Principal®

Inspiring change

2022 Sustainability Report

Principal®

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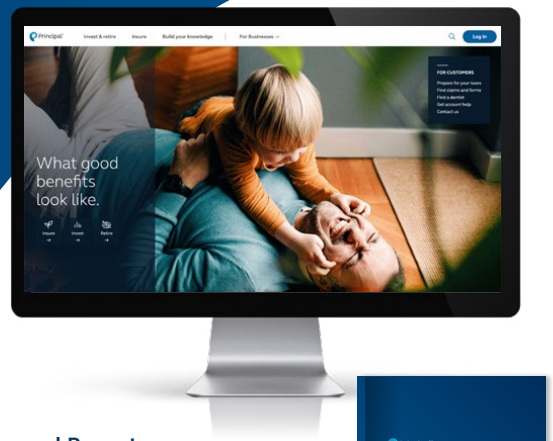

Get the latest information online: **principal.com**

Use your laptop, tablet, or phone to see information including: our Company; what we do; news and events; and investor resources.

2022 Annual Report
Amid a challenging macroeconomic environment, we successfully executed in 2022 and made meaningful progress toward our goals.

2022 Global Inclusion Report
Read more about our approach to global inclusion in the workplace, in our business practices, and in our communities.

Download the 2022 Annual Report (PDF)

Download the 2022 Global Inclusion Report (PDF)

Whether it's pointing to further information or clearly explaining industry jargon, these **icon-led information panels** will act as wayfinders to guide you through our report:

Listen and learn **Explainer** **Goals** **Case study** **The challenge** **Speaker spotlight**

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"We weave sustainability into our business to help build a more inclusive and resilient world."

Dan Houston
Chairman, President, and CEO of Principal

A strong commitment to helping more people and businesses gain access to financial security is the purpose that galvanizes our more than 19,000 employees.

Our purpose guides what we do and how we do it. We offer meaningful products and services to help customers in ways that are convenient and accessible. We work to increase financial inclusion around the globe, helping more people gain access to useful and affordable financial products and services to meet their needs—from savings, credit, and insurance to education and advice. And we weave sustainability into our business to help build a more inclusive and resilient world.

We can only do this well if we listen and learn along the way. So, we ask stakeholders what they need and prefer. We monitor external factors that may impact the success of our company, our customers, and our investments. We look for important shifts that create new opportunities. And we identify areas where we need to learn more. It's how we approach sustainability—and how we run our business.

Holding ourselves accountable

In April 2021, we made long-term, public sustainability commitments and promised to be transparent with our results. Since then, we've made meaningful progress. This report has a particular focus on how we're holding ourselves accountable.

You'll find specific details in the pages that follow. But at a high level, we saw impressive outcomes in 2022 around these key commitments:

- **Sustainable investing**
- **Financial inclusion**
- **Climate impact**
- **Employee inclusion**

We also moved into the first phase of setting incremental, annual targets to help drive measurable progress toward our longer-term sustainability commitments.

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Activating our plans

This report is rich with details of sustainability outcomes delivered by Principal employees and our like-minded allies around the world.

I'll offer just a few 2022 highlights here:

- Our investors tell us they want more options for sustainable investing. After issuing our inaugural sustainability bond in 2021, we released our first **Sustainable Financing Report** in 2022. It gives transparent insight into how the money in the bond is being invested in eligible green and social initiatives.

Read more on page 37

- We launched the **Global Financial Inclusion Index**[1] (Index) to better understand the state of financial security and inclusion around the world.

"We can only do this well if we listen and learn along the way."

By combining public data and proprietary research across 42 markets with personal and business perspectives, we learned a great deal about how people feel financially included. Now, the Index is advancing the conversation about the moves governments, financial systems, and employers can take to support financial inclusion. During recent travels to Asia, the Middle East, Latin America, and in the U.S., I spoke with investors, clients, reporters, and public officials who share a strong interest in understanding the actions necessary to help improve financial security.

Read more on page 51

- I was honored to help kick off our first **Global Inclusion Summit** in April, which united employees around the globe. The event offered sessions aimed at helping us bring our authentic selves to work. Employees were encouraged to connect and engage with others—hearing and sharing their differing perspectives.

Read more on page 90

- We continued to focus our charitable giving on areas that support financial security. **Principal® Foundation** contributed more than $17 million to help meet basic needs, provide access to arts and culture, and support the financial empowerment of entrepreneurs, small businesses, and diverse populations.

Read more on page 106

- We expanded our **Sustainability Task Force**[2], which adds oversight and accountability for our sustainability progress. Its new voices add keen insights that are already helping shape our work.

Read more on page 120

And that's just the beginning.

I hope you'll take some time to review this report and learn more about the important work being done across Principal.

1 **The Global Financial Inclusion Index** is a proprietary model output based upon certain assumptions that may change, are not guaranteed and should not be relied upon as a significant basis for an investment decision.
2 Formerly the ESG Task Force.

Looking ahead

We made considerable progress in 2022, and I extend my thanks to those leading the sustainability charge at Principal, as well as those interested in learning more about our journey. It is critical to our current and future success.

We're prepared to keep the momentum going in 2023, advancing inclusive products and services, embedding sustainable practices, and harnessing the power of our people. We know there is more we can do. We're committed to the work and transparency required to do it effectively.

Throughout the year, we'll keep listening and learning. If you have insights or feedback, we welcome them. Please share with us at: **principalsustainability@principal.com**

Dan Houston
Chairman, President, and CEO of Principal

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2022 highlights

The past year saw strong results across the following areas of sustainability and our investment approach.

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Environment

Create sustainable practices through long-term, responsible actions.

100%[3] Scope of coverage for global scope 1 and 2 greenhouse gas emissions (GHG) data collected and reported

Read more on page 55

86%[3] Approximate amount of electricity consumed in the U.S. from renewable sources

Read more on page 60

69%[3] Waste diverted from landfill through recycling, reusing, and composting

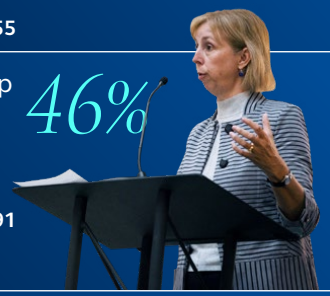
Read more on page 62

Social

Advocate for security and inclusion among our employees, customers, and community.

46% Women in leadership positions across all management categories

Read more on page 91



82% Global People Inclusion Index (GPII)[4] score, encompassing authenticity, learning new things, sharing perspectives, and feeling valued and respected

Read more on page 86

$17M The amount Principal® Foundation[5] donated to support economic mobility and financial empowerment

Read more on page 106

Governance

Be a good steward of the resources entrusted to us.

One of 135 A 2023 World's Most Ethical Companies® honoree[6]

Read more on page 71

99.9% Employees that completed training on human rights and human trafficking

Read more on page 72

62% *8 out of 13* Board of Directors members who are diverse, either by gender, race, or national origin

Read more on page 84

Investment approach

Drive impact through our investments.

$600M *sustainability bond* Released our inaugural Sustainable Financing Report, summarizing the use of proceeds from our sustainability bond

Read more on page 37

55%[7] *(approx.)* Assets under management (AUM) managed by Principal Asset Management℠ that are sustainable investment products

Read more on page 30

11[8] Products launched or converted to Article 8 status, a regulatory process in Europe that labels products promoting social and environmental characteristics

Read more on page 31

3 2022 greenhouse gas (GHG) emissions and energy consumption values will be verified in Q2 2023 and final figures will be disclosed in the 2023 CDP. Waste and water data represent U.S. figures only.
4 The Global People Inclusion Index (GPII) is a proprietary survey tool measuring employee inclusion at Principal.
5 Information within this report is related to Principal Financial Group® unless otherwise noted. The Principal Financial Group Foundation, Inc. ('the Principal® Foundation') is a duly recognized 501(c)(3) entity focused on providing philanthropic support to programs that build financial security in the communities where Principal Financial Group, Inc. ('Principal') operates.
6 2023 World's Most Ethical Companies® honoree designation is awarded by the Ethisphere Institute. Principal received the 2023 designation based on results as of Aug. 2022.
7 Principal Asset Management℠ is the trade name of Principal Global Investors, LLC. AUM representative of Principal Asset Management investment teams as of December 31, 2022. AUM that are sustainable investment products are internally classified by Principal Asset Management and not by any third party or regulatory body.
8 Products representative of Principal Asset Management and Principal International investment teams as of December 31, 2022.

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We're a global leader that helps growing businesses, individuals, and institutional clients achieve greater security, find success, and feel confident in reaching their financial goals.

