

Statement of Compliance with **THE MALAYSIAN CODE FOR INSTITUTIONAL INVESTORS 2025**



Introduction

As a responsible institutional investor, Principal Asset Management Berhad and Principal Islamic Asset Management Sdn Bhd (collectively referred to as “Principal”) recognises the importance of exercising effective stewardship and upholding high standards of corporate governance to protect and enhance long-term value for our stakeholders. The Malaysian Code for Institutional Investors (“MCII”) provides a set of principles and guidance that underpin our approach towards responsible investment, active ownership and sustainable growth.

This Statement of Compliance outlines our stewardship practices for the year 2025, demonstrating how we apply the MCII principles across our investment activities, governance processes and engagement with investee companies.

Our commitment to the MCII reflects our belief that institutional investors play a critical role in:

- Promoting transparency and accountability among investee companies,
- Encouraging sustainable and responsible business practices, and
- Supporting the development of a resilient capital market ecosystem in Malaysia.

We remain committed to continuous improvement in our stewardship journey, embedding sustainability and governance considerations into our decision-making processes to deliver long-term value creation for both our clients and the broader society.

Principal wishes to provide our statement of compliance to the Code where applicable, as follows:

1 Principle 1 – Disclosing Policies on Stewardship

Institutional investors should disclose the policies on their stewardship responsibilities and review the effectiveness of their stewardship activities.

Principal is committed to exercising its fiduciary duty as a responsible institutional investor. Our stewardship policy outlines how we monitor, engage and vote on matters affecting the long-term interests of our clients.

To strengthen our stewardship process, we subscribe to the following for our actively managed funds:

- **Proxy voting advisory:** Engage independent proxy voting research and advisory firms to provide in-depth analysis, benchmarking and recommendations. This ensures our voting decisions are informed, independent and aligned with global best practices.
- **Decision making framework:** Proxy voting decisions fall under two categories:
 1. Implied consent items – where we have reviewed our voting advisory provider’s policy and agree to apply such policies to any resolutions that passes to a specific group of portfolios.
 2. Mandatory sign-off items – for groups of portfolios where we provide the flexibility to our clients to vote.
- **Exception handling protocol:** In cases where our internal analysis differs from the advisory firm’s recommendations, our analysts may override external advice. Such decisions are subject to documented justification, escalation and approval, ensuring accountability and transparency.
- **Transparency & disclosure:** We aim to provide periodic reporting on our stewardship activities, including details of significant votes, rationale for decision-making and alignment with client interests.

2 Principle 2 – Monitoring Investee Companies

Institutional investors should monitor their investee companies.

At Principal, monitoring is embedded within our investment process across asset classes.

- **For listed equities**, our analysts integrate material ESG considerations into fundamental research, ensuring that company-specific and sector-wide risks and opportunities are reflected in security selection and investment theses. These insights are essential to assessing sustainable competitive advantages and long-term value.
- **In fixed income**, ESG integration supports both risk management and alpha generation. Analysts, organised by sector specialisation, assign ESG scores to all issuers under coverage using our proprietary scoring framework. These scores, along with financial assessments, are core inputs into the investment thesis and valuation.

All actively covered securities are subject to ongoing monitoring and at minimum, annual engagement with issuers. This includes both financial fundamentals and sustainability risks, demonstrating our commitment to the Code's principles and ensuring accountability in stewardship.



