

Principal Islamic Asset Management (Ireland) plc (PIAM)

Islamic Global Responsible Equity Fund [“the Fund”]

# Website disclosure pursuant to Article 10 of the EU Sustainable Finance Disclosure Regulation

## a) Summary

The environmental characteristic considered by the Fund include but are not limited to carbon footprint. The social characteristics considered by the Fund include but are not limited to health and wellbeing.

The Sub-Investment Adviser subsequently analyses potential investee companies identified to determine whether they are consistent with the environmental, social and governance (“ESG”) considerations that are promoted by the Fund.

In order to meet the environmental and social characteristics promoted, the Sub-Investment Adviser combines an assessment of ESG risks with screening and exclusion criteria.

In order to consider ESG risk, the Sub-Investment Adviser assigns an ESG risk level to each holding considered within the Fund. To assign the ESG risk levels, the Sub-Investment Adviser evaluates an investee company’s relationships with each of its stakeholders; shareholders, customers, employees, suppliers and their supply chains, their communities and the environment.

The Sub-Investment Adviser will use internal data, incorporating partnership with third party data providers, MSCI Inc. (“MSCI”), Institutional Shareholder Services Inc. (“ISS”) and Bloomberg L.P. (“Bloomberg”), to help provide consistent data across the investment universe when making these evaluations. The Sub-Investment Adviser will also assign an ESG risk trend of either improving, stable or deteriorating using the above processes. This risk trend designation provides important context to the risk level and informs the Sub-Investment Adviser’s tolerance for that risk.

The Sub-Investment Adviser considers the following binding criteria as part of its investment strategy in order to select the investments to attain each of the environmental or social characteristics promoted by the Fund:

- The Sub-Investment Adviser uses MSCI data to identify the carbon risk score for investee companies and aims for an aggregate carbon risk level for the Fund that is 15% lower than the Index.
- The Sub-Investment Adviser uses MSCI data to identify the percentage of the Fund’s market value that is exposed to companies ranking below average relative to global peers and aims for aggregate accounting flag weight that is below the Index.
- A set of fixed social exclusion criteria is in place to exclude companies or issuers from consideration for investment where their revenue is significantly derived from involvement in producing tobacco or involvement in the gambling sector.

The Sub-Investment Adviser identifies governance considerations as integral to the investment philosophy and process. Improving governance policies and practices are identified as providing a basis for an improved relative valuation, while governance dilution or deterioration represent an inherent source of risk and downward valuation.

In order to ensure good governance, the Sub-Investment Adviser engages with senior executives from investee companies within the Fund.

In accordance with the binding elements of the investment strategy, 98% of investments made will be aligned to the environmental and social characteristics, whilst the remaining 2% will be cash, cash equivalents and hedging instruments.

The Sub-Investment Adviser and the Manager monitor the ESG processes on an ongoing basis with a regularity of at least once a quarter to ensure that environmental and social characteristics are met throughout the lifecycle of the fund. The Manager's compliance and risk function will monitor the integration of ESG requirements through a combination of automated, manual and periodic reviews.

## b) No sustainable investment objective

This Fund promotes environmental or social characteristics but does not have as its objective sustainable investment.

## c) Environmental or social characteristics of the financial product

The environmental characteristic considered by the Fund include but are not limited to carbon footprint. The social characteristics considered by the Fund include but are not limited to health and wellbeing.

## d) Investment strategy

The Sub-Investment Adviser analyses potential investee companies identified to determine whether they are consistent with the ESG considerations that are promoted by the Fund.

In order to meet the environmental and social characteristics promoted, the Sub-Investment Adviser combines an assessment of ESG risks with screening and exclusion criteria.

In order to consider ESG risk, the Sub-Investment Adviser assigns an ESG risk level to each holding considered within the Fund. To assign the ESG risk levels, the Sub-Investment Adviser evaluates an investee company's relationships with each of its stakeholders; shareholders, customers, employees, suppliers and their supply chains, their communities and the environment. The Sub-Investment Adviser will use internal data, incorporating partnership with third party data providers (MSCI, ISS and Bloomberg etc.) to help provide consistent data across the investment universe when making these evaluations. The Sub-Investment Adviser will also assign an ESG risk trend of either improving, stable or deteriorating using the above processes. This risk trend designation provides important context to the risk level and informs the Sub-Investment Adviser's tolerance for that risk.

The Sub-Investment Adviser subsequently uses these ESG risk levels to identify the key risks to the stakeholders and the associated positive change to the environmental characteristics to be considered in each holding and references these outcomes in investment decision making. Stocks of Shariah-compliant companies which demonstrate poor or deteriorating ESG scores or those with outstanding ESG issues deemed to have potential material financial impact would either be removed or significantly downsized, and the Sub-Investment Adviser seeks to engage with companies that are non-performing from an ESG standpoint, with the aim of improving their ESG performance.