What we do

Founded in 1879 as a small life insurance company in Des Moines, Iowa, we've become a formidable global leader in retirement and long-term savings, while expanding our insurance business. Evolving from our history as a mutual company, Principal became a public company over 20 years ago. Today, we're a member of the FORTUNE 500®, serving nearly 62 million customers in more than 80 nations and territories.[9]

Our common stock trades on Nasdaq Stock Market under the ticker symbol of PFG.

Read more:
- **2022 Annual Report (PDF)**
- **2023 Proxy Statement (PDF)**
- **2022 10-K (PDF)**

62M
customers

80
nations and territories

Ratings for Principal Life Insurance Company® and Principal National Life Insurance Company:

A+
Superior
A.M. Best Company:[10] Second highest of 13 rating levels

A1
Good
Moody's Investors Service:[10] Fifth highest of 21 rating levels

AA-
Very strong
Fitch Ratings:[10] Fourth highest of 19 rating levels

A+
Strong
S&P Global:[10] Fifth highest of 20 rating levels

9 As of December 31, 2022.
10 Third-party ratings relate to the noted companies only, and do not reflect any ratings actions or notices relating to the U.S. life insurance sector generally. Ratings are not a recommendation to buy, sell, or hold a security. Ratings are subject to revision or withdrawal at any time by the assigning agency, and each rating should be evaluated independently of any other rating. Keep in mind that portfolio holdings are subject to risk. Information is current as of December 2022.

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We offer a broad range of solutions to help individuals, growing businesses, and institutions build, protect, and advance their financial well-being. Our customer-centric model is centered on creating the most simple and relevant experiences imaginable, designed to make working with us as easy, informative, and fulfilling as possible.

Individuals

We help people save for retirement, manage investments, and protect—and enjoy—the life they've worked hard to build through:

- retirement savings—defined contribution, including 401(k) and 403(b), defined benefit, non-qualified deferred compensation, and IRAs,
- estate planning and personal trusts, and
- individual variable annuities and mutual funds.

Businesses

We help employers protect their employees, their business, and themselves through a comprehensive set of employee benefits, expertise, and the experience we offer including:

- group insurance—dental, vision, group life, group disability, accident, and critical illness,
- business owner and key employee benefits—life and disability insurance,
- retirement plans—defined contribution, defined benefit, and non-qualified executive benefit plans,
- stock services including employee stock ownership plans and equity compensation,
- pension risk transfer services,
- trust and custody services, and
- business planning and protection solutions.

Institutions

We help institutions meet financial targets through specialized investment portfolios, customizable strategies, and long-term savings and pension solutions including:

- global asset management—equities, real estate, fixed income, alternatives, multi-asset, and
- long-term savings and pension (voluntary and mandatory) in select emerging markets.

Business units

Principal is comprised of four business units, each with market-leading expertise in the products and services they provide to each of our customer and client bases. These business units are:

Benefits and Protection

We help individuals and small and midsized businesses to grow and protect their assets and enable them to live their best lives. We do this through a broad range of solutions including life and disability insurance, business owner solutions, non-qualified deferred compensation, and group employer paid and voluntary solutions.

Principal International

We help mass to mass affluent customers in our chosen emerging markets plan and invest for their financial future through retirement and long-term savings solutions.

Principal Asset Management

We meet the needs of institutional, retirement, and retail investors globally by providing investment management expertise, products and solutions, and digital tools and resources across a broad range of capabilities and investment vehicles.

Retirement and Income Solutions

We help people to save enough, protect enough, and have enough in retirement through a range of savings solutions including annuities, IRAs, employer-sponsored retirement plans, pension risk transfer, trust and custody services, and investment-only solutions.

Read more about Principal Financial Group, Inc. (PDF)

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For more than 140 years, we've learned that people live their best lives when they feel secure. Everything we do is built around this understanding. We strive to meet people where they are on their financial journey, understanding their progress, possibilities, and hurdles—then offering choices for a clear path forward. We're committed to helping people and businesses be better prepared and equipped to weather the surprises that come their way.

In 2022, we made it an even bigger priority to listen to and learn from stakeholders including employees, investors, and customers. This listening and learning helps us find a more equitable financial system.

Our sustainability journey prioritizes progress over perfection. It requires agile thinking, frequent re-analysis, and continued input and engagement from our stakeholders. We will continue to adapt our sustainability strategy and efforts to the changing needs of the world around us.

As you'll see on the following pages, we made progress toward our specific sustainability commitments this past year. Our 2023 plans will help us continue to act with consideration for future generations, making a meaningful difference for people and communities around the world.

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How we define financial security at Principal

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We define financial security as a person's ability to confidently meet current and future financial obligations, access emergency savings and protection as needed, progress toward long-term financial goals, and make confident choices.

Our actions to expand access to financial security include:

- applying forward-thinking business practices to create innovative products and services to meet the diverse needs of customers across 80+ markets,
- using our expertise in retirement, asset management, and insurance to provide education and insights to our 62 million customers,
- integrating socially responsible investments across portfolios as a signatory of the Principles for Responsible Investment,[11]
- meeting people where they are on their financial journey, developing pathways to economic mobility and financial empowerment, and
- engaging governments to advocate for public policy solutions that improve access to financial services.

These actions are contingent on markets with supportive conditions.

An important piece of feeling financially secure is first feeling included in the financial conversation. Financial inclusion, which has been identified as an enabler for seven of the 17 United Nations Sustainable Development Goals (SDGs),[12] is an extension of the sustainability strategy of Principal. Equitable products that are convenient and accessible to more people, including those in underserved populations, are pivotal to financial inclusion. As a member of the United Nations Global Compact, we participate in the CFO Coalition, working with other industry leaders to rethink finance as a catalyst for social impact.

11 Principal Asset Management has been a signatory of PRI since 2010.
12 http://www.un.org/sustainabledevelopment/sustainable-development-goals

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How we've been listening and learning in 2022

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Our sustainability journey requires us to listen and respond to stakeholder concerns and employee priorities—and to consider our external context, such as market factors and economic trends. It's also about a commitment to sharing what we've learned and showing evidence of our activities so stakeholders can learn about our work to build a more sustainable future.

Throughout this year's report you'll find examples of how we've been listening and learning in 2022. This page highlights just a few of those examples.

Listen and learn

2022 included a 'listening tour' in the form of in-person focus groups to connect with black, female business owners and learn how we can better support them with access to capital and connections with other diverse business owners. In 2023, we're continuing to focus on the areas identified by these business leaders.

Read more on page 118

Listen and learn

Listening not only happens externally, but also internally, with our employees and our leaders. Recently, leaders have shared a desire for more performance feedback and ongoing support and development to better serve their teams. In response, in 2021 our Talent Management Team developed a common set of six expectations for leaders. In 2022, we piloted a 360-degree review process with a leader cohort to test effectiveness and understand outcomes against these six expectations. The pilot was successful and will become a standard process for leaders in 2023. Future outcomes of this program will include improved leadership skills for managers that result from upward feedback.

Read more on page 102

Listen and learn

Cybersecurity is very dynamic, which requires that we remain agile and aware of internal and external changes. Our customers expect their data will be protected and used only for their benefit. Information security provides a proactive approach to cloud and data security, ensuring a strong partnership between engineering and business teams. This includes requiring cybersecurity training for all engineers and others involved in software deployment.

