

**Supplement for the  
Global Sustainable Equity Fund**

**27 January 2025**

**Principal Global Investors Funds**

This Supplement contains specific information in relation to the Global Sustainable Equity Fund (the "**Fund**"), a Fund of the Principal Global Investors Funds (the "**Unit Trust**"), an open-ended umbrella type unit trust authorised by the Central Bank of Ireland (the "**Central Bank**") as an undertaking for collective investment in transferable securities pursuant to the Regulations.

The Directors of the Manager, whose names appear in the Prospectus, accept responsibility for the information contained in this Supplement. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of the information. The Directors accept responsibility accordingly.

**This Supplement forms part of and should be read in conjunction with the Prospectus for the Unit Trust dated 27 January 2025 (the "Prospectus"). Words and expressions defined in the Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement.**

**An investment in the Fund should not constitute a substantial portion of an investor's overall investment strategy and it may not be appropriate for all investors.**

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# **1 INVESTMENT OBJECTIVE, POLICIES AND PROFILE OF A TYPICAL INVESTOR**

## **1.1 Investment Objective**

The investment objective of the Fund is to seek capital growth over the medium to long term while achieving a positive, measurable social and environmental impact by investing in equity securities of companies that deliver climate solutions, and/or solutions for improved natural and/or social capital.

Investors should be aware that there is no guarantee that the Fund will achieve its investment objective.

## **1.2 Investment Policies**

The Fund seeks to achieve its sustainable investment objective by investing principally in equity securities domiciled in both developed and emerging markets that demonstrate positive fundamental change across the areas of climate solutions and/or improving natural and/or social capital, at attractive relative valuations. The Fund focuses on three key themes, climate solutions, natural capital and social capital and aims to identify companies within these themes contributing to the Focus SDGs (defined below).

Investee companies are considered to be displaying positive fundamental change (synonymous with 'businesses becoming better') where they are seen to be actively improving and becoming stronger. The first step in the process employed by the Investment Manager and the Sub-Investment Manager is to identify signs of positive change in an investee company. Indicators of positive change could be determined from sources such as accelerating sales volumes, increased market share or improved financial statements. The Investment Manager and the Sub-Investment Manager then seek to identify the catalysts underlying the positive change through proprietary screening and determine whether they are internal catalysts (investee company driven) and/or external catalysts (industry driven). Internal catalysts could be driven by internal investee company operational initiatives that range from cost cutting to expanding distribution, better capital deployment and improved corporate governance. External catalysts could be driven by favourable product cycles, changing industry dynamics and regulatory changes. The foregoing analysis of catalysts enables the Investment Manager and the Sub-Investment Manager to assess the likely magnitude and durability of the catalysts contributing to the sustainable objective and whether the change is likely to be structural or cyclical in nature. The Investment Manager and the Sub-Investment Manager will have an investment preference for investee companies whose catalysts are therefore likely to be long term and structural in nature (i.e. will create fundamental positive change). This enables the Investment Manager and the Sub-Investment Manager to substantiate investee companies that are considered to be displaying positive fundamental change and making a positive contribution to the sustainable objective, and whose valuation is therefore under-appreciated in the market relative to their potential for positive fundamental change.

The Investment Manager and the Sub-Investment Manager analyse potential investee companies identified pursuant to the foregoing process to determine whether they are consistent with the sustainable investment objective of the Fund, as further detailed in Section 1.3 below and the SFDR Annex appended to this Supplement.

The Fund may also invest in real estate investment trusts ("**REITS**") or other REIT-like structures which will be the equivalent of REITS.

In jurisdictions where it would not be possible or practical for the Fund to hold the equity securities directly, it may obtain exposure through equity-related securities including American depositary receipts (ADRs) and global depositary receipts (GDRs).

The Fund may also invest up to 10% of its net assets in UCITS eligible collective investment schemes, including money market funds and exchange traded funds (“**ETFs**”), the constituents of which will comprise the instruments and markets described above and therefore is an alternative means through which the Fund may gain exposure to these types of instruments in the event of not being able to invest directly. The Fund will only invest in AIFs per the Central Bank’s guidance in relation to ‘UCITS Acceptable Investments in Other Investment Funds’. The Fund will not invest in US ETFs.

The Fund may obtain exposure to Chinese equities through Hong Kong-listed "**H**" shares and other available depositary receipts or through direct exposure to China-A Shares via the Shanghai-Hong Kong Stock Connect and/or the Shenzhen-Hong Kong Stock Connect. The Fund may hold investments from time to time which are listed or traded in Russia on the Moscow exchange. It is not anticipated that such investments will normally constitute a substantial element of the Fund and shall not in any event exceed 10% of the net assets of the Fund.

The Fund may also hold ancillary liquid assets such as cash and other hedging instruments. However, no more than 10% of the net assets of the Fund may be held in aggregate in such ancillary liquid assets.

Subject to any stricter criteria as set out in the SFDR Annex appended to this Supplement, the Fund applies the Manager’s Exclusions Policy. Further details are set out in the Prospectus in the section entitled "*Part G – Exclusions Policy*" of the "*Sustainable Finance Disclosures*" in Section 2 (**General Information**).

