

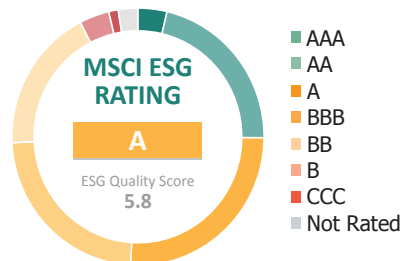
IST AMERICA SMALL MID CAPS (PRINCIPAL)

IST Portfolio

Portfolio Manager	Principal Global Investors (PGI)
ESG Rating <sup>1</sup>	A
SFDR Category <sup>2</sup>	Not applicable
Investment strategy	Active

<sup>1</sup> MSCI ESG Report: [www.msci.com](http://www.msci.com)

<sup>2</sup> SFDR: The Sustainable Finance Disclosure Regulation is a European regulation introduced to improve transparency in the market for sustainable investment products. <https://www.eurosif.org/policies/sfdr/>



ESG Quality Score	ESG Rating
8.6 – 10	AAA
7.1 – 8.6	AA
5.7 – 7.1	A
4.3 – 5.7	BBB
2.9 – 4.3	BB
1.4 – 2.9	B
0.0 – 1.4	CCC

Applied ESG Approaches

Exclusion



**Yes.** IST exclusion list and process is applied:

Composition of IST exclusion list			
SVVK-ASIR	THEMATIC / SECTOR EXCLUSION	COUNTRY EXCLUSIONS	ENGAGEMENT / VIOLATIONS OF NORMS
– Nuclear weapons – Cluster munitions and anti-personnel mines	– Coal mining and power generation (turnover > 25%)	– UN Security Council Arms Embargo – OFAC – Swiss sanctions	– Exclusion of non-cooperative companies – Violation of internationally acceptable standards

Source: <https://www.istfunds.ch/nachhaltigkeit/>

Proxy Voting



**Yes.** The portfolio manager is exercising the voting rights of foreign stock corporations.

Source: [https://www.istfunds.ch/media/5790/exercise-voting-rights-foreign-equities\\_2022.pdf](https://www.istfunds.ch/media/5790/exercise-voting-rights-foreign-equities_2022.pdf)

Engagement



**Yes.**

Engagement activities by the portfolio manager through direct dialogue with investee companies.

Engagement activities by IST in collaboration with Sustainalytics:

CRITERIA	DIALOG / GOAL DEFINITION	TERMINATION OF ENGAGEMENT
– High ESG risk: Material Risk Engagement (MRE) – Thematic engagement (e.g. sustainable forests)	– Definition of firm ESG-goals in cooperation with investee company	2 possible outcomes: – Objective achieved («case resolved») – Objective not achieved resp. company is not cooperative *

\*Assessment to consider adding to exclusion list

Source: [https://www.istfunds.ch/media/5539/ist\\_d\\_engagementbericht-2022.pdf](https://www.istfunds.ch/media/5539/ist_d_engagementbericht-2022.pdf)

ESG Integration



**Yes.** The integration of ESG considerations is embedded within the fundamental research conducted by PGI's analysts and taken into account in the evaluation of sustainable competitive advantages and risks at a company-specific and industry level.

Source: <https://brandassets.principal.com/m/75f0eae8933131a2/original/Environmental-social-and-governance-ESG-integration-Principal-Equities.pdf>

Best-in-Class

**Not applicable**

Thematic/ Impact Investing

**Not applicable**

## Portfolio manager: Principal Global Investors

### Facts & figures

Assets under management	USD 501.5 bn
Whereof in sustainable investment strategies	USD 7.4 bn
Number of inv. profess.	683
Whereof dedicated to ESG	9
Signatory to UNPRI	Yes
UNPRI rating	Various
Memberships (selection only):	
• UN Global Compact	• Task Force on
• Council of Institutional Investors (CII)	Climate-related Financial Disclosures
• International Corporate Governance Network (ICGN)	(TCFD)

### Consultant/ Partnerships

- CII and ICGN for engagement activities
- ISS for proxy voting

### Carbon Strategy

Carbon footprint is measured and has been reduced by 47.7% since 2010. Target to reduce global scope 1 and scope 2 GHG emissions by 65% by 2034 and to achieve net-zero GHG emissions by 2050.