Read more on page 76

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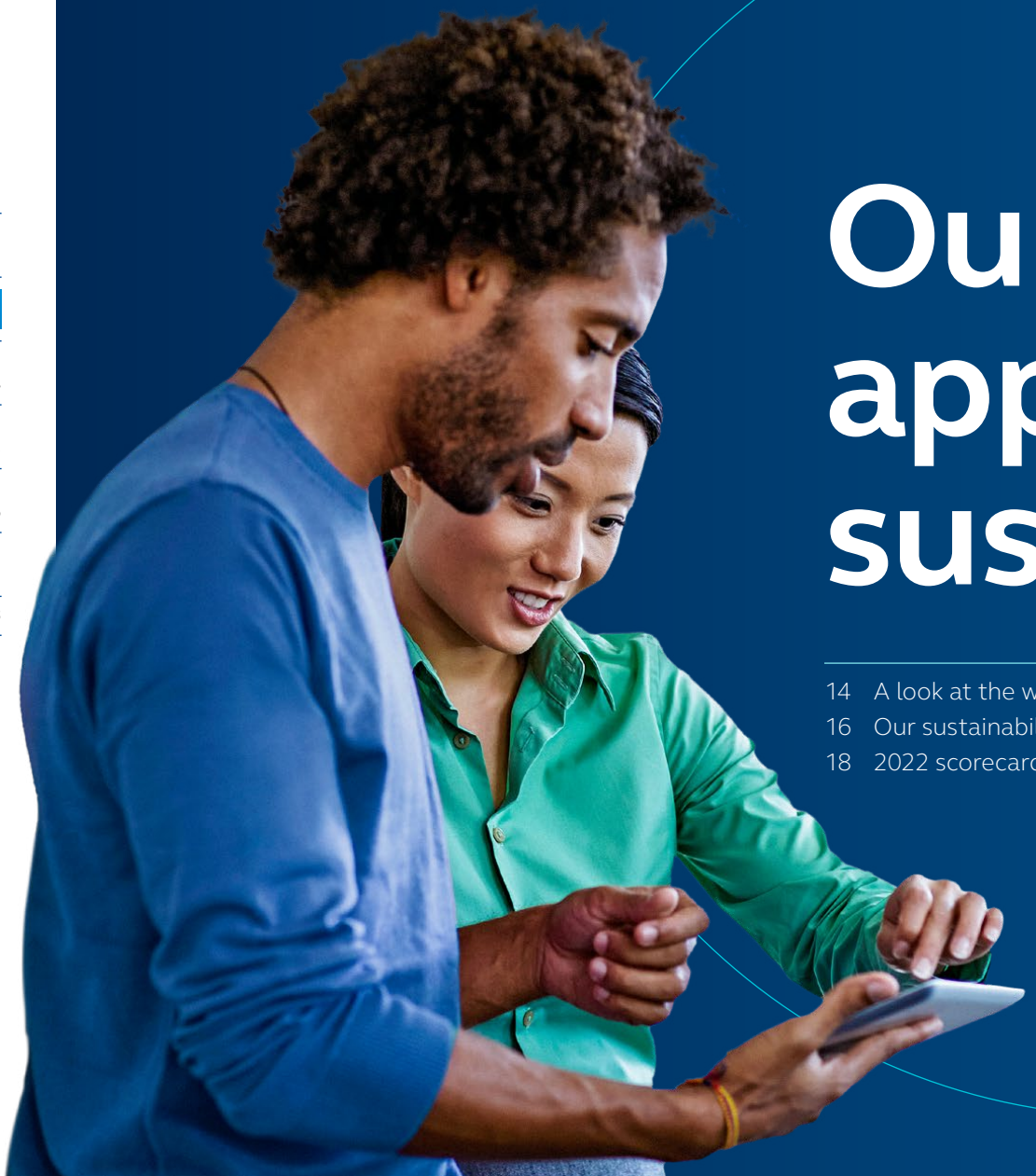

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Our sustainability strategy is shaped by macro industry and sustainability trends. By identifying these trends, and understanding how they affect us, we can be better equipped to monitor and manage the risks and opportunities they present, now and in the future.

The political landscape is changing

We're living in a divided political landscape, which is becoming more complex due to economic uncertainty, social unrest, pension reform, and data privacy concerns. Questions have been raised about the government's role in meeting the needs of workers and business owners in relation to emergency savings accounts, paid family leave, and saving for retirement.

Many markets continue to engage in active pension reform in response to pressures brought about by the pandemic and the expanding wealth gap. In an increasingly digital world, the importance of cybersecurity, privacy, and data transparency continues to rise.

Economic uncertainty and continued globalization lead to tensions

From recessions to the pandemic, we continue to see economic uncertainty that affects markets and consumers. Challenging global disruptions include financial market volatility, rising inflation, and a competitive talent market sparked by labor shortages and job movements.

We're seeing continued globalization of our landscape with new technologies intensifying the spread of information, and trade tensions increasing. The pandemic has stalled growth in the global mass affluent class, and with inflation rising the current economic downturn is impacting living standards around the world.

Read more about our perspective

A look at the world around us *continued*

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Sociocultural pressures bring new learnings

The pandemic revealed the value of digitization, which was the catalyst in redefining when, where, and how work gets done. There has been an emergence of informal labor and gig workers, presenting a need for portable and flexible solutions as these workers are less likely to have traditional benefits given the unstructured nature of their employment.

While savings rates increased during the pandemic, people still don't have enough savings and are facing financial stress and socioeconomic inequality, magnified by record inflation. Combined with challenged government sponsored systems, personal responsibility will only continue to increase—meaning a mix of public and private solutions may become imperative to helping individuals with financial security.

Finally, society is aging faster than the number of working-aged individuals, which is causing a global increase in those who depend on others for financial support.

Additionally, the share of wealth women are generating and managing is growing and will likely continue to rise. Life expectancy and time spent in retirement also continue to increase. These factors underline the crucial need for a financial plan and access to retirement and savings products.

Innovative technologies are expected to empower customers

Investments in technology including AI, enhanced analytics, immersive technologies, hyper automation, Web 3.0 and 5G, continue to challenge business and inspire change. Businesses finding ways to harness these technologies in differentiating ways may create competitive advantages.

Read more about our global insights

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Our sustainability strategy and commitments

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We remain dedicated to our sustainability commitments and to the social, environmental, and economic impact we have on our stakeholders. We are committed to driving better outcomes for people, society, and the planet.

Our strategy is made up of three activation pillars, which are supported by our material sustainability focus areas and include specific topics and targets. These activation pillars help us integrate sustainability into our business strategy, operations, and decision-making.

Activation pillars

Products and services

Practices

People

Material focus areas

- Consumer and product impact
- Sustainable investing
- Financial inclusion
- Governance, ethics, and risk
- Environmental impact
- Sustainable sourcing
- Employee engagement

5 GENDER EQUALITY — Achieve gender equality and empower all women and girls

8 DECENT WORK AND ECONOMIC GROWTH — Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all

10 REDUCED INEQUALITIES — Reduce inequality within and among countries

13 CLIMATE ACTION — Take urgent action to combat climate change and its impacts

17 PARTNERSHIPS FOR THE GOALS — Revitalize the global partnership for sustainable development

Our sustainability strategy and commitments *continued*

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In 2022, through the ongoing efforts of our Sustainability Task Force and participation from business leaders across the company, we continued to make progress against our sustainability commitments. Embedded in these commitments is a global focus on employee inclusion, sustainable investment products, environmental sustainability, and financial inclusion. These are just a few topics identified through our materiality assessment, which informs our sustainability strategy, commitments, goals, and targets.

Our sustainability strategy is aligned with several SDGs, which are an urgent, universal call to action to help end poverty, improve health and education, reduce inequality, and spur economic growth.

To manage the evolving landscape and stay ahead of the curve, we're continuously refining our approach while we remain dedicated to transparently reporting progress.

Activation pillars

1. Advancing inclusive products and services:

We offer sustainable investment products to clients around the globe. We're committed to making relevant products and services more accessible to customers and expanding greater financial security to people and businesses through education, resources, and solutions.

2. Embedding sustainable practices:

We continue our focus on sustainability in how we go to market and serve our customers around the world. We're setting significant environmental goals for our company to combat the climate crisis and working to advance our commitment to sustainable sourcing while maintaining a culture of ethics and transparency.

3. Harnessing the power of our people:

We hold ourselves accountable to advance and support a working environment of integrity, respect, community, and trust. We track our progress through regular surveying and analysis of employee diversity, advancement, sentiment, and pay data. We're committed to leveling the playing field for individuals, with a focus on improving the employee experience and advancement of diverse employees.

Sustainability vision

Help people today by advocating for security and inclusion, creating opportunity for future generations.

Sustainability approach

Grow a sustainable and secure society through long-term, responsible actions.

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Activation pillars	Goal	2022 target	2022 performance	Status	2023 target
Advance inclusive products and services to meet more individuals and businesses where they are in their financial journey.	Align our sustainable investment strategies with the SDGs by 2022. Read more on page 25	Align our sustainable investment strategies to seven SDGs.	Aligned our sustainable investment strategies to 13 SDGs.	Exceeded	Goal met.
	Double the number of diverse small to midsized businesses (SMBs) we support through product access, capital access programs, community development, and financial education by 2025. Read more on page 48	Support at least 2,923 diverse SMBs through product access, capital access programs, community development, and financial education.	Supported more than 8,000 diverse SMBs through product access, capital access programs, community development, and financial education.	Exceeded	*2,923* Support at least 2,923 diverse SMBs.
	Principal® Foundation will invest $30 million between 2021 and 2022 to help meet basic needs, develop pathways toward economic mobility, and support financial empowerment and development, focusing on entrepreneurs, small businesses, and diverse populations. Read more on page 106	Invest $15 million.	Invested $17 million.	Exceeded	Goal met.

