHAPTER 4	40-56

Principal
Asset Management[SM]

ID	Type	Principle	Description	Chapter	Page(s)
46	OUTCOME	*Principle 9*	Signatories should describe the outcomes of engagement that is ongoing or has concluded in the preceding 12 months, undertaken directly or by others on their behalf	CHAPTER 4	47-56
47	ACTIVITY	*Principle 10*	Signatories should disclose what collaborative engagements they have participated in and why including those undertaken directly or by others on their behalf.	CHAPTER 4	60-61
48	OUTCOME	*Principle 10*	Signatories should describe the outcomes of collaborative engagement.	CHAPTER 4	60-61
49	ACTIVITY	*Principle 11*	Signatories should explain how they have selected and prioritised issues, and developed well-informed objectives for escalation.	CHAPTER 4	57-59
50	ACTIVITY	*Principle 11*	Signatories should explain when they have chosen to escalate their engagement, including the issue(s) and the reasons for their chosen approach, using examples.	CHAPTER 4	57-59
51	ACTIVITY	*Principle 11*	Signatories should explain how escalation has differed for funds, assets, or geographies.	CHAPTER 4	57
52	OUTCOME	*Principle 11*	Signatories should describe the outcomes of escalation either undertaken directly or by others on their behalf.	CHAPTER 4	57-59
53	CONTEXT	*Principle 12*	Signatories should explain how they exercise their rights and responsibilities, and how their approach has differed for funds, assets, or geographies	CHAPTER 5	63-65
54	CONTEXT	*Principle 12*	For listed equity assets signatories should disclose their voting policy, including any house policies and the extent to which funds set their own policies	CHAPTER 5	63-64
55	CONTEXT	*Principle 12*	For listed equity assets signatories should state the extent to which they use the default recommendations of proxy advisors	CHAPTER 5	66
56	CONTEXT	*Principle 12*	For listed equity assets signatories should report the extent to which clients may override a house policy	CHAPTER 5	64
57	CONTEXT	*Principle 12*	For listed equity assets signatories should disclose their policy on allowing clients to direct voting in segregated and pooled accounts	CHAPTER 5	2022 Report pg. 75

ID	Type	Principle	Description	Chapter	Page(s)
58	CONTEXT	*Principle 12*	For listed equity assets, signatories should state what approach they have taken to stock lending, recalling lent stock for voting and how they seek to mitigate 'empty voting'	CHAPTER 5	2022 Report pg. 74
59	ACTIVITY	*Principle 12*	For listed equity assets, signatories should disclose the proportion of shares that were voted in the past year and why	CHAPTER 5	66-67
60	ACTIVITY	*Principle 12*	For listed equity assets, signatories should provide a link to their voting records, including votes withheld if applicable	CHAPTER 5	67
61	ACTIVITY	*Principle 12*	For listed equity assets, signatories should explain their rationale for some or all voting decisions	CHAPTER 5	68
62	ACTIVITY	*Principle 12*	For listed equity assets, signatories should explain how they have monitored what shares and voting rights they have	CHAPTER 5	63-64
63	OUTCOME	*Principle 12*	For listed equity assets, signatories should provide examples of the outcomes of resolutions they have voted on over the past 12 months	CHAPTER 5	68
64	ACTIVITY	*Principle 12*	For fixed-income assets, signatories should explain their approach to seeking amendments to terms and conditions in indentures or contracts	CHAPTER 5	65

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Asset Management[SM]

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