### Voting Activity

Yes, shareholder engagement report 2022 available <https://brandassets.principal.com/m/71c033639885ab6a/original/Principal-Asset-Management-Shareholder-Engagement-Policy-1Q23.pdf>

### Engagement

Principal Global Equities Engagement Policy Statement available <https://brandassets.principal.com/m/75f0eae8933131a2/original/Environmental-social-and-governance-ESG-integration-Principal-Equities.pdf>

### Responsible Investment Policy

PGI's investment process integrates ESG considerations in a manner consistent with its fiduciary responsibilities. Managed appropriately, PGI believes ESG integration contributes to enhanced long-term returns and reduced risks. PGI recognizes ESG integration is distinct from prior concepts of socially responsible investing. The essence is integration and engagement, not exclusion screening, or even activism. Consistent with its overall investment philosophy, its ESG approach focuses on fundamental change. It is imbedded directly within the research process in assessing the fundamental attributes of companies and incorporated into their analysts' research analysis. The focus is not limited to companies that rate highly according to third-party ESG research providers, but rather companies that are demonstrating a commitment to improvement. In short, PGI encourages companies to always strive to be better versions of themselves. The 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, PGI plays an active role in the betterment of society.
- By aligning the ESG Engagement Priorities with PGI's analysts' focus on fundamental change, we're further strengthening the conviction of each investment thesis and related risk considerations.

For each holding or prospective investment PGI assesses the sustainability culture and risks.

- Sustainability Risk Level: Our analysts assign each holding with a sustainability risk level of either low, medium, or high. In arriving at this designation, we evaluate the company's relationships with each of its stakeholders – shareholders, customers, employees, suppliers and their supply chains, their communities, and the environment – and identify those key risks that could undermine the company's existence and the positive change we are seeking. Our analysts collaborate across teams with their industry colleagues to identify best practices and identify emerging issues of concern. We partner with third-party data providers to help provide consistent data across our investment universe.
- Sustainability Risk Trend: Our analysts also assign each holding with a sustainability risk trend of either improving, stable or deteriorating. This risk trend designation provides important context to the risk level and informs our tolerance for that risk. Consistent with our investment philosophy we have a strong preference for positive change. We find that improving trends in sustainability risk can also be an important source of alpha for our clients.

<https://www.principalglobal.com/documentdownload/66071>

### Next steps and further developments

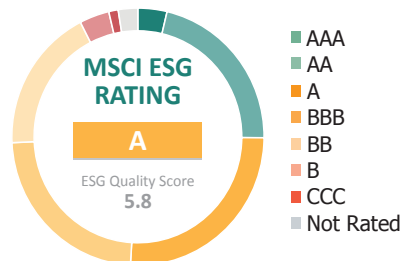
Principal Financial Group, the portfolio manager's parent company has made a commitment to net zero by 2050. PGI is currently assessing best to achieve "net zero" in the different asset classes and portfolios.

## IST Portfolio

Portfolio Manager	William Blair
ESG Rating <sup>1</sup>	A
SFDR Category <sup>2</sup>	Not applicable
Investment strategy	Active

<sup>1</sup> MSCI ESG Report: [www.msci.com](http://www.msci.com)

<sup>2</sup> SFDR: The Sustainable Finance Disclosure Regulation is a European regulation introduced to improve transparency in the market for sustainable investment products. <https://www.eurosif.org/policies/sfdr/>



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0.0 – 1.4	CCC

## Applied ESG Approaches

### Exclusion



**Yes.** IST exclusion list and process is applied:

Composition of IST exclusion list			
SVVK-ASIR	THEMATIC / SECTOR EXCLUSION	COUNTRY EXCLUSIONS	ENGAGEMENT / VIOLATIONS OF NORMS
<ul style="list-style-type: none"> <li>– Nuclear weapons</li> <li>– Cluster munitions and anti-personnel mines</li> </ul>	<ul style="list-style-type: none"> <li>– Coal mining and power generation (turnover &gt; 25%)</li> </ul>	<ul style="list-style-type: none"> <li>– UN Security Council Arms Embargo</li> <li>– OFAC</li> <li>– Swiss sanctions</li> </ul>	<ul style="list-style-type: none"> <li>– Exclusion of non-cooperative companies</li> <li>– Violation of internationally acceptable standards</li> </ul>

Source: <https://www.istfunds.ch/nachhaltigkeit/>

### Proxy Voting



**Yes.** The portfolio manager is exercising the voting rights of foreign stock corporations.

Source: [https://www.istfunds.ch/media/5790/exercise-voting-rights-foreign-equities\\_2022.pdf](https://www.istfunds.ch/media/5790/exercise-voting-rights-foreign-equities_2022.pdf)

### Engagement



**Yes.**

Engagement activities by the portfolio manager through direct dialogue with investee companies.