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Activation pillars	Goal	2022 target	2022 performance	Status	2023 target
Embrace sustainable practices in how we go to market and serve customers and clients around the world.	Aim to reduce our global scope 1 and market-based scope 2 GHG emissions by 65% by 2034 and achieve net-zero GHG emissions by 2050.[13] Read more on page 56	Aim to reduce our global scope 1 and market-based scope 2 GHG emissions by 4.3%.	Decreased our global scope 1 and market-based scope 2 GHG emissions by 30.3% from our 2019 baseline.	On track	*4.3%* Aim to reduce our global scope 1 and market-based scope 2 GHG emissions by 4.3%, our annual glidepath goal.
	Support diverse entrepreneurs in the U.S. through intentional supplier diversity strategies and best practices. Read more on page 65	Source 9% of eligible U.S. spend with diverse suppliers.	Sourced 7.4% of U.S. spend with diverse suppliers.	Almost met	*$53.2M* Spend $53.2M of eligible U.S. spend with diverse suppliers.[14]

13 In 2022 Principal recalculated and reset its emissions reduction goal from U.S.-only to a worldwide scope. The previous goal, set in 2020, was aligned with well-below 2°C scenario. The new goal aligns with the Science Based Target initiative's (SBTi) 1.5°C scenario.
14 The reporting model changed from a percentage to an absolute dollar value to more accurately reflect the growth of our eligible spend base and impact of our diverse supplier program.

2022 scorecard *continued*

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Activation pillars	Goal	2022 target	2022 performance	Status	2023 target
Harness the power of our people by creating and supporting a work environment of integrity, respect, community, and trust.	Annually achieve a score of 80% or above in our proprietary Global People Inclusion Index that measures the sentiments of our global employees related to culture and empowerment. Read more on page 86	Achieve a score of 80% or above on our Global People Inclusion Index.	Reached a score of 82% on our Global People Inclusion Index.	Exceeded	*80%* Achieve a score of 80% or above on our Global People Inclusion Index.
	Annually score 100% on our proprietary U.S. Diversity Index, consisting of measures that include the hiring, promotion, and turnover rates for diverse individuals. Read more on page 87	Achieve a score of 100% on our U.S. Diversity Index.	Reached a score of 103.1% on our U.S. Diversity Index.	Exceeded	*100%* Achieve a score of 100% on our U.S. Diversity Index.

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Advancing inclusive products and services

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As a financial services company, we have a critical role to play in addressing the serious issues the world faces today. Realities like climate change, gender and racial inequality, cyberattacks, corruption, and abuses of human rights pose significant risks to investors. Group benefits and savings plans that help employers and customers protect and save for their future are not always accessible or affordable for certain businesses and entrepreneurs. Insufficient access to essential financial products, services, and resources perpetuates economic inequality for individuals around the world.

Our sustainability strategy is largely informed by these realities as we work to create a more inclusive, resilient, and sustainable world. As an asset manager, asset owner, and provider of benefits, savings, and insurance, we advance inclusive products and services in the following ways:

- integrating sustainable investing practices,
- prioritizing consumer and product impact, and
- advocating for greater financial inclusion.

On the pages that follow, we discuss each of these topics in detail, setting out our actions in each area.

Integrating sustainable investing practices

Read more on page 23

Prioritizing consumer and product impact

Read more on page 41

Advocating for financial inclusion

Read more on page 47

Associated SDGs:

Read more about the United Nations Sustainable Development Goals

Goals

As an asset manager, we aimed to align our sustainable investment strategies with seven SDGs by 2022.[15]

As an asset owner, we're committed to understanding the overall environmental, social, and governance (ESG) performance of our portfolio and continue to provide educational ESG training to our investment teams in 2023.

As a workplace benefits, savings, and insurance provider, we aim to double the number of diverse small to midsized businesses (SMBs) we support through product access, capital access programs, community development, and financial education by 2025.

2022 Best Place to Work in Money Management – Pensions and Investment

Recognized for our 2021 data

15 SDG aligned sustainable investment strategies include our thematic and impact products as well as our Equity ESG Engagement strategy and our Pillars of Responsible Property Investing initiative.

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Integrating sustainable investing practices

"Our commitment to how we do things is as important as what we do. When we focus on sustainability in every facet of our business, we believe we can enhance the positive impact we strive to have on our people, clients, and communities."

Kamal Bhatia
Chief Operating Officer of
Principal Asset Management

We believe sustainable investment products have the potential to positively affect society and the environment while generating risk-adjusted returns that help us to create additional value for our clients, society, and the environment over time. By designing new, sustainable investment products, incorporating ESG factors into our evaluation process, and engaging with clients on the financial, social, and environmental performance of their investments, we can help drive better outcomes for our clients, society, and the environment over time.

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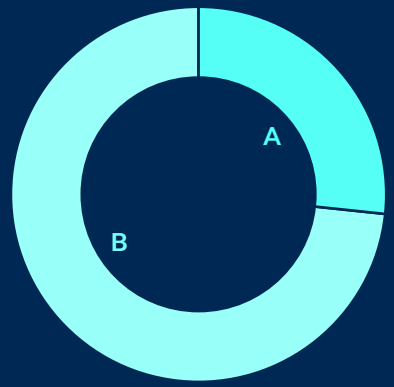
Our commitment to sustainable investing revolves around our fiduciary responsibility to our clients. Acting in their best interests comes first and foremost. As a global asset manager, we see different client demands across markets, various product types and nuanced regulatory requirements depending on region, but the one unifying factor has been our sustainable investing strategy.

We are a global leader in providing long-term savings solutions. People depend on us to help them achieve their goals, no matter where they live or where they are in life. In 2023, we are integrating our global asset management and international pension businesses under Principal Asset Management, formalizing their partnership to create a single business unit with the power of combined leadership, investment, and go-to-market capabilities.

The new structure will create combined regional teams across Asia and the Middle East, the United States and Europe, and Latin America—serving a range of client segments and offering diverse investment and retirement and pension solutions. Sustainable investing was already coordinated across all the business but bringing them together creates opportunities for enhanced focus and coordinated sustainability reporting in 2024 and beyond.

Read more about how we support clients and investors across the globe

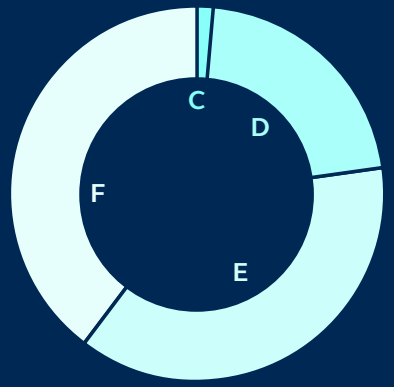
Principal Financial Group, Inc. total assets under management (AUM) as of December 31, 2022[16]



$635.3B

A	Principal International and other entities of PFG, Inc.[18]	$170.6B
B	Principal Asset Management	$464.7B

Principal Asset Management[17] managed AUM by asset class in billions as of December 31, 2022[16]



$464.7B

C	Alternatives	$2.1B
D	Real estate	$98.7B
E	Equities	$180.9B
F	Fixed income	$183.0B

16 AUM as of December 31, 2022. Due to rounding, figures shown may not add to the totals.
17 Principal Asset Management includes the assets held by our general account and specific Principal International asset management businesses. REIT and CMBS AUM are included in real estate figures.
18 Principal International AUM makes up $145.2B of the $170.6B of AUM managed by Principal International and other entities of Principal Financial Group, Inc.

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Throughout 2022 we advanced our sustainable investing efforts which include considerations of ESG integration, engagement and stewardship, responsible proxy voting and sustainable product creation. Here are some noted milestones along our path:

- Classified more than 400 products on our Principal Sustainable Investing Continuum.
- Delivered a continuous stream of ESG-related trainings to internal and external stakeholders, including the release of sustainability-oriented training modules from a third party to more than 500 employees throughout Principal.
- Converted 10 European Domiciled Funds to Article 8/9 status under the Sustainable Finance Disclosure Regulation (SFDR).
- Launched six new sustainable investment products.
- Aligned select sustainable investment products and engagement strategies to 13 SDGs.
- Formalized our Principal Asset Management Stewardship and Engagement Policy Statement and have been awarded signatory status to the Japan Stewardship Code.

In 2021, we set a goal to align our sustainable investment products with seven SDGs by 2022.[19] This year, we exceeded our goal by aligning to 13 SDGs.