Investors' attention is drawn to the information set out in the Prospectus under the headings **General Information** and **Special Investment Considerations and Risks**.

### 1.3 **Disclosures for the EU Sustainable Finance Disclosure Regulation ("SFDR")**

#### **Sustainability Risks**

Sustainability Risks are integrated into investment decisions made in relation to the Fund in line with the Manager’s Sustainability Risk policy. The Sub-Investment Manager’s processes aim to identify, measure, manage and monitor Sustainability Risks of the Fund. When making investment decisions, as part of its due diligence processes, the Sub-Investment Manager will continuously assess, including at the time of purchase, all relevant Sustainability Risks that might have a relevant material negative impact on the financial return of an investment.

The Manager has also assessed the impact of Sustainability Risks on the returns of the Fund. The investments made by the Fund may expose it to Sustainability Risks. The extent that a Sustainability Risk occurs, or occurs in a manner that is not anticipated may result in a sudden, material negative impact on the value of an investment, and hence the returns of the Fund. Such negative impact may result in an entire loss of value of the relevant investment(s) and may have an equivalent negative impact on the returns of the Fund.

Please refer to the sections entitled "Part B - Sustainability Risks – Integration into investment decision making" and "Part C - Sustainability Risks – Assessment of likely impacts on Fund returns" of the "*Sustainable Finance Disclosures*" in Section 2 (General Information) of the Prospectus for further information.

#### **Sustainable Investment Fund**

The Fund is classified as a Sustainable Investment Fund (as defined in the Prospectus) meeting the provisions set out in Article 9 of SFDR for products that have a sustainable investment objective, as further described below.

In order to attain the sustainable investment objective, the Sub-Investment Manager seeks to

identify alignment between the social and environmental contributions of each potential investment and one or more of the United Nations' Sustainable Development Goals (“SDGs”).

A sustainable investment means investing in companies whose economic activity contributes to the Fund's environmental and social objective by demonstrating positive fundamental change and making positive contributions to at least one of 7 Focus SDGs, specifically: sustainable consumption and production (SDG 12), clean water and sanitation (SDG 6), good health and well-being (SDG 3), contributing to improved nutrition and reduced hunger (SDG 2), affordable and clean energy (SDG 7), decent work and economic growth (SDG 8) and industry, innovation and infrastructure (SDG 9), as measured by the Sub-Investment Manager's 4-step process for sustainable investments (as detailed in the SFDR Annex), provided that such investments do not significantly harm any of those objectives, adhere to OECD Guidelines for Multinational Enterprises on Responsible Business Enterprise (the "**OECD Guidelines**"), The UN Guiding Principles on Business and Human Rights ("**UNGPs**") and International Bill of Human Rights, and that the investee companies follow good governance practices.

Further information on the Fund's sustainable investment objective is available in the SFDR Annex appended to this Supplement.

The Investment Manager and the Sub-Investment Manager are signatories to the UN Principles for Responsible Investment (the "**UNPRI**") as part of the Principal Global Investors Group. As a signatory to the UNPRI, the good governance practices of investee companies are assessed prior to making an investment and periodically thereafter. UNPRI responsible investing reporting can be found at <https://www.principalam.com/eu/about-us/esg>.

### **Do no significant harm**

Prior to investment, the Sub-Investment Manager assesses companies for the presence of actions and behaviours that may cause significant harm to the sustainable investment objective of the Fund. The Sub-Investment Manager relies on engagement with potential investee companies and its own fundamental research supplemented with the research of third-party providers such as ISS to determine if a company is engaging in operations or behaviours that do significant harm. All investments qualifying as making a positive contribution to delivering climate solutions, and/or solutions for improved natural and/or social capital are deemed to do no significant harm to the sustainable investment objective in their efforts to achieve contributions to at least one of the Focus SDGs. Relevant principal adverse impacts ("**PAIs**") indicators used in screening potential portfolio holdings for behaviours that may cause significant harm include: all of the mandatory indicators (1 – 14) as specified in Table 1 of Annex I of the SFDR regulatory technical standards (the "**RTS**"), as well as certain relevant indicators from Table 2 of Annex 1 of the RTS, as detailed in the SFDR Annex appended to this Supplement. The Fund also adheres to global norms on minimum safeguards (OECD Guidelines, the UNGPs and the International Bill of Human Rights).

## **1.4 Disclosures for the Taxonomy Regulation**

The Fund's investments do not take into account the criteria for environmentally sustainable economic activities, including enabling or transitional activities within the meaning of the Taxonomy Regulation. As such, a minimum of 0% of the Net Asset Value of the Fund shall be invested in Taxonomy-aligned investments.

## **1.5 How the Fund References an Index or Benchmark**

The Fund is actively managed with reference to MSCI AC World NTR (the "**Index**") on the basis that the Fund seeks to outperform the Index. The Investment Manager and/or the Sub-Investment Manager may reference the Index as part of the investment management process, and it is also considered as part of the investment risk monitoring process. However, the Investment Manager and the Sub-Investment Manager maintain full discretion to select

investments for the Fund in line with the above investment policy.