Engagement activities by IST in collaboration with Sustainalytics:

CRITERIA	DIALOG / GOAL DEFINITION	TERMINATION OF ENGAGEMENT
<ul style="list-style-type: none"> <li>– High ESG risk: Material Risk Engagement (MRE)</li> <li>– Thematic engagement (e.g. sustainable forests)</li> </ul>	<ul style="list-style-type: none"> <li>– Definition of firm ESG-goals in cooperation with investee company</li> </ul>	2 possible outcomes: <ul style="list-style-type: none"> <li>– Objective achieved («case resolved»)</li> <li>– Objective not achieved resp. company is not cooperative *</li> </ul>

\*Assessment to consider adding to exclusion list

Source: [https://www.istfunds.ch/media/5539/ist\\_d\\_engagementbericht-2022.pdf](https://www.istfunds.ch/media/5539/ist_d_engagementbericht-2022.pdf)

### ESG Integration



**Yes.** Research analysts integrate material ESG factors within their fundamental company analysis and their holistic assessment of a company's opportunities and risks.

Source: <https://insight.williamblair.com/our-journey-to-a-sustainable-future/p/1>

### Best-in-Class

**Not applicable**

### Thematic/ Impact Investing

**Not applicable**

## Portfolio manager: William Blair

### Facts & figures

Assets under management	USD 61 bn
Whereof in sustainable investment strategies	USD 61 bn
Number of inv. profess.	103
Whereof dedicated to ESG	3
Signatory to UNPRI	Yes
UNPRI rating	****
Memberships (selection only):	
<ul style="list-style-type: none"> <li>IFRS Sustainability Alliance</li> <li>Emerging Markets Investors Alliance</li> <li>International Corporate Governance Network (ICGN)</li> </ul>	<ul style="list-style-type: none"> <li>US, UK and Korea Stewardship Code</li> <li>Climate Action 100+</li> </ul>

### Consultant/ Partnerships

- ISS for proxy voting

### Carbon Strategy

Carbon footprint is measured.

### Voting Activity

Yes, active ownership policy is available; voting activity for SICAV funds published.

### Engagement

Yes, active ownership policy is available.

### Responsible Investment Policy

As an active manager whose heritage is built on rigorous, fundamental analysis, environmental, social, and governance (ESG) considerations have always informed our investment decisions. We have long realized that these factors have a meaningful impact on a company's ability to create sustainable value, so our core investment philosophies and processes are naturally aligned with ESG integration and sustainable investing principles.

Our research analysts integrate material ESG factors within their fundamental company analysis and their holistic assessment of a company's opportunities and risks, which ultimately informs investment recommendations. We believe that the integration of financially material ESG factors in our research process allows us to better understand the risks and opportunities that may affect company and/or stock performance and ultimately leads to better investment outcomes. Elements of our financial analysis that may be influenced by sustainability factors include, but are not limited to, revenue and cost projections, discount rate, cost of capital, durability of competitive position, reputation risk and brand value.

William Blair utilizes a proprietary materiality framework, comprised of ESG factors that we believe are likely to be financially material to companies in a given industry. Building on the materiality framework, William Blair also utilizes a qualitative ESG ratings system that is embedded in the research process and is fully aligned with the views that ESG Factors are inextricably linked to the assessment of business model durability. Analysts assign E, S and G ratings for each company owned in the portfolio. ESG ratings are part of our standard research report template and the portfolio's exposures to these ratings are monitored by the ESG Risk Working Group.

ESG insights are primarily informed by proprietary research, including company meetings and data aggregation from multiple internal and external resources. Our assessment of potential ESG risks and opportunities for different industries and companies is supported by a proprietary materiality framework that was developed internally by the investment teams, with input from sustainable investment research providers. Building on this framework, we developed a proprietary qualitative ratings system that is fully aligned with our views on the ESG factors that affect company performance by industry.

<https://active.williamblair.com/esg/>

### Next steps and further developments

William Blair is further establishing its proprietary ESG ratings system and enhancing its data-capturing tools. In addition, proxy voting activity reporting is further developed.