Read more about our strategic alignment to the SDGs

Strategy alignment with SDGs[19]

Goal	Product/Strategy alignment
2 Zero Hunger	• Global Sustainable Food Fund
3 Good Health and Well-Being	• Muni Impact SMA • Corporate sustainability bond • Pillars of Responsible Property Investing Initiative • Global Sustainable Food Fund
4 Quality Education	• Muni Impact SMA
5 Gender Equality	• Engagement – Principal Equities
6 Clean Water and Sanitation	• Global Sustainable Listed Infrastructure Fund • Muni Impact SMA • Pillars of Responsible Property Investing Initiative • Global Sustainable Food Fund
7 Affordable and Clean Energy	• Global Sustainable Listed Infrastructure Fund • Corporate sustainability bond • Pillars of Responsible Property Investing Initiative
8 Decent Work and Economic Growth	• Global Sustainable Listed Infrastructure Fund • Pillars of Responsible Property Investing Initiative
9 Industry, Innovation and Infrastructure	• Global Sustainable Listed Infrastructure Fund • Pillars of Responsible Property Investing Initiative • Engagement – Principal Equities • Corporate sustainability bond
11 Sustainable Cities and Communities	• Product – Infrastructure Fund • Pillars of Responsible Property Investing Initiative • Corporate sustainability bond
12 Responsible Consumption and Production	• Pillars of Responsible Property Investing Initiative • Engagement – Principal Equities • Global Sustainable Food Fund
13 Climate Action	• Global Sustainable Listed Infrastructure Fund • Pillars of Responsible Property Investing Initiative • Engagement – Principal Equities
15 Life on Land	• Pillars of Responsible Property Investing Initiative • Claritas Timber Fund
17 Partnerships for the Goals	• Principal Financial Group and Principal Asset Management are signatories/participants of organizations committed to promoting sustainability values • Social Impact Bond Fund (Indonesia)

19 SDG aligned sustainable investment strategies include our thematic and impact products as well as our Equity ESG Engagement strategy and our Pillars of Responsible Property Investing initiative.

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Our global investment philosophy

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As a global asset manager and owner, we offer a broad group of specialized investment teams in each market we operate in. We take a client-first approach, empowering clients with choice and confidence, recognizing there isn't a one-size-fits-all approach to sustainable investing. By collaborating with our clients, we can better understand what type of engagement and investments best support their values and goals.

Our sustainable investing strategy is governed by our Sustainable Investing Policy which outlines how our investment teams use ESG integration strategies alongside fundamental analysis to help generate alpha potential and mitigate risk for our clients.

As the sustainable investing landscape continues to evolve, we offer options that follow a repeatable investment process while supporting client values and helping them reach their financial goals. We will continue to adapt our sustainable investing efforts to the changing needs of the world around us.

Sustainable investing oversight and collaboration

Principal Asset Management has multiple levels of sustainable investing oversight and collaboration. Our Sustainable Investing Oversight Committee, which has expanded this year to include voting members from our Principal International offices, helps assure implementation of funds and strategies in accordance with the appropriate sustainability-related definitions. Our Sustainable Investing Investment Council supports the sharing of best practices among investment professionals when constructing and managing client portfolios. Finally, our Sustainable Investing Leadership Team helps ensure our investment professionals have the information and resources needed to create and maintain sustainable investment products and solutions for clients.

Speaker spotlight

Integrating sustainable investing practices

Sustainable investments may offer an opportunity for people to build a lasting legacy. Everett Miles, Vice President of Capital Markets at Principal, and Emily Foshag, Portfolio Manager at Principal Asset Management, explore the changing landscape of sustainable investing and explain how the increase in available data is making ESG investing more complex.

Watch the full video online

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Our global approach to ESG integration

Our commitment to sustainable investing stems from the belief that considerations of ESG factors foster relationships with investors and communities by aligning with their values. ESG integration may influence investment outcomes by adding the potential for climate, regulatory, and environmental risk mitigation to client portfolios.

Sustainable investing offers the potential to enhance security analysis by providing a holistic view of the factors driving risk and return, which may lead to enhanced fiduciary oversight and governance.

Principal Asset Management ESG-integration evolution

1990s

Began managing custom-screened, socially responsible mandates for institutional clients.

2010s

Became a signatory of the Principles for Responsible Investing (PRI).

2020s

Maintains:

- ESG integration capabilities
- Internal ESG ratings
- ESG guiding policies
- Principal Asset Management Sustainable Investing Investment Council
- Principal Asset Management Sustainable Investing Oversight Committee
- Signatory to the Financial Reporting Council UK Stewardship Code

Our global approach to ESG integration *continued*

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The consideration of ESG factors is integrated into our sustainable investing approach across all actively managed asset classes. The integration approach is determined by the specific investment process of the investment team within the underlying asset class.

Our Sustainable Investing Oversight Committee has worked with each investment team to help categorize alignment with our internal framework into traditional and ESG Integrated Strategies. Our sustainable investment offerings are further classified as ESG Integration Foundational, ESG Integration Enhanced Features, Thematic, or Impact.

We also have the ability to screen investments for sustainability-related characteristics by client request.

To meet our various client needs, we classify our products and investment strategies across our sustainable investing continuum, shown below.

ESG integration is our most widely used approach to implementing our sustainable investing strategy and occurs across all actively managed asset classes, with the approach determined by each investment group's process.

Sustainable investing continuum

Screening
The exclusion or inclusion of certain sectors, companies or practices based on specific ESG criteria.

ESG Integration Foundational

Main objective is performance while demonstrating ESG integration and engagement.

Three major integration methods: ESG score as an added factor; ESG score as a filter; Individual E, S and G scores as filters. We define foundational ESG integration as using an ESG score as another risk factor.

ESG Integration Enhanced Features
Main objective is performance while demonstrating ESG integration and engagement.

Strategies that integrate ESG into the investment process and commit to promoting specific ESG characteristics, which could include:

- Sector/ Security exclusions
- Carbon risk management

Thematic

Investment in themes or assets specifically related to sustainability (for example, clean energy, green technology, or sustainable agriculture).

Impact

Targeted investment aimed at solving social or environmental problems, and including community investing, that generates measurable environmental or social impact.

Stewardship and engagement
Striving for shared value and employing stakeholder power to encourage corporate behavior, including through direct corporate engagement (i.e., communicating with senior management and/or boards of companies), and proxy voting that is guided by ESG objectives.

Our global approach to ESG integration *continued*

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The table below highlights the different approaches that each investment team takes to ESG integration to best complement their investment expertise.

Asset class	Investment team	Our approach
Asset allocation	Principal Asset Allocation	Our sustainable investing process focuses on measurement, activation, and management of related factors at the asset class and strategy level. We generally prefer that our sub-advisors be signatories to the Pillars of Responsible Investing (PRI). This ensures that we are we engaging with investment partners who share our belief that ESG issues may impact the performance of investment portfolios. Further, we require that each sub-advisor submit an ESG policy, which details their individual philosophy and ESG methodology.
Equity	Principal Aligned	Our process involves frequent discussions with former employees, customers, suppliers, etc. to fully understand the health of the stakeholder ecosystem. We generally have small-to-zero weight in industries known for heavy environmental costs as they tend to be capital intensive, commoditized businesses without a competitive advantage.
Equity	Principal Dynamic Growth	Our approach to ESG considerations is informed by our active avoidance of unresolved or anticipated major controversies from a risk management perspective, which has naturally led to strategies with low fossil fuel involvement.
Equity	Principal Edge	Our proprietary qualitative industry ranking approach evaluates ESG factors and focuses on diversity, carbon emissions, and pay equity within the context of each sector, recognizing leaders and laggards.
Equity	Principal Equities	Our proprietary ESG ratings framework incorporates both risk considerations and change catalysts associated with ESG-related issues.
Equity	Principal Origin	Our focus on the quality and sustainability of financial returns, which is central to our investment process, results in consistently avoiding companies with larger carbon footprints.
Fixed income	Principal Finisterre	Our ESG-integrated quantitative process is used to detect opportunities and exclusions to enhance and improve a portfolio's ESG footprint.
Fixed income	Principal Fixed Income	Integrating ESG into our process is a natural extension of what we've always done. Incorporating ESG research into our Fundamentals, Technicals, and Valuations framework helps provide guidance for decision within a portfolio.
Fixed income	Post Advisory Group	We consider various ESG factors during the analysis and due diligence of each issuer, which is encapsulated through our proprietary Value Scoring Model tool.
Fixed income	Spectrum Asset Management	Tiered-risk approach measures the severity of ESG issues, which is part of the qualitative assessment in our proprietary credit analysis. We weight ESG risks and opportunities, along with other qualitative and quantitative credit metrics.
Equity fixed income alternative	Principal Claritas	ESG metrics are evaluated qualitatively during the analysis process, then if applicable may be quantitatively applied to reflect a higher discount rate or explanation of potential liability to be reflected in the company's valuation.
Real estate	Principal Real Estate	We believe ESG practices in real estate help reduce risk, improve a property's competitive stature, and increase tenant interest and retention providing a foundation for potentially higher rents. As fiduciaries for our investors, we understand, quantify, and act upon ESG through our **Pillars of Responsible Property Investing**.

Our global approach to ESG integration *continued*

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For more detailed information regarding ESG integration per investment team and asset class, please see the full **Principal Asset Management Sustainable Investing Policy (PDF).**

While our PRI signatory status since 2010 reflects the fact that Principal Asset Management has considered ESG factors for many years, the thematic and impact portion of the sustainable investing continuum is relatively new as this space continues to grow. As of 2022, we offer two thematic products and one impact product.