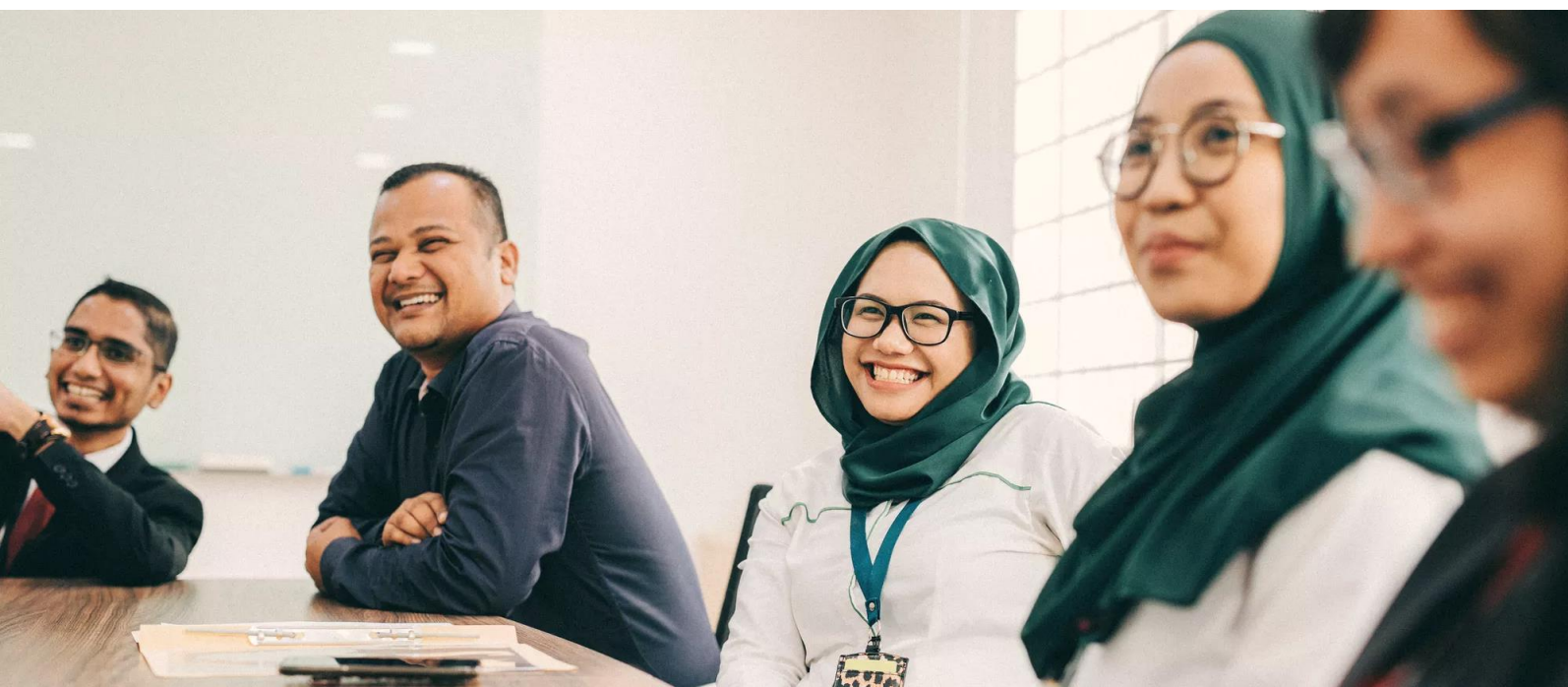
3 Principle 3 – Engaging Investee Companies

Institutional investors should engage with investee companies as appropriate and collaborate with investors to enhance engagement outcomes.

At Principal, we view engagement as a means to drive shared value and influence corporate behaviour for long-term sustainability. Our approach includes direct dialogue with senior management and boards; proxy voting aligned with sustainable guidelines and active participation in shareholder proposals. Through these channels, we encourage companies to strengthen stewardship of human, natural and financial resources, ultimately supporting better outcomes for our clients and stakeholders.

We recognise that engagement is a continuous process. While some dialogues have successfully influenced change, we treat less successful efforts as opportunities to refine our approach and identify alternative strategies.

Beyond direct engagement, we collaborate with peers to amplify impact. As a Board member of the Institutional Investors Council (“IIC”) Malaysia, we work alongside other institutional investors to address sustainability and governance issues across key industries, including but not limited to financial services, healthcare and conglomerates.



4 Principle 4 – Managing Conflict of Interest

Institutional investors should adopt a policy on managing conflicts of interest which should be publicly disclosed.

Principal is fully committed to upholding the highest standards of ethical and professional conduct. A critical component of this commitment is the identification, management and mitigation of potential or actual conflicts of interest that may arise in the course of our business activities.

To achieve this, we have developed and implemented a comprehensive suite of global policies and procedures, including our Code of Conduct, Code of Ethics and Personal Account Dealing Policy, which establish clear expectations and safeguards for employees, management and investment teams. These frameworks are designed to protect the interests of our clients and ensure that decisions are made with integrity, transparency and accountability.