The Index does not take environmental or social characteristics into account, and considerations of the environmental and social characteristics, as further outlined in Section 1.3 above are recognised independently of the Index. Information on the methodology used for the calculation of the Index can be found from the Index provider's website [www.msci.com](http://www.msci.com).

## 1.6 Profile of a Typical Investor

The Fund is suitable for investors seeking capital growth over the medium to long term and who are prepared to accept a high degree of volatility of net asset value.

All investors must be able to afford to set aside the invested capital for the medium to long term. The Fund is suitable as an investment in a well-diversified portfolio.

## 2 INVESTMENT RESTRICTIONS

The general investment restrictions set out in **Appendix A** of the Prospectus shall apply.

## 3 EFFICIENT PORTFOLIO MANAGEMENT

The Fund may utilise certain techniques and instruments from the Asset Replication Strategy and investors' attention is drawn to the relevant information pertaining to this set out in the Prospectus under the headings **General Information** and **Special Investment Considerations and Risks**.

The Fund may utilise additional derivative techniques and instruments for the Hedged Unit Classes and may do so for the purposes of efficient portfolio management in accordance with the investment restrictions, conditions and limits laid down by the Central Bank and investors' attention is drawn to the relevant information pertaining to these classes set out in the Prospectus under the headings **General Information** and **Special Investment Considerations and Risks**.

## 4 BORROWINGS

In accordance with the general provisions set out under the heading **General Information – Borrowings** of the Prospectus, the Fund may borrow up to 10% of its net assets on a temporary basis.

## 5 INVESTMENT MANAGER

The Manager has appointed Principal Global Investors, LLC ("**Principal Global Investors**" or the "**Investment Manager**") as investment manager to the Fund pursuant to the Investment Management Agreement as described in the Prospectus under the heading **Material Contracts**.

The Investment Manager is a diversified asset management organization and a member of the Principal Financial Group®. Its investment capabilities encompass an extensive range of equity, fixed income and real estate investments as well as specialized overlay and advisory services.

## 6 SUB-INVESTMENT MANAGER

The Investment Manager has appointed Principal Global Investors (Europe) Ltd ("**PGIE**" or the "**Sub-Investment Manager**") to act as sub-investment manager to the Fund. The Investment Manager has delegated to PGIE overall responsibility for the Fund's investments and related aspects of the management of the Fund, which may include (but are not limited to) security selection and/or portfolio construction responsibilities, as the parties may from time to time agree.

PGIE is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

## **7 RISK FACTORS**

The general risk factors set out under the heading **Special Investment Considerations and Risks** of the Prospectus apply to the Fund. In addition, the Emerging Markets Risks and the Sustainable Finance Disclosures Risks are also applicable and investors' attention is drawn to the relevant information pertaining to these set out in the Prospectus.

## **8 DISTRIBUTION POLICY**

The general distribution policy set out under the heading **Distribution Policy** of the Prospectus applies to the Fund.

## **9 KEY INFORMATION FOR BUYING AND SELLING**

### **Base Currency**

US dollars

### **Initial Issue Price in respect of any unlaunched classes of Units**

US\$10 per Unit (or 10 units of the relevant currency for all classes denominated in currencies other than US dollars with the exception of the X classes which have an initial issue price of US\$ 1,000).

### **Initial Offer Period in respect of any unlaunched classes of Units**

From 9.00 a.m. on 28 January 2025 to 5.30 p.m. on 25 July 2025 as may be shortened or extended by the Manager and in accordance with the requirements of the Central Bank.

### **Business Day**

Any day other than Saturday or Sunday on which banks are open for business in Ireland.

### **Dealing Day**

Any Business Day and/or such other day or days as the Manager may with prior notification to the Holders determine provided that there shall be at least one per fortnight.

### **Valuation Point**

The Valuation Point shall, until further notice, be 11.00 p.m. Dublin time on the relevant Dealing Day.

Foreign exchange rates used to value the assets of the Fund shall be rates taken at 4.00 p.m. London time on the relevant Dealing Day.

### **Dealing Deadline**

In relation to any particular place means such time or times of day in that place as the Manager may from time to time determine and, in relation to Hong Kong, shall until further notice, be 5:00 p.m. Hong Kong time and in relation to Dublin shall, until further notice, be 10:00 a.m. Dublin time in each case on the relevant Dealing Day.

## **10 CHARGES AND EXPENSES**

10.1 The Sub-Investment Manager's fees are paid by the Investment Manager from its annual fee.

Units	Minimum Initial Subscription (Relevant Class Currency)	Current Preliminary Charge (%)	Annual Management Fee (% per annum)	Marketing and Distribution Fee (% per annum)	Annual Trustee Fee (% per annum)	Administration Fee (% per annum)
A	1,000	5.00	1.50	0	0.012	0.15
I	2,000,000	0.00	0.75	0	0.012	0
D	1,000	5.00	0.75	0.75	0.012	0.15
F2	1,000	0.00	0.75	1.10	0.012	0.15
N	1,000	0.00	0.75	0.00	0.012	0.15
X	1,000,000,000	0.00	0.00	0.00	0.012	0.00

10.2 No annual management fee will be attributable to the X Class Units. The X Class Units are only available at the discretion of the Manager, to investors who have agreed to specific terms of business. Please refer to the Prospectus under the heading **General Information; Income Units, Income Plus Units and accumulation Units**.