Listen and learn

With increased regulations on how to label sustainable investment strategies, our stakeholders are concerned about the misrepresentation—or greenwashing—of investment products. As a result, rather than focusing on naming conventions related to sustainable investing, we concentrate on what ESG factors and analysis bring to the investment process—and how we understand and apply them in the right way.

As of December 31, 2022

- $228.3 billion ESG Integration—Foundational AUM
- $29.2 billion ESG Integration—Enhanced Features AUM
- $95.9 million thematic AUM
- $0.870 million impact AUM

In total, approximately $257.7B of AUM are sustainable investment products, representing ~55% of assets managed by Principal Asset Management.[20]

20 AUM representative of Principal Asset Management investment teams as of December 31, 2022. AUM that are sustainable investment products are internally classified by Principal Asset Management and not by any third party or regulatory body.

Property highlight:
Sonora Village
Scottsdale, Arizona

The challenge

ESG data collection availability

Our global investment teams face ongoing challenges of data availability and coverage, especially among asset classes outside of public equities. It's therefore difficult for us to accurately provide aggregate views of ESG factors, which is why we engage companies on the importance of transparency and reporting.

We use third-party tools and connective software across the company to help centralize data related to portfolio management, performance, and reporting. In 2023, we'll continue to research more sophisticated ESG data collection and integration tools and embed ESG questions in our due diligence process where appropriate.

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Our sustainable investment products

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An inherent part of our sustainable investing strategy is to remain agile and responsive to changing client demands, regulations, and reporting requirements. We have focused on converting and launching new funds that comply with greater expectations of sustainability from regulators and clients alike.

In 2022, we converted nine existing products to Article 8 status under the Sustainable Finance Disclosure Regulation (SFDR). Additionally, we launched six new products; four with enhanced ESG integration features, a private credit direct lending product with ESG integration practices, and a thematic strategy focused on sustainable food systems that is aligned with the SDGs.

We continued to focus on converting and launching new funds that comply with rigorous sustainability requirements while meeting varying client demands, regulatory requirements, and greater expectations for transparency in sustainable investment management.

As of December 31, 2022, Article 8/9 assets under management totaled $7.4B. In 2023, we're planning to launch or convert additional funds labeled as Article 8 or 9 under the SFDR classification framework.

Read the case study – Listed infrastructure: Realizing the potential for sustainable impact (PDF)

Explainer

For products domiciled (or marketed) in the European Union, the Sustainable Finance Disclosure Regulation (SFDR) helps to show investors the various levels of ESG integration among products. SFDR classifies financial products into three categories:

1. Article 6 products have no sustainability scope or ESG focus.
2. Article 8 products promote environmental or social characteristics, or a combination of both and must have good governance practices.
3. Article 9 products must have a sustainable investment objective.

Principal Asset Management: Active ownership and engagement

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Stewardship activities are essential to our role as active, long-term investors.

For us, engagement means striving for shared value and employing stakeholder power to encourage corporate behavior. This includes direct corporate engagement, for example communicating with senior management and/or boards of companies, voting on shareholder proposals, and maintaining sustainable proxy voting guidelines. We believe that by encouraging corporations to be leaders in sustainability through better long-term stewardship of human, natural, and financial resources, we can play an active role in the betterment of society. Stewardship activities are a part of each investment team's specialized philosophy and process. Each team has freedom to define the scope of its engagement with companies and participate in industry and sector collaborations.

In 2022, we formalized our **Principal Asset Management Stewardship and Engagement Policy Statement (PDF)**, unifying the work conducted across Principal Asset Management by our various investment teams under one guiding document. The policy provides a further framework to guide company engagement and is an important structure for executing our stewardship responsibilities.

We aim to:

- Engage and collaborate with the companies we invest in, using our shareholder advantage to encourage responsible ESG practices by the company when aligned with our investment thesis of the company.
- Encourage greater transparency by the companies on their ESG practices.
- Encourage companies to manage risks related to ESG factors and react swiftly to achieve a competitive advantage relative to peers regarding remuneration, boards/directors, audit issues, regulations, litigations, and other market factors that could impact a company.
- Encourage companies to disclose relevant ESG metrics through public reporting and how they may fit into the company's overall business activities.

In 2022, our investment teams had more than 2,200 engagement meetings with management and met with just over 70% of our actively owned companies.

Principal Asset Management: Active ownership and engagement *continued*

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Case study

Engaging with investee companies

When analyzing a large outsourcing European company, our analyst became concerned with the working conditions and handling of mental health issues in the content moderation and digital marketing divisions. As a result, the Principal Equities team asked its board to address these issues. In response, the company announced it would exit the activity. After this announcement, the team conducted an onsite review, which involved a thorough review of the company's recruitment processes and wellness programs, and deeper dives into growth opportunities in digital marketing, gaming, and content moderation. We spent time with the management team, the group CFO, eight employees working in those divisions, and toured two office sites. We came away with enhanced confidence that the company has a strong culture and treats its employees well, noting key takeaways such as offering mental health and counseling services, adding a gaming room to appeal to a young employee demographic, and offering a taxi service for third shift employees.

For more examples of our engagement efforts, review the **Principal Asset Management U.K. Stewardship Code (PDF).**

As a global firm, we recognize that standards and norms of corporate governance can differ between markets. However, we believe there are certain fundamental elements of governance practices that are intrinsic to any company's ability to create long-term value.

This set of global themes is outlined in this overarching policy, which is anchored in transparency and accountability:

- Board and directors
- Climate risk
- Diversity, equity, and inclusion
- Good governance practices and shareholder protections
- Human rights
- Remuneration
- Shareholder proposals

As a fiduciary for our clients, we welcome the broader investment prism that the **PRI Principles** represent. We value the voice that our status as a PRI signatory gives us in defining and shaping the sustainability discussion, the development of best practices, and ultimately the potential to enhance the risk-adjusted returns we deliver to clients over time.

- **PAA Sustainable Investing (ESG) Policy (PDF)**
- **Pillars of Responsible Property Investing ESG Policy**
- **Principal Global Equities ESG Principles (PDF)**
- **Principal Equities ESG Integration Statement (PDF)**
- **Principal Real Estate 2022 ESG Report (PDF)**
- **Principal Listed Infrastructure Sustainable Investing Policies (PDF)**

Principal Asset Management: Proxy voting

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As we take equity positions in publicly traded entities on behalf of our clients, we become shareholders in corporations. This entitles us to vote on proxy proposals put forth by a company's management or its shareholders. As part of our fiduciary duty to act on behalf of our clients, we are responsible for voting on proxies relating to the portfolio securities.

Proxy voting, engagement with corporates and participation in industry and sector collaborative engagements are core responsibilities for our more than 100 equity investment professionals. The analysis of corporate governance issues, proxy voting, and regular and recurring engagement with the assets in which we invest are important components of portfolio management for active investments. Proxy voting is part of the investment process.

Principal Asset Management has a committee responsible for developing and monitoring our **Proxy Voting Policy (PDF)** and guidelines across all vote themes, as well as providing oversight of all matters related to proxy voting.

This includes the services of our third-party proxy research and administration provider, Institutional Shareholder Services (ISS).

We use prior outcomes, current conditions, and research to inform the development of our Custom Voting Guidelines. We then work with our Administrator, ISS, to gather information necessary to execute the policy, collaborate with peers, and administer the voting process.

In some cases, we utilize sustainability or other thematic guidelines as well as our Proxy Voting Committee's ability to customize guidelines to best meet our clients' needs, as deemed appropriate.

Principal Asset Management: Proxy voting *continued*

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The Proxy Voting Committee receives and reviews a quarterly report summarizing all proxy votes for securities for which Principal Asset Management exercises voting. In 2022, the majority of ballots align with our custom Guidelines, with 98.8% alignment.

The expertise of our active teams is leveraged to enhance the outcomes for our passive products when it comes to voting. Our active products leverage the scale of passive ownership when looking to make an impact on our voting results.

Read more about our approach to exercising voting rights in our Proxy Voting Policy (PDF).

We use the recommendations of the Proxy Voting Committee and its oversight and controls for our passive products as well. If we take a position in active products, we will align votes in our passive shares with those outcomes.

We believe a company's sustainability practices may influence its value, so we take these factors into consideration when voting. Before 2022, we anchored to the ISS standard Base and Sustainable Guidelines. In 2021, using that year's voting results, we developed a focused list of changes that Principal Asset Management sought to incorporate into our 2022 Voting Guidelines and created a structured consultation period in which to achieve those goals.

We conducted peer reviews, participated in ISS surveys and meetings, and created an internal Guideline Task Force to create custom annual guidelines. This resulted in the 2022 adoption of two forms of custom Voting Guidelines: Principal Base Guidelines and Principal Sustainable Guidelines.