Our approach is reinforced by on-going training, monitoring and compliance oversight, ensuring that conflicts are not only identified and managed but also disclosed where appropriate in line with regulatory requirements.



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Principle 5 – Incorporating Sustainability Considerations

Institutional investors should incorporate corporate governance and sustainability considerations, including climate-related matters into their decision-making process while seeking to deliver sustainable returns in the long-term interest of their beneficiaries or clients.

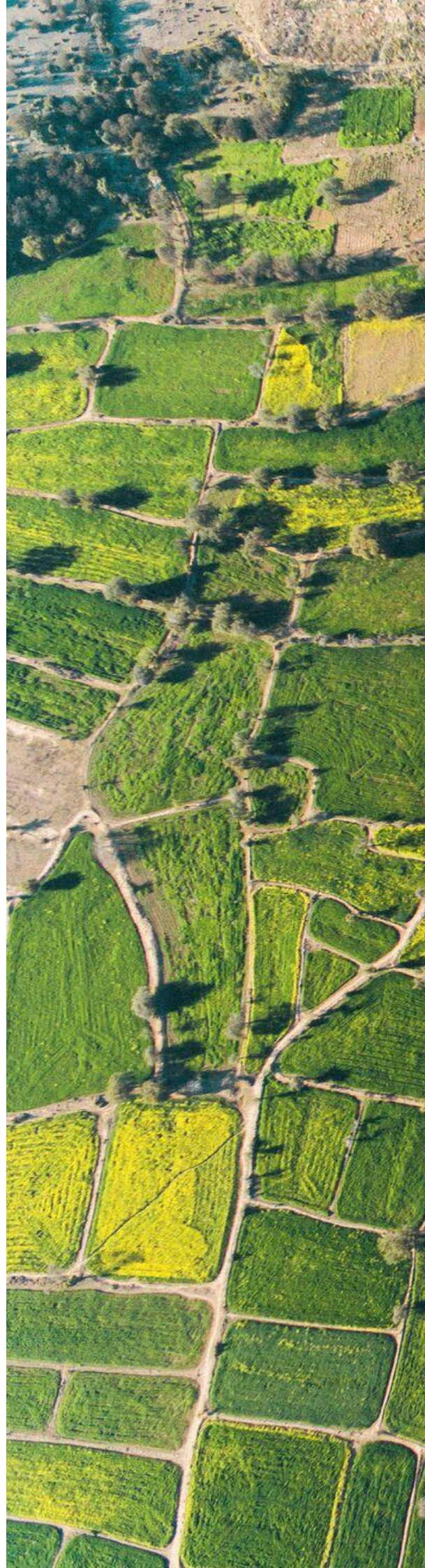
At Principal, we recognize that sustainability is fundamental to long-term value creation for our clients, society and the environment. The consideration of Environmental, Social and Governance (“ESG”) factors is fully integrated into our sustainable investing approach across all actively managed asset classes.

Our investment philosophy emphasizes fundamental change and continuous improvement. Managed appropriately, ESG integration contributes to enhanced long-term returns and reduced risks. Rather than focusing solely on companies with high ESG ratings, we prioritize companies that demonstrate a clear commitment to progress and improved sustainability practices. This reflects our belief that stewardship involves both accountability and encouragement for positive transformation.

In Malaysia, as a signatory to the Malaysian Code for Institutional Investors (“MCI”), we also commit to embedding corporate governance and sustainability considerations into our decision-making and stewardship activities, including active monitoring and engagement with investee companies on climate resilience, transition readiness and good governance practices.

5 Principle 5 – Incorporating Sustainability Considerations (cont'd)

Our guiding purpose can be summarized simply by encouraging corporations to be leaders in sustainability and better stewards of human, natural and financial resources as well as actively contribute to the long-term prosperity of our clients and the betterment of society.



6 Principle 6 – Publishing Corporate Governance Policy and Voting Guidelines

Institutional investors should publicly disclose their corporate governance policy and voting guidelines

As an investment manager exercising voting authority on behalf of clients, Principal has adopted a formal corporate governance and proxy voting policy. This policy ensures that proxy voting decisions are made solely in the best interest of clients, with the dual objectives of:

- Supporting proposals that enhance long-term shareholder value and;
- Avoiding decisions that may be influenced by conflicts of interest.