10.3 Further details of charges and expenses payable out of the assets of the Fund are set out in the Prospectus under the heading **Charges and Expenses**.

## 11 OTHER INFORMATION

11.1 The following classes of Units in the Fund are available for issue:

Unit Classes	Class Currency
Base Currency	US Dollar
A Class Accumulation	<u>Hedged</u> : N/A <u>Unhedged</u> : US Dollar, Euro
A Class Income	<u>Hedged</u> : N/A <u>Unhedged</u> : US Dollar
D Class Accumulation	<u>Hedged</u> : N/A <u>Unhedged</u> : US Dollar

D Class Income	<u>Hedged:</u> N/A <u>Unhedged:</u> US Dollar
F2 Class Accumulation	<u>Hedged:</u> N/A <u>Unhedged:</u> US Dollar
F2 Class Income	<u>Hedged:</u> N/A <u>Unhedged:</u> US Dollar
I Class Accumulation	<u>Hedged:</u> N/A <u>Unhedged:</u> US Dollar, Euro, Sterling
I Class Income	<u>Hedged:</u> N/A <u>Unhedged:</u> US Dollar, Euro, Sterling
N Class Accumulation	<u>Hedged:</u> N/A <u>Unhedged:</u> US Dollar, Euro, Sterling
N Class Income	<u>Hedged:</u> N/A <u>Unhedged:</u> US Dollar, Euro, Sterling
X Class Accumulation	<u>Hedged:</u> N/A <u>Unhedged:</u> US Dollar

Template pre-contractual disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Product name:** Global Sustainable Equity Fund

**Legal entity identifier:** 549300VJEKNWV9BBR441

**Sustainable investment objective**

**Does this financial product have a sustainable investment objective?**

**Yes**  **No**

It will make a minimum of **sustainable investments with an environmental objective:**   40  %

It promotes **Environmental/ Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of   \_\_\_  % of sustainable investments

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It will make a minimum of **sustainable investments with a social objective:**   40  %

It promotes E/S characteristics, but **will not make any sustainable investments**



**What is the sustainable investment objective of this financial product?**

**Sustainability indicators** measure how the sustainable objectives of this financial product are attained.

The sustainable investment objective of the Fund is to seek capital growth over the medium to long term while achieving a positive, measurable social and environmental impact by investing in equity securities of companies that deliver climate solutions, and/or solutions for improved natural and/or social capital.

‘Climate solutions’ delivered by companies refers to corporate solutions contributing towards achieving the Paris Climate Agreement. These are best practices which aim to mitigate climate change e.g. clean technology, energy efficiency and green infrastructure. Company alignment is primarily identified through contribution to SGD 7 and 9, as further described below. ‘Natural capital’ refers to the world’s stocks of natural assets which include geology, soil, air, water and all living things. This theme focuses on resource efficiency, automation (including environmental technology) and the circular economy. Company alignment is primarily identified through contribution to SGD 6, 8 and 12, as further described below. ‘Social capital’ refers to capitalising and improving on sustainable healthcare and social equity. For example, this theme focuses on companies involved in medical

innovation and health and nutrition. Company alignment is primarily identified through contribution to SDG 2 and 3, as further described below.

No reference benchmark has been designated for the purpose of attaining the sustainable investment objective.

***What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?***

The Sub-Investment Manager uses three indicators to measure sustainable investment:

- 1) Proprietary SDG exposure tool: The strategy utilises a proprietary quantitative Sustainable Development Goal ("SDG") tool, that is based on text analytics. The SDG tool proposes which of the SDGs the companies have exposure to and the Sub-Investment Manager then validates the output for the 7 Focus SDGs (defined below) which they believe the Fund's portfolio best aligns with as part of the investment process.
- 2) SDG revenue mapping measures how much of the Fund's portfolio is aligned to the SDGs: Bottom-up mapping of revenue alignment of the 7 Focus SDGs through fundamental analysis (as further described under the description of the Fund's investment strategy below). All investments will have their revenue mapped to the Focus SDGs and must have at least 20% of revenue aligned on a net basis to one or more of the 7 Focus SDGs to establish positive contribution points.
- 3) Defined positive SDG contribution points: Key SDG contribution points are set for each company to ensure alignment with impact (i.e. alignment and contribution towards fulfilling the Focus SDGs). Contribution points are an engagement focus that pinpoint the most important factors that individual companies need to deliver on in order to be aligned with the Focus SDGs. An example would include an electricity company investing in renewable energy infrastructure which accounts for a notable source of revenue and thus contributing to SDGs 7 and 9 (defined below). This means that the Sub-Investment Manager identifies important SDG contribution points that a company has aligned to the Focus SDGs via the above referenced revenue mapping and fundamental analysis, and then conducts focused engagement to ensure that the SDG impact continues (as further described under the description of the Fund's investment strategy below).