The Sub-Investment Adviser uses MSCI data to identify the carbon risk score for investee companies and aims for an aggregate carbon risk level for the Fund that is 15% lower than the Index.

The Sub-Investment Adviser uses MSCI data to identify the percentage of the Fund's market value that is exposed to companies ranking below average relative to global peers and aims for aggregate accounting flag weight that is below the Index.

A set of fixed social exclusion criteria is in place to exclude companies or issuers from consideration for investment where their revenue is significantly derived from involvement in producing tobacco or involvement in the gambling sector.

The Sub-Investment Adviser identifies governance considerations as integral to the investment philosophy and process. Improving governance policies and practices are identified as providing a basis for an improved relative valuation, while governance dilution or deterioration represent an inherent source of risk and downward valuation. In order to ensure good governance, the Sub-Investment Adviser engages with senior executives from investee companies within the Fund.

## e) Proportion of investments

In accordance with the binding elements of the investment strategy, 98% of investments made will be aligned to the environmental and social characteristics, whilst the remaining 2% will be cash, cash equivalents and hedging instruments.

The investments underlying the Fund do not take into account the EU criteria for environmentally sustainable economic activities as defined in the Taxonomy Regulation and as such, 0% of the Net Asset Value of the Fund shall be invested in such investments.

## f) Monitoring of environmental or social characteristics

The following sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by the Fund:

- For assessing an investee company's practice on carbon footprint, the Sub-Investment Adviser checks indicators on greenhouse gas ("GHG") emissions, carbon footprint, GHG intensity of investee companies and exposure to companies active in the fossil fuel sector.
- For assessing an investee company's practice on health and wellbeing, the Sub-Investment Adviser checks indicators on violations of United Nations Global Compact ("UNGC") principles and Organisation for Economic Cooperation and Development ("OECD") Guidelines for Multinational Enterprises.

The Sub-Investment Adviser and the Manager monitor the ESG processes on an ongoing basis with a regularity of at least once a quarter to ensure that environmental and social characteristics are met throughout the lifecycle of the fund. The Manager's compliance and risk function will monitor the integration of ESG requirements through a combination of automated, manual and periodic reviews.

## g) Methodologies

The Sub-Investment Adviser considers the following binding criteria as part of its investment strategy in order to select the investments to attain each of the environmental or social characteristics promoted by the Fund:

- The Sub-Investment Adviser uses MSCI data to identify the carbon risk score for investee companies and aims for an aggregate carbon risk level for the Fund that is 15% lower than the Index.
- The Sub-Investment Adviser uses MSCI data to identify the percentage of the Fund's market value that is exposed to companies ranking below average relative to global peers and aims for aggregate accounting flag weight that is below the Index.
- A set of fixed social exclusion criteria is in place to exclude companies or issuers from consideration for investment where their revenue is significantly derived from involvement in producing tobacco or involvement in the gambling sector.

The Sub-Investment Adviser assigns an ESG risk level to each holding considered within the Fund. To assign the ESG risk levels, the Sub-Investment Adviser evaluates an investee company's relationships with each of its stakeholders; shareholders, customers, employees, suppliers and their supply chains, their communities and the environment. The Sub-Investment Adviser will use internal data, incorporating partnership with third party data providers (MSCI, ISS and Bloomberg etc.) to help provide consistent data across the investment universe when making these evaluations. For example, the Sub-Investment Adviser uses MSCI to identify the carbon risk score for investee companies and aims for an aggregate carbon risk level for the Fund that is 15% lower than the Index. The Sub-Investment Adviser runs the MSCI ESG report regularly to ensure this target is met. The Sub-Investment Adviser will also assign an ESG risk trend of either improving, stable or deteriorating using the above processes. This risk trend designation provides important context to the risk level and informs the Sub-Investment Adviser's tolerance for that risk.

The Sub-Investment Adviser subsequently uses these ESG risk levels to identify the key risks to the stakeholders and the associated positive change to the environmental characteristics to be considered in each holding and references these outcomes in investment decision making. Stocks of Shariah-compliant companies which demonstrate poor or deteriorating ESG scores or those with outstanding ESG issues deemed to have potential material financial impact would either be removed or significantly downsized, and the Sub-Investment Adviser seeks to engage with companies that are non-performing from an ESG standpoint, with the aim of improving their ESG performance.

## h) Data sources and processing

The Sub-Investment Adviser has integrated MSCI, ISS and Bloomberg ESG analytics in its processes and monitoring tools at the company specific level and portfolio level. This equips the Sub-Investment Adviser's analysts and portfolio managers with company specific ESG scores, but more importantly with trends in the scores and underlying measures over time, as well as notification of potential controversies and other notable ESG risk considerations. Each company has an overall ESG score, along with the underlying scores of ESG which the Adviser has integrated directly on its central research dashboard.

