

Principal Asset Management Company (Asia) Limited

Sustainable Investment Policy

Table of Contents

Definitions	3
Introduction	4
Responsibilities, Review Frequency and Approval	4
Approach	4
Specific Drivers for ESG funds	5
Assessment	5
Monitoring	5
Sustainable Investment Policy Governance	6

Definitions

“CIS”	means collective investment schemes commonly regarded as mutual funds and unit trusts as are contemplated in SFC Code on Unit Trusts and Mutual Funds
“ESG”	means environmental, social, and corporate governance
“Investment Delegates”	means other entities or third-party fund managers that have been delegated the investment management function of all or part of the assets
“PAM” or “Company”	means Principal Asset Management Company (Asia) Limited
“Policy”	means this Sustainable Investment Policy
“SFC”	means Securities and Futures Commission
“SFC Approved ESG Fund”	means funds that are specifically designated by SFC as an ESG fund
“UNPRI”	means United Nations Principles for Responsible Investment

Introduction

Our Sustainable Investment Policy provides information on how PAM undertakes investment stewardship across funds under its management. This Policy seeks to explain what we expect from our Investment Delegates and what those firms can expect in return from us. Information is provided on our commitment to sustainable investing and ESG considerations. This commitment runs in parallel with our key responsibility to act in our client's long-term best interests. As a general policy, it acts as the cornerstone on how PAM's assets could be managed according to Principal Asset Management Sustainable investment policy, ESG regulations and governance.

Responsibilities, Review Frequency and Approval

The Policy and the performance of the funds are overseen by PAM, which shall be subject to review at least annually or more frequently when appropriate. The Board of Directors of PAM owns the final authority of the Policy, approvals from the Hong Kong Executive Investment Committee and the PAM Management Committee are also required.

Approach

At Principal Asset Management, our commitment to sustainable investing revolves around a key factor — our fiduciary responsibility to our clients. Acting in their best interests comes first and foremost. Our approach to sustainable investing is at all times driven by that priority. We believe that ESG integration offers the potential to enhance security analysis by providing a holistic view of the factors driving risk and return. ESG integration may also influence investment outcomes by adding the potential for climate, regulatory, and environmental risk mitigation to client portfolios. Consistent with our overall investment philosophy, our sustainable investing approach focuses on fundamental change. Managed appropriately, we believe ESG integration may contribute to enhanced long-term returns and reduced risks.

In general, the Sustainable Investment Policy also applies to our Investment Delegates, and PAM expects Investment Delegates to have ESG considerations integrated into their investment process. This Policy provides the fundamental sustainable investment requirements for PAM. For PAM's Investment Delegates, the key purpose of this Policy is that it aims at developing a broad approach so PAM can use this Policy to communicate with the Investment Delegates and let them understand PAM's expectations relating to sustainable investing.

Specific Drivers for ESG funds

When building our ESG funds, we work to ensure they reflect our sustainable investing philosophy. There are three drivers that support PAM to build ESG funds and uphold PAM's sustainable investing philosophy.

1. To recognize ESG factors materiality in mitigating risks related to ESG.
2. To answer client potential demand of calling greater awareness of a specific ESG factor.
3. To meet the increasing demand on the compliance of ESG regulations.

Assessment

PAM and the Investment Delegates can implement sustainable investment practices by engaging with investment partners that share our belief that ESG issues may have the potential to influence the performance of investment portfolios. The Company believes that the annual due diligence of the Investment Delegates helps to assess their sustainable investing standards and whether the Investment Delegate is a signatory to the UNPRI. There is no explicit level of ESG rating in selecting the Investment Delegates to execute sustainable investing.

Consistent with our overall investment philosophy, our focus is not limited to companies that rate highly in ESG according to third-party research providers, but also companies that are demonstrating a commitment to improvement. In short, we appreciate companies that strive to be better versions of themselves. Our focus and commitment can therefore be summarized by our guiding purpose. We believe 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 helping deliver better outcomes for our stakeholders.

Monitoring

Monitoring is the final stage of the PAM oversight process and it is a crucial component in ensuring that the Company and the Investment Delegates have a comprehensive ESG aware process. The depth and frequency of monitoring the underlying Investment Delegates will vary based on the fund investment objective. Funds that utilize internal fund managers or Investment Delegates who have ESG practices integrated into their investment process may fulfill PAM's sustainable investing expectations. Funds that are specifically designated by the SFC to be ESG funds may have more stringent expectations placed on them. To monitor Investment Delegates of ESG funds designated by SFC, PAM will

1. Send out and request Investment Delegates to complete an annual questionnaire in ensuring managers meet the ESG or sustainable investment expectations.
2. Receive periodic portfolio and /or benchmark ESG scores.
3. Review any material change in the ESG focus of an investment strategy.

For SFC Approved ESG Funds, in order to achieve sustainable investing goals and meet the investment objectives of each ESG fund, PAM updates the investment guidelines of the ESG funds on regular basis to reflect the latest ESG focus or investment strategy. It may include selecting companies with better relative ESG performance in the region or within their respective sectors of sub-regions. The selection criteria may also include comparing ESG scoring against traditional benchmark references, while a more detailed ESG characteristics report would be expected from the Investment Delegates. Furthermore, PAM conducts periodic assessment¹ on ESG funds at least on annual basis, to assess if the ESG funds have attained their respective ESG focus. The result of the periodic assessment will be disclosed to investors on the website.

Sustainable Investment Policy Governance

Sustainable investing is subject to change due to technological advancement, global cooperation, and public initiatives. Therefore, this Policy will be reviewed from time to time when there is change or development in the sustainable investment universe. The updated or reviewed Policy will be disclosed on the website.

¹ Reference to Section G of the [Circular to management companies of SFC-authorized unit trusts and mutual funds - ESG funds dated 29 June 2021](#)