We disclose to clients how they may access information on proxy voting activities and we are committed to publicly sharing our corporate governance policy and voting guidelines.

Policy Framework

Principal believes that effective proxy voting and the consideration of corporate governance issues are integral to delivering long-term investment value. We are guided by the principle that strong corporate governance provides the foundation for companies to be managed in the interests of their shareholders.



6 Principle 6 – Publishing Corporate Governance Policy and Voting Guidelines (cont'd)

Our fiduciary obligations extend to monitoring clients' ability to participate in class action events as part of our broader portfolio management responsibilities. Accordingly, we have adopted policies and procedures to ensure compliance with legal, fiduciary and contractual obligations.

Proxy Voting Process

To support informed decision-making, Principal may engage leading global proxy research and voting advisory firms. These advisors provide independent analysis and recommendations across a wide range of topics, including shareholder rights, board structures, director elections, executive compensation, mergers and acquisitions and shareholder proposals.

<https://www.issgovernance.com/file/policy/active/asiapacific/Asia-Pacific-Regional-Voting-Guidelines.pdf?v=2025.1>

While these recommendations form an important input, ultimate voting authority rests with the Portfolio Managers. Where appropriate, Portfolio Managers may diverge from advisors' recommendations, provided such decisions are properly documented, approved and aligned with client interests.



6 Principle 6 – Publishing Corporate Governance Policy and Voting Guidelines – cont’d

Client Direction and Customisation

Clients may elect to vote proxies directly, issue specific voting instructions or request that their own governance guidelines be applied. Where feasible, Principal may accommodate these requests, including the provision of customized proxy voting reports.

Abstention from Voting

While proxy voting responsibilities are taken seriously, there may be instances where refraining from voting is deemed to be in clients’ best interests. Examples include situations where:

- Voting restrictions exist in share-blocking markets;
- Casting a vote on a foreign security may require that the adviser engage a translator;
- Restrictions on foreigners’ ability to exercise votes;
- Requirements to vote proxies in person;
- Requirements to provide local agents with power of attorney to facilitate the voting instructions
- Notice of shareholder meetings are not received in a timely manner.

In such cases, votes may be cast on a best-efforts basis, with consideration given to the balance between cost and benefit to clients.

Proxy Solicitation

Employees are required to report any proxy-related solicitations received. As a matter of policy, Principal does not disclose voting intentions prior to shareholder meetings, on a particular proxy until after such proxies have been counted at a shareholder’s meeting. At no time may employees accept remuneration related to proxy solicitation.

7 Principle 7 – Collaborative Response on Corporate Governance & Sustainability Issues

Institutional investors should collaborate where appropriate to respond to corporate governance and sustainability concerns or risks. The collective voice and views of institutional investors are important levers in shaping behaviour and promoting good corporate governance in particular on emerging issues such as sustainability reporting and investing.

At Principal, we recognise the importance of collective stewardship and actively support collaborative efforts where they align with our clients' interests. We participate in industry initiatives and joint engagements that provide a unified platform to raise governance and sustainability concerns with regulators, standard setters and investee companies.

Local Market Collaboration

In Malaysia, we collaborate with our peers through the Institutional Investors Council ("IIC") and the Joint Committee on Climate Change ("JC3") to strengthen corporate governance and advance sustainability practices within corporate Malaysia. These collaborations include collective engagements on key issues such as board independence, shareholder rights, audit quality, climate risk management and enhanced sustainability disclosure.

Global Engagement

Beyond Malaysia, we are open to collaborating with like-minded investors and global signatory bodies, including the Principles for Responsible Investment ("PRI"). These engagements allow us to contribute to the development of best practices in sustainable investment and corporate governance at the regional and international levels.

Forward-Looking Commitment

Looking ahead, Principal remains committed to expanding collaborative efforts on systemic sustainability challenges such as climate change, biodiversity loss and social equity where collective action can accelerate meaningful change and deliver long-term value for investors, companies and society.