The Sub-Investment Adviser will upload the portfolio holdings for the Fund onto the MSCI ESG Manager platform to generate the ESG extended portfolio summary report. The key metrics to measure the attainment of the environmental and social characteristics such as overall ESG rating, carbon risk score and the accounting flag measure of the portfolio versus the Index are shown in the report.

If data is not available for an investee company, it will be classified as non-rated and excluded from calculation. The Sub-Investment Adviser will review the report on a regular basis in order to attain each of the environmental or social characteristics promoted by the Fund.

## i) Limitations to methodologies and data

One of the key limitations impacting the methodologies and data is the reliance on third party data providers and the availability and quality of ESG related data. Such data is not yet systematically disclosed by underlying investee companies and may be estimated by data providers or remain unavailable, and when disclosed may follow various methodologies.

In addition, data may not be available for all investee companies to calculate various environmental metrics. If data is not available for an investee company, it will be classified as non-rated and excluded from calculation.

In order to overcome these limitations, the Sub-Investment Adviser's portfolio managers and analysts supplement the data with qualitative assessments based on company and industry research and/or alternative data sources.

The Sub-Investment Adviser reviews the internal ESG methodology on an ongoing basis to ensure the data and calculations are effective and up to date and monitors the investments against the binding criteria in order to attain each of the environmental or social characteristics promoted by the Fund

## j) Due diligence

For the stocks that are in the database or potential investment opportunities, the Sub-Investment Adviser reviews the annual report, MSCI ESG report and latest earnings calls to evaluate/reaffirm the investment thesis. The Sub-Investment Adviser sometimes supplement some of the Fund's understanding of the company with industry expert calls. As part of the Fund's investment process, the Sub-Investment Adviser has to meet the company at least once before introducing the stock to the database. After addition to the database, the analyst will meet with the company at least once a year to keep updated and reaffirm the investment thesis.

After meeting the management and conducting in-depth analysis of the company, the analyst will rate the attractiveness of the stock and recommend a stock call (BUY/ HOLD/ SELL) and a target price. The investment recommendation is then put forward for debate during investment meetings. Once a decision is made, the stock is included in the stock database with an appropriate recommendation by an analyst, approved by the chief investment officer ("CIO"). Stock calls must be subsequently reviewed during the results announcement for the presence of any material information that may change the earnings outlook of the companies.

For ESG assessment and engagement, analysts will document the engagement details.

The Manager conducts due diligence on the Sub-Investment Adviser on an ongoing basis to ensure that processes and procedures are being followed appropriately and in accordance with the Fund supplement.

## k) Engagement policies

The Sub-Investment Adviser engages with companies on ESG issues on the basis that direct communication between investors and companies on ESG matters is an important element of the overall investment process. Engagement may lead the Sub-Investment Adviser to make decisions that favour actions intended to maximize a company's shareholder value and contribute to the overall research to develop a holistic fundamental view of the company.

The Sub-Investment Adviser's engagement policy is designed to guide engagement and not necessarily prescribe specific criteria in making investment decisions. As a result, the Sub-Investment Adviser commits to:

- Engage and collaborate with investee companies to encourage responsible ESG practices
- Encourage greater transparency by investee companies on their ESG practices.
- Encourage investee companies to manage risks related to ESG factors
- Seek out ESG research that will further the Adviser's overall knowledge on a company.
- Keep records or notes on relevant engagement activities.

The Sub-Investment Adviser will engage investee companies to discuss material ESG issues that lead to low ESG ratings by MSCI, or material changes to the rating by MSCI, including any controversies raised by the MSCI report or ESG events/news that warrant further investigation. The analyst will document such discussions and determine the next step of action, which may include the following outcomes:

- a. to continue to own the stock and continue engaging the investee company to make the appropriate actions to address the ESG issues or
- b. reduce or eliminate the position in the portfolio if the company does not make progress in addressing the ESG issues, or the financial impact is deemed to be huge.

## l) Designated reference benchmark

There is no specific index designated as a reference benchmark to determine whether the Fund is aligned with the environmental and/or social characteristics that it promotes.

#### Definitions:

- The “Manager” shall mean Principal Global Investors (Ireland) Limited
- The “Sub-Investment Advisor” shall mean Principal Asset Management (S) Pte Ltd
- “prospectus” shall mean the Funds’ prospectus.
- “supplement” shall mean, in the context of any one sub-fund, the relevant Fund supplement.
- “ESG” shall mean environmental, social and governance.
- “Sustainable Finance Disclosure Regulation (SFDR)” shall mean Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.

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#### Important information:

This document is intended for institutional, professional or retail investor use only in permitted jurisdictions as defined by local laws and regulations. It is intended for information purposes only. It is not an offer or a solicitation to anyone to subscribe for units in the Fund. It should not be construed as investment advice.

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