



Principal Asset Management Company (Asia) Limited
Additional Information for Principal Sustainable Asian
Allocation Fund

July 2023

Sustainable characteristics

Principal Prosperity Series – Principal Sustainable Asian Allocation Fund (“Sub Fund”)

The Sub-Fund will primarily invest in a diversified range of assets and securities (including equities, equity related securities and debt securities) of companies and issuers in Asia Pacific (ex-Japan) which are considered to be outperforming their peers with respect to sustainability performance based on environmental, social and governance (“ESG”) factors (“ESG achievers”) as well as exchange traded funds (“ETFs”) and collective investment schemes (“CISs”) which primarily invest in equity or debt securities and companies or issuers that maintain better ESG profiles than their corresponding traditional counterparts (collectively “ESG achiever ETFs/CISs”), and provide capital growth and income over medium to long term.

The methodologies used to assess sustainable characteristics

The Sub-Fund adopts a best-in-class strategy under which the Fund Manager will screen all securities investable by the Sub-Fund with the aim of identifying ESG achievers and ESG achiever ETFs/CISs. The Fund Manager will assign ESG scorings on potential companies/issuers by using a proprietary ESG methodology. Companies/issuers which are in the higher Quartile 1 or 2 within Asia Pacific (ex-Japan) region, or within their respective sectors of sub-regions (i.e. Greater China, Asia developed markets and Asia emerging markets (ex-Greater China)) based on ESG scores as ranked by the Fund Manager’s internal rating system will be considered to be ESG achievers.

The ESG scores are measured through the use of proprietary research and ESG data from third-party providers (including but not limited to MSCI). The ESG scores from the Fund Manager’s internal rating system represent the Fund Manager’s ESG view based on key sustainability risks (i.e., climate change, human capital, corporate governance on ESG matters, etc.) associated with the specific companies/issuers. In order to calculate the ESG score of a potential company/issuer, the Fund Manager will first identify the material risks and opportunities factors of the potential company/issuer based on its industry or sector which are spread across Environmental, Social and Governance categories (“ESG risks/opportunities factor(s)”). The weights assigned to each sector-specific ESG risks/opportunities factor will vary based on its contribution to making positive ESG impact. Governance is an important consideration for all institutions, and it is the one category that is universally applicable across all

sectors. A potential company/issuer's exposure to each of the identified ESG risks/opportunities factor will be ranked against its peers and such level of exposure is translated into an underlying score. For each potential company/issuer, a weighted average score will be calculated based on the underlying scores and weights of the ESG risks/opportunities factors identified. The higher the scores a potential company/issuer receives for each of the ESG risks/opportunities factors, the higher the overall ESG score of a potential company/issuer will be.

ESG achiever ETFs/CISs will be identified by using the Fund Manager's internal screening process. Only ETFs/CISs with available information on full holdings of underlying securities will be eligible for the internal screening process. The Fund Manager will first distinguish whether the eligible ETFs/CISs track an index with ESG focus or feature ESG related theme or focus, and select ETFs/CISs that incorporates the key ESG focus or feature ESG related theme or focus of the Sub-Fund and also adopts investment objectives or strategies that are consistent with the Sub-Fund's best-in-class approach. The Fund Manager will then assess the ESG profiles of the selected ETFs/CISs and choose the ESG achiever ETFs/CISs with more than 70% of the underlying securities qualified as ESG achievers.

The handling when ESG data is not available

If ESG data are not available or comprehensive, the Fund Manager would provide a subjective qualification of ESG outlook, based on case studies, publicly available information, company visits and relevant assessment reports, among other sources of information.

How ESG focus is monitored

The Fund Manager shall regularly monitor how the Sub-Fund has attained its ESG focus. As mentioned in the investment strategy above, the Fund Manager will base on the availability of both third party ESG data and internal model to build and maintain the portfolios. Periodic ESG assessment will be conducted at least annually. The year-end assessment result will be published to demonstrate the overall ESG performance of the Sub-Fund, the actual proportion of the underlying investments that are commensurate with the Sub-Fund's ESG focus and the actions taken by the Sub-Fund in attaining the Sub-Fund's ESG focus etc. That said, ESG data may not change frequently, and the Fund Manager will rebalance the portfolios when opportunities come. ESG criteria screening will reduce the investment universe by at least 20%. The Sub-Fund will exclude

companies that (i) are classified by the GICS Industry Sector classification to fall within the tobacco sub-industry; (ii) have more than 10% of the revenue derived from direct manufacturing and production of controversial weapons (including but not limited to landmines, cluster munition, bio-weapons and nuclear weapons) or their key component, based on the data from third-party providers (including but not limited to MSCI); and (iii) are deemed to have governance concerns through discovery during engagement process and company research. Security exclusion will be monitored by the Fund Manager in accordance with the investment guidelines.

How the sustainable characteristics are met

The Sub-Fund aims to maintain a minimum of 70% of the Sub-Fund's Net Asset Value invested in equity and fixed income securities issued by ESG achievers as well as ESG achiever ETFs/CISs. The companies/issuers of the securities are in Asia Pacific (ex-Japan) region. The aggregate investment of the Sub-Fund's investment in ETFs and CISs (including ESG achiever ETFs/CISs) will be less than 30% of the Sub-Fund's net asset value.