The 7 "Focus SDGs" are:

**SDG 2 – Zero Hunger**

- Increasing growth of acreage engaged in precision agriculture (i.e. technology designed to increase efficiency of agricultural food production)
- Expanding precision agriculture to underserved markets
- Creating efficiencies in food supply chain management
- Creating sustainable fertilisers
- Adopting business policies to improve or lower negative biodiversity outcomes

**SDG 3 – Good Health**

- Working to enhance standards of nutrition globally
- Developing food testing
- Combatting livestock disease

**SDG 6 - Clean Water & Sanitation**

- Irrigation solutions, including digital irrigation
- Distributing water to communities and developing new water distribution
- Treating wastewater and developing new wastewater treatment facilities
- Employing policies on the health and safety of users

- Employing a stakeholder engagement program
- Providing positive biodiversity outcomes through water testing and solutions for waste water

#### SDG 12 – Responsible consumption

- Expanding refrigeration offering to under-served markets
- Contributing to the elimination of food waste
- Developing 100% packaging using sustainable materials
- Optimising inventory management

#### SDG 7 –Clean energy

- Building renewable energy and sustainable infrastructure equipment
- Energy efficiency
- Materials for the green transition
- Clean energy technology

#### SDG 8 – Decent work and economic growth

- Automated production
- Recycling systems
- Reduced waste generation and material usage
- Financial inclusion
- Support growth in SMEs

#### SDG 9 – Innovation and infrastructure

- Infrastructure for renewable energy
- Carbon capture and storage

### ***How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?***

Prior to investment, the Sub-Investment Manager assesses companies for the presence of actions and behaviours that may cause significant harm to the sustainable investment objective of the Fund. The Sub-Investment Manager relies on engagement with potential investee companies and its own fundamental research supplemented with the research of third-party providers to determine if a company is engaging in operations or behaviours that do significant harm. All investments qualifying as making a positive contribution to the sustainable objective are deemed to do no significant harm to the sustainable investment objective in their efforts to achieve contributions to at least one of the 7 Focus SDGs as outlined above. Relevant PAIs used in screening potential portfolio holdings for behaviours that may cause significant harm are:

- all of the mandatory indicators (1 – 14) as specified in Table 1 of Annex I of the RTS, namely (1) GHG emissions; (2) carbon footprint; (3) GHG intensity of investee issuers; (4) exposure to issuers active in the fossil fuel sector; (5) share of non-renewable energy consumption and production; (6) energy consumption intensity per high impact climate sector; (7) activities negatively affecting biodiversity-sensitive areas; (8) emissions to water; (9) hazardous waste and radioactive waste ratio; (10) violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises; (11) lack of processes and compliance mechanisms to monitor compliance with UN Global Compact Principles and OECD Guidelines for Multinational Enterprises; (12) unadjusted gender pay gap, (13) board gender diversity; and (14) exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons); and
- (5) Breakdown of energy consumption by type of non-renewable sources of energy and (6) Water Usage and Recycling from Table 2 of Annex 1 of the RTS,

based on most recently available data.

The Fund also excludes companies or issuers from consideration for investment from the categories described below in the binding elements section, including as per the Paris Aligned Benchmark (“PAB”) exclusions.

Notwithstanding the above, the Sub-Investment Manager notes that its SDG alignment research also considers a company’s track record of improvement with respect to engagement towards 1) the companies obtaining approved science-based targets established by the Science Based Targets initiative (“SBTi”), which show businesses how much and how quickly they need to reduce their greenhouse gas emissions to prevent the worst effects of climate change; and 2) the companies adopting strategies for biodiversity, all of which serve to reinforce that any individual holding is not causing significant harm to the sustainable investment objective of the Fund. Companies included in the Fund’s portfolio are expected to show a positive trend in reported figures across these metrics based on like-for-like scope of operations.

In instances where new information about an investee company indicates the potential presence of behaviours causing significant harm, the Sub-Investment Manager will first engage with the company in question in order to determine whether the company is engaging in operations or behaviours that may do significant harm and whether there is any plan for immediate mitigation in place. Where the Sub-Investment Manager makes the final determination that the company in question is now engaging in operations or behaviours that are causing significant harm to the sustainable investment objective, the Sub-Investment Manager will discontinue investment in that company as soon as practical

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- *How have the indicators for adverse impacts on sustainability factors been taken into account?*

Prior to making an investment, the Sub-Investment Manager examines how all prospective portfolio holdings perform, and/or are expected to contribute to the Fund’s performance, against indicators 1-14 in Table 1 of Annex I of the RTS, as well as breakdown of energy consumption by type of non-renewable sources of energy (5 from Table 2 of Annex 1 of the RTS) and water usage and recycling (6 from Table 2 of Annex 1 of the RTS) based on most recently available data.

The Sub-Investment Manager considers all global norms on minimum safeguards: the OECD Guidelines, the UNGPs and the International Bill of Human Rights.

Many of these indicators are also considered as part of the Sub-Investment Manager’s proprietary ESG rating and SDG alignment research.