During 2022, of 5,036 votable meetings, Principal Asset Management voted in 5,012 meetings, including 19 proxy contests. The votes cast on ballots during the reporting period are aligned with management recommendation in 88% of cases. Across categories, votes cast on management proposals show the closest alignment to the ISS Benchmark Policy guidelines, which include climate change and greenhouse gas emissions, board diversity, sustainability reporting, and ESG compensation-related proposals.

Listen and learn

In 2021, the Proxy Voting Committee determined additional vote disclosures were needed to create a preferred level of transparency and elevate engagement topics. We sought out information from both internal and external participants and providers in what may formulate a more meaningful approach to disclosures. During 2022 we worked with ISS in the framework for robust disclosure, agreed to terms and conditions and have a project slated for 2023 implementation, which will produce elevated disclosure materials through our website.

Read our 2021 Principal Asset Management United Kingdom Stewardship Code Report (PDF)

Principal Life Insurance Company General Account

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As an asset owner through the general account of Principal Life Insurance Company, sustainability considerations form an important cornerstone of our investments. Considerations of sustainable investing factors also feed into the analytical frameworks used by our investment teams.

Our fixed income analysts score investments on ESG metrics while our real estate analysts bake considerations linked to climate change and emissions into their analysis when evaluating deals. Not only do we analyze these before underwriting new investments, but we also target continuous improvement in our portfolio's sustainability metrics as measured by our internal ESG scores as well as those provided by MSCI for our public holdings. With better data availability, we are convinced that these will only get better over time.

The fixed income portfolio management team engages with companies we invest in that do not meet high standards on environmental, social, or governance metrics. We work to engage with these companies to encourage responsible ESG practices aligned with our investment thesis for the company. Additionally, we encourage companies to disclose relevant and material ESG metrics through public reporting and describe how these considerations inform the company's overall business activities.

This includes consideration and management of ESG risks. These types of engagement, we believe, help encourage greater transparency around ESG practices and improve the overall sustainability metrics of our portfolio.

At the end of 2022, approximately 65% of assets under management of the general account had ESG integration.

Property highlight:
Park Place
Irvine, California

Principal®

Sustainability bond

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Principal issued our first sustainability bond in August 2021 as part of our commitment to integrating and advancing ESG practices and initiatives.

The bond—issued in the amount of $600 million—financed eligible social and environmental assets, such as affordable housing, green buildings, energy efficiency, and renewable energy. In September 2022, we released our **Sustainable Financing Report (PDF).** Its disclosures include the amount of proceeds allocated to each eligible category, environmental and social performance indicators, and the balance of unallocated proceeds.

The Sustainable Finance Council, which comprises members from the Office of the Chief Investment Officer, Capital Markets, and Sustainability teams, is responsible for the ultimate review and selection of assets that qualify as Eligible Assets for our **Sustainable Financing Framework (PDF)**.

"Following our sustainable offering in 2021, we continue to monitor the debt markets as we assess the right time to issue a second sustainable offering," says Jerry Douglas, Director of Capital Markets. "We're also continuing to evaluate different types of sustainable bond offerings in the market, including sustainability-linked bonds and blue bonds. We're committed to doing our part to help make a positive impact on people and the planet."

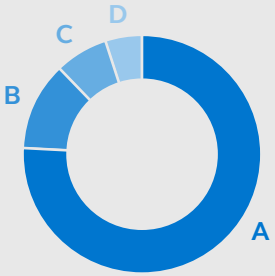
Inaugural sustainability bond summary

Aligned to the United Nations Sustainable Development Goals

Read about the United Nations Sustainable Development Goals

Allocation summary

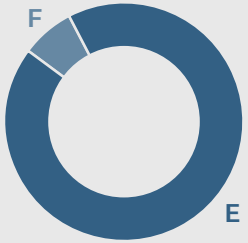
$600M



A	Green buildings	76%
B	Energy efficiency	12%
C	Renewable energy	7%
D	Affordable housing	5%

Allocation to new and existing assets

$600M



E	Existing assets	93%
F	New assets	7%

Issuer:
Principal Life Global Funding II

Date:
August 16, 2021

Amount issued:
$600,000,000

Coupon rate:
1.250%

Maturity date:
August 16, 2026

In line with our commitment to fully allocate proceeds within a period of 18 months, 100% of proceeds from the Principal sustainability bond were allocated to eligible environmental and social assets or businesses as of November 2021.

Sustainable bond offerings are typically limited to qualified institutional buyers (QIBs) through an applicable underwriter. **May not be suitable investment for QIBs seeking exposure to green assets.**

Proceeds were fully allocated as of November 2021. Assets are considered 'new' if invested in after the sustainability bond's settlement date of August 16, 2021.

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Case study

Affordable housing investments

Principal plays a role in providing safe, decent, affordable housing in the U.S. While the shortage of affordable housing is too large a problem for any individual company to solve, we have helped by investing in affordable housing for lower-income Americans since 2004. Our commitment to such projects, which started around $20 million per year, has averaged nearly $100 million over the last few years. The sustainability bond that was issued in 2021 financed multiple eligible affordable housing projects committed to through the program below.

Through a program managed by Principal Real Estate, Principal Life Insurance Company committed $85 million to affordable housing investments in 2022.

Principal committed this money to various arrangements that will develop or redevelop approximately 5,400 housing units in more than 75 properties located across 26 states for households that the federal government classifies as 'low-income' or 'very low-income.' Along with our co-investors, we will invest cash needed for those properties to be developed or redeveloped and will receive our return primarily via tax benefits instead of cash. That will allow the properties to charge rents far lower than they otherwise would charge, making the units affordable for lower-income residents to rent.

We expect the affordable housing units that we and our co-investors finance in 2023 to have the following characteristics:

- They will be located in census tracts with an average 21% minority population.
- Nearly 400 units will be set aside for residents with special needs, including those who were formerly unhoused, those living with physical or mental disabilities, HIV/AIDS sufferers, victims of domestic violence, and others with special needs.
- Some properties will also offer residents services such as life skills training, financial counseling, local transportation, wellness classes, after-school childcare, and a variety of social activities.

Alleviating severe rent burdens faced by lower-income households allows families to spend more of their money on food, clothing, health care, education and other items that improve their lives. Principal is humbled to play a role in improving those families' lives.

"Everyone deserves a safe, decent, affordable place to call home. We're proud to help many Americans achieve that goal with our commitments to affordable housing."

Dan Dickman
Managing Director of Principal Real Estate

International products

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We're seeing institutional investors around the world become more interested in sustainable investment products—and we're responding.

For example, following the approval of a revised ESG framework, which was endorsed by the Southeast Asia Responsible Investment Steering Committee in December 2021, we doubled down on learning more about the ESG risk levels and trends across our portfolio in the region in 2022. Our goal for the year was to complete an ESG risk analysis for 100% of our actively managed portfolio in Southeast Asia, which we fulfilled in December.

Here are some of our noted milestones:

- **Brazil.** Launched at the end of 2021 by Principal Claritas, the Claritas Timber FIP Multi strategy fund has in its invested companies a social purpose that allows investment in eucalyptus forests and other forest areas that produce wood for industrial processing or other purposes. Investee companies are obliged to have (or commit to) certification from the Forest Stewardship Council (FSC) or another body of equivalent status. This demonstrates commitment to the sustainability element of the fund's investment thesis: to be economically viable, environmentally responsible, and socially fair.
- **Hong Kong.** We've launched two sustainable investment funds: the Principal Sustainable Asian Allocation Fund in January 2022, and the Principal Sustainable Asian Income Fund in December 2021. We plan to convert at least one fund to an ESG fund in 2023.
- **Malaysia.** We increased the number of sustainable investment classified funds we offer from three to five in 2022. One of the new funds, the Islamic Global Responsible Equity Fund (IGRE), is classified as Article 8 status under SFDR and is also the first Shariah-compliant ESG fund offering by Principal. The IGRE seeks to invest in Shariah-compliant equities with a diversified portfolio globally and aims to provide capital growth over the medium to long term. We are planning to launch another fund that feeds into the IGRE fund in 2023.
- **Thailand.** We launched a new ESG fund in May 2022—Principal Global Equity ESG Fund. Since the fund's inception, the fund size has increased by 1.634%.

Listen and learn

In 2022, Principal Malaysia rolled out a series of ESG engagements with our strategic clients. The goal was to further learn what ESG means to them and understand their expectations—and how we can better share our own progress and sustainability-related ambitions. The clients we engaged with appreciated our proactive outreach and the fact that we disclose our successes, challenges, and plans. We discussed how to better collaborate while navigating this evolving ESG space. Because of this series of engagements, we're now recommending that each client-facing team actively engage with their institutional clients on the topic of sustainability so we can continue to best serve our clients and help drive better social and environmental outcomes.