Where a prospective investment has deficiencies in its disclosures, this will also inform the Sub-Investment Manager’s engagement with that company’s management team. Consideration of PAIs on sustainability factors will be confirmed as part of the periodic reporting to be disclosed in the annual report for the Fund.

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?*

The Sub-Investment Manager relies on engagement with potential investee companies and its own fundamental research supplemented with the research of third-party providers to determine that sustainable investments are aligned with the OECD Guidelines and the UN Guiding Principles on Business and Human Rights



**Does this financial product consider principal adverse impacts on sustainability factors?**

**X**

**Yes**

The Sub-Investment Manager considers PAIs on sustainability factors by examining how all prospective portfolio holdings perform, and/or are expected to contribute to the Fund’s performance, against indicators 1-14 in Table 1 of Annex I of the RTS, as well as breakdown of energy consumption by type of non-renewable sources of energy (5 from

Table 2 of Annex 1 of the RTS) and water usage and recycling (6 from Table 2 of Annex 1 of the RTS) based on most recently available data.

The PAIs on sustainability factors are considered as part of the Sub-Investment Manager's proprietary ESG rating and SDG alignment research and as such, the indicators are reviewed at regular intervals or when newly reported information becomes available.

Please refer to the responses above for further information on the relevant indicators for adverse impacts on sustainability factors and how they have been taken into account. Reporting on PAIs can be found in the annual report.

No



### What investment strategy does this financial product follow?

The investment objective of the Fund is to seek capital growth over the medium to long term while achieving a positive, measurable social and environmental impact by investing in equity securities of companies that deliver climate solutions, and/or solutions for improved natural and/or social capital.

The Fund seeks to achieve its sustainable investment objective by investing principally in equity securities domiciled in both developed and emerging markets that demonstrate positive fundamental change across the areas of climate solutions and/or improving natural and/or social capital, at attractive relative valuations. The Fund focuses on three key themes, climate solutions, natural capital and social capital and aims to identify companies within these themes contributing to the Focus SDGs.

The investment process combines strong thematic screening disciplines with the Sub-Investment Manager's fundamental, bottom-up stock selection framework. During the fundamental research stage of its investment process, the Sub-Investment Manager seeks to identify alignment between the social and environmental contributions of each potential investment and one or more of the Focus SDGs.

The strategy excludes companies that are primarily engaged in the production and distribution of tobacco products and alcoholic beverages.

The strategy incorporates active alignment with key SDGs. Specifically, the strategy emphasizes sustainable consumption and production (SDG 12), clean water and sanitation (SDG 6), good health and well-being (SDG 3), and contributing to improved nutrition and reduced hunger (SDG 2), affordable and clean energy (SDG 7), decent work and economic growth (SDG 8) and industry, innovation and infrastructure (SDG 9). Under normal market conditions, over 90% of the Fund's portfolio holdings will align with one or more of these Focus SDGs based on the 4-step process for sustainable investments as described below.

Investment alignment with Focus SDGs is measured by a four step process:

**Proprietary SDG Tool:** Based on text analytics, the proprietary SDG tool is used to establish the investment universe, by identifying the companies that have exposure towards one or more of the 7 Focus SDGs. The tool does this, by searching through SEC filings for pre-defined text-based classifiers that encapsulate the solutions needed to achieve each SDG. For a company to be allowed into the investment universe, it needs to have exposure to at least one of the Focus SDGs. For example, for SDG 7, where companies delivering solutions for energy efficiency can help lower CO2 footprint for their clients while also reducing energy costs.

**SDG and revenue mapping:** To ensure sufficient alignment and positive contribution, each company's revenue is mapped towards the Focus SDGs. This is done through fundamental analysis, where company statements and analyst team experience/knowledge are utilized to establish if parts of the revenue are aligned with the individual Focus SDGs. The decisions are verified by academic research and by utilizing the 169 targets behind the 17 UN SDGs which are used as the basis for the verification of the 7 Focus SDGs. For example, a company that produces innovative healthcare solutions that help lower comorbidity which is to the benefit of individuals and society. The portion of revenue derived from delivering these solutions would be aligned with SDG 3.

**Key SDG contribution points:** To ensure continued SDG contribution from the Fund's portfolio holdings, key SDG contribution points are defined for each company. These points are defined to pinpoint the key SDG contribution for the companies, and thus ensure that the companies do not merely have revenue alignment, but they will actually contribute with meaningful solutions. The SDG contribution points will also be the starting point for:

**Focused company engagement:** The investment team works with the companies as active owners, to ensure company contributions towards the Focus SDGs of the sustainable investment objective. For example, for companies with exposure to biodiversity, the Sub-Investment Manager may engage to ensure that the companies have a strategy to minimize any negative impacts on biodiversity, for instance by transitioning away from fossil fuels.

***What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?***

All companies need to contribute towards the sustainable investment objective, and thus contribute to the Focus SDGs. The binding elements of this strategy are as follows:

- 1) 90% of the Net Asset Value of the Fund will contribute to at least one (or more) of the Focus SDGs. The Fund's Focus SDGs (described in detail above) are:
  - UN SDG 2 Zero hunger
  - UN SDG 3 Good health and well-being
  - UN SDG 6 Clean water and sanitation
  - UN SDG 12 Responsible consumption and production
  - UN SDG 7 affordable and clean energy
  - UN SDG 8 decent work and economic growth
  - UN SDG 9 industry, innovation and infrastructure

The Sub Investment Manager follows a 4 -step process to validate each investment's adherence with the binding elements. These are:

- all investments are checked with the proprietary SDG alignment tool;
  - all investments have a revenue alignment to one or more of the 7 Focus SDGs of at least 20% on a net basis, based on fundamental modelling;
  - no investment can have greater than 20% of revenue that is misaligned with the 17 UN SDGs;
  - all investments go through the process for setting SDG contribution points (as described above), and
  - active ownership focus requires focused company engagement to ensure continued contribution to the key SDG contribution points.
- 2) The Fund also applies the PAB exclusions which excludes the following:
    - companies involved in any activities related to controversial weapons;
    - companies involved in the cultivation and production of tobacco;
    - companies that benchmark administrators find in violation of the UNGPs and the OECD Guidelines;
    - companies that derive 1% or more of their revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite;
    - companies that derive 10% or more of their revenues from the exploration, extraction, distribution or refining of oil fuels;
    - companies that derive 50% or more of their revenues from the exploration, extraction, manufacturing or distribution of gaseous fuels; and
    - companies that derive 50 % or more of their revenues from electricity generation with a GHG intensity of more than 100 g CO<sub>2</sub> e/kWh.
  - 3) A minimum of 90% of investments will be deemed sustainable investments, allowing for up to 10% exposure to cash and hedging instruments only.

***What is the policy to assess good governance practices of the investee companies?***

The Sub-Investment Manager identifies governance considerations as integral to the investment philosophy and process. To ensure good governance, the Sub-Investment Manager relies on its in-

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

Good governance practices include sound management

structures,  
employee relations,  
remuneration of  
staff and tax  
compliance.

depth fundamental research, including review of company's governance-related disclosures and filings and engagement with senior executives from investee companies. Its views on an investee company's governance practices are also supplemented with third party specialist research and data, including with respect to the PAIs. Following the Sub-Investment Manager's fundamental research, it conducts proprietary risk analysis on each portfolio company that specifically takes into account governance.

To support its rating efforts, the Sub-Investment Manager maintains a proprietary materiality framework and aims to benchmark companies against what it believes to be the governance practices of companies that make a positive contribution to the sustainable investments. Current areas of focus for the Sub-Investment Manager's research into the governance practices of investee companies include:

- Ownership structure
- Board composition
- Compensation & alignment
- Business ethics
- Accounting
- Reporting & transparency
- Any further governance related controversies, encompassing those with respect to management structure, employee relations, remuneration of staff and tax compliance.

The Sub-Investment Manager also engages with companies' impact on both social and environmental issues while promoting the adoption of science-based targets to ensure an impact focus in alignment with the Fund's sustainable objective. Specifically a company's track record of improvement is considered with respect to engagement towards 1) how much and how quickly a business needs to reduce their negative social and environmental exposures and the extent to which they have a credible plan to achieve this.

The Sub-Investment Manager's investment analyst and/or portfolio manager conducts in-depth fundamental research of the ESG risk level and trajectory with a particular focus on governance risk. This takes into account third party data sources such as MSCI, as well as fundamental research and experience. As an example, a company's geography (emerging markets) or industry (mining) can place it in a moderate to higher risk category. Alternatively, a company focusing on botanical practices may be considered lower risk due to its business profile not being exposed to more typical sustainability risks. For companies with high risk or moderate risk with a deteriorating trajectory, the investment team provides further analysis to determine the extent to which they are comfortable holding the securities, as well as further engagement or action points as required.



## What is the asset allocation and the minimum share of sustainable investments?

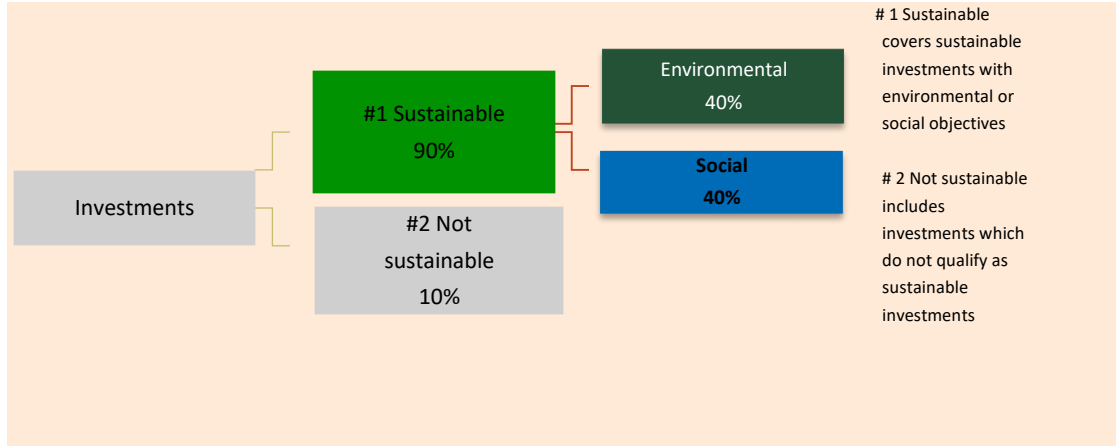
A minimum of 90% of investments are expected to be sustainable investments with an environmental or social objective, allowing for up to 10% exposure to cash and hedging instruments.

### Asset allocation

describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- turnover** reflecting the share of revenue from green activities of investee companies
- capital expenditure (CapEx)** showing the green investments made by investee companies, e.g. for a transition to a green economy.
- operational expenditure (OpEx)** reflecting green operational activities of investee companies.



### How does the use of derivatives attain the sustainable investment objective?

Not applicable as derivatives are not used to attain the sustainable investment objective.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

0%

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

### Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>

Yes:

In fossil gas     In nuclear energy

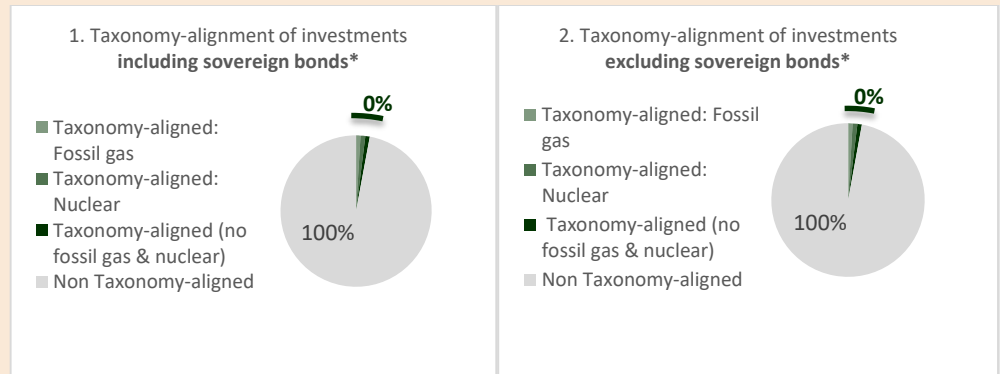
No

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulations (EU) 2022/1214. 53133111.40

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

● **What is the minimum share of investments in transitional and enabling activities?**

0%



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

The Fund commits to a minimum of 90% investment in sustainable investments, of which a minimum of 40% will be in sustainable investments with an environmental objective that are not aligned with the Taxonomy Regulation. However, as the Fund focuses on three key themes (climate solutions, natural capital and social capital) and aims to identify companies within these themes contributing to the Focus SDGs, the thematic nature of the strategy means that it is possible that all 90% of the Fund's sustainable investments may be deemed as simultaneously qualifying as both environmental and social sustainable investments. For example, a company contributing to SDG 7 (clean energy) and therefore meeting an environmental objective, could also be deemed to be meeting a social objective through lowering consumer costs as a result of delivering renewable energy infrastructure.



**What is the minimum share of sustainable investments with a social objective?**

The Fund commits to a minimum of 90% investment in sustainable investments, of which a minimum of 40% will be in sustainable investments with a social objective. However, as the Fund focuses on three key themes (climate solutions, natural capital and social capital) and aims to identify companies within these themes contributing to the Focus SDGs, the thematic nature of the strategy means that it is possible that all 90% of the Fund's sustainable investments may be deemed as simultaneously qualifying as both environmental and social sustainable investments. For example, a company contributing to SDG 3 (good health and well being) and therefore meeting a social objective, could also be deemed to meet an environmental objective through healthcare solutions that focus on water consumption and quality (SDG 6).

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



## What investments are included under “#2 Not sustainable”, what is their purpose and are there any minimum environmental or social safeguards?

The investments included under "#2 Not sustainable" are cash and hedging instruments. The Fund has minimum environmental or social safeguards in place for these holdings, such that they will be in line with, and will not affect, the delivery of the Fund's sustainable investment objective.



## Is a specific index designated as a reference benchmark to meet the sustainable investment objective?

Not applicable – the Fund does not use a reference benchmark to meet its sustainable investment objective.

**Reference benchmarks** are indexes to measure whether the financial product attains the sustainable investment objective.

- ***How does the reference benchmark take into account sustainability factors in a way that is continuously aligned with the sustainable investment objective?***

Not applicable – the Fund does not use a reference benchmark to meet its sustainable investment objective.

- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

Not applicable – the Fund does not use a reference benchmark to meet its sustainable investment objective.

- ***How does the designated index differ from a relevant broad market index?***

Not applicable – the Fund does not use a reference benchmark to meet its sustainable investment objective.

- ***Where can the methodology used for the calculation of the designated index be found?***

Not applicable – the Fund does not use a reference benchmark to meet its sustainable investment objective.



## Where can I find more product specific information online?

**More product-specific information can be found on the website:**

<https://www.principalam.com/eu/investment-products/ucits-funds>