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Financed emissions

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Assessing the portfolio, or scope 3 emissions of our assets under management, helps our investment teams and other stakeholders understand the climate risk and exposure of the funds.

Outperforming the benchmark on emissions reduction, or forgoing investments in companies that lag their peers on carbon intensity metrics, adds a layer of risk mitigation and potential alpha generation to their funds.

In 2022, we measured and tracked the emissions of underlying holdings and analyzed the impact at a portfolio level. There are still significant gaps in emissions reporting industry wide. However, the Article 8/9 UCITS requires GHG emissions and carbon intensity to be reported, acting as an exemplary case study for emissions disclosure and how this could impact portfolio composition over time.

Disclosure regulation for SFDR went into place on January 1, 2023. The 2022 GHG emissions of our Article 8/9 UCITS equity products totaled 31 million $MTCO_2e$ and over $729 million assets under management—although only 88% of underlying companies disclosed this metric. The scope of coverage should increase as companies are required to publicly disclose emissions data. This will enable our investment teams to better engage with underlying companies on their emissions performance and make the appropriate investment decisions based on this material input.

Explainer

Financed emissions are scope 3 emissions associated with the reporting company's investments in the reporting year, not already included in scope 1 or scope 2 emissions. They are the indirect greenhouse gas emissions attributable to financial institutions due to their involvement in providing capital or financing to the original emitter.

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Prioritizing consumer and product impact

Principal is uniquely positioned to make financial and insurance products, services, and resources more accessible, including to diverse individuals and small and midsized businesses (SMBs) that may have market and digital barriers.

We believe greater access to financial knowledge and products will result in greater financial equity—and we're committed to playing our part to create a more inclusive economy while ensuring fair marketing and advertising practices.

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Enabling product equity and access

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We strongly believe that our industry has the power to create products and services that allow people to better weather financial challenges, from evolving macroeconomic conditions to life-changing events. But to do this, we must make tools, resources, and solutions more accessible to the people who need them most.

Enabling product access

We understand that financial planning encompasses many factors: age, gender, marital status, family size, cultural values, savings behavior, tenure, income, career path, and retirement dreams to name several. We focus on understanding these variables so that we provide individuals and businesses with personal and relevant messages that enable inclusive experiences. And we're working to remove barriers to make it easier to understand and engage with the products and services we offer.

We apply an inclusion lens to our marketing materials, images, and content to make sure they represent all our customers and the diverse population we serve. Additionally, we develop educational programs and unique content designed to reach and facilitate connections between women, people of color, members of the LGBTQ+ community, and other underserved populations.

Disabilities or impairment support
We have a dedicated team to help ensure we meet Web Content Accessibility Guidelines (WCAG) 2.1 – Level AA compliance across all mediums and platforms through which our audiences interact with us.

We have also built testing into our development process throughout our design system and engineers to ensure new code is accessible.

Our websites support:

- compatibility with the screen reader technology (includes our mobile app),
- contrast ratios that comply with WCAG to assist users with color blindness,
- alternative text descriptions for images and other visual elements on the page,
- proper tab order to ensure content is read in the correct order, and
- zoom elements to 200% without the page breaking.

Hearing-impaired resources
Hearing-impaired individuals can reach a retirement specialist in our Participant Contact Center using their state's relay system and teletype (TTY). This connects the person with a relay customer assistant, who voices messages to Principal and types messages to the hearing-impaired individual. Our representatives can also make outbound calls to hearing-impaired participants using relay services.

Language and cultural resources
We use the Voiance Language Line to communicate with people who speak languages other than English. This service currently provides interpreters for 200 languages, giving individuals who call in access to valuable information interpreted into their primary language. Our suite of resources includes:

- Spanish-speaking bicultural customer service phone professionals,
- bilingual retirement education specialists to facilitate onsite and/or virtual enrollment and education meetings,
- culturally enhanced enrollment materials including an enrollment workbook, investor profile quiz, and promotional materials,
- Principal® app in Spanish (one of a few firms that offer participants the capability to change their language settings to Spanish within the app itself),
- interactive Spanish-speaking voice response system, and
- Spanish version of **principal.com** (**principal.com/es**) and Spanish-language plan statements.

Enabling product equity and access *continued*

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Gender-neutral language
To ensure access for all, we've established a cross-functional team, led by our Chief Inclusion Officer, to determine where we should make changes to our existing systems and processes to help foster gender inclusivity. Starting with select U.S. businesses, we are:

- implementing gender-neutral language by removing gender specific salutations (Mr., Mrs., Miss, Ms.) from correspondence, using full names instead,
- adding non-binary as a selection in gender fields on forms and screen fields and/or removing the gender field,
- updating policy and contract language to be gender neutral, which applies to all interactions (customer, distributor, employee, vendor), and
- continuing underwriting and rate approaches that do not discriminate.

Designing equitable and inclusive products

Enabling better access to products and services is one way we promote equity; providing affordable and customizable products is another. We're working to provide more inclusive insurance and savings solutions around the world.

- The Principal® EASE pooled employer plan (PEP) offered in the U.S. combines integrated retirement plan administration, customer service, and investment fiduciary capabilities.
- **Simply Retirement by Principal®** is our digital 401(k) product, making retirement plans more accessible to businesses with less than 100 employees. It's a straightforward cost that small businesses can plan for each month.
- Principal e-Cash Fund, a Shariah-compliant money market fund, is available on Malaysia's leading eWallet, Touch 'N Go. Customers with as little as RM10 (US$2) can start their investing journey. More than 2.7 million Malaysians invest in Principal e-Cash Fund, and the number continues to grow steadily.
- Principal RetireEasy funds, a target date retirement solution, offers simple, hassle-free retirement planning to customers in Malaysia.
- The **Principal Variable Contracts Buffer Series**, the first of which was launched in July 2022, is a series of four, one-year, defined outcome investment accounts aimed at helping U.S. customers balance the need to build and protect savings in retirement with managing risk, by providing both market growth potential and limited downside protection.

Case study

Digital transformation

In 2022, we introduced a new Group Benefits Onboarding Center implementation tool to help improve the onboarding experience for new customers. By improving navigation, reducing registration time, and leveraging automation, we are expanding customer access and enabling greater impact of our products. We've received positive feedback from new customers and our broker network that the tool provides a convenient, straightforward, and easy onboarding experience.

Explainer

Among U.S. SMB employers with less than 500 employees

- 59% don't have a supplemental key employee benefits plan,[21]
- 53% don't have income protection,[21] and
- 34% don't have succession planning.[21]

Forty seven percent of the working population in the U.S.—or 60 million employees—work for SMBs.[22] We're working to address this market need by focusing on serving SMBs, which represent more than 99% of our Benefits and Protection worksite solutions customers.

21 2021 Small Business Owner survey conducted January 11-22, 2021. 1,011 employed U.S. business owners (of at least 5% of business), actively making decisions, 2-499 employees.
22 Small Business Profile, SBA Office of Advocacy, 2020.

Education and financial literacy

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Financial security depends on education, resources, and tools as well as high-quality financial products. Across the world, we're working to make financial information and resources more accessible to all.

Our suite of financial educational materials for individuals and businesses includes:

- We send quarterly financial wellness communications.
- Principal® Hola Futuro provides culturally relevant, Spanish-language financial wellness resources to help consumers set and meet financial goals and understand the importance of saving.
- We provide educational materials including a Salary Deferral Campaign and seminars.
- The digital Principal® Business Needs Assessment Tool helps employers in the U.S. assess their current financial plan and adjust accordingly and gain suggestions to help reduce risks to their business, employees, and lifestyle with next steps to help secure their financial well-being.
- A feature in our Simple Asset Allocation B2C app in Thailand equips less experienced customers with specific resources to suggest investment plans based on their investment needs.

Across Southeast Asia and Latin America, we share investment content and knowledge on social media, at in-person symposiums and forums, and at community events. In certain markets, our Investment Specialist teams, and distribution affiliates host monthly webinars which provide investment outlooks, market updates, fund recommendations, wealth management tips, financial health advice, and other key insights.

In the U.S., our webinar series, delivered monthly and freely accessible to anyone who wants to attend, includes topics like investing education, financial wellness, and monitoring financial goals.

More than 58,000 individuals attended our financial education and savings webinar series, with an average satisfaction rate of 74%. Our online library of past webinars remains available on our website.

Additional webinars for small and midsized businesses (SMBs), offered throughout the year, shared insights and timely and relevant themes to help SMBs navigate their business needs, including topics such as cybersecurity and business protection, balancing flexibility in the workplace, and leveraging technology for business growth.

Listen and learn

The Principal® Benefit Design Tool is designed for SMBs to learn about the standard benefits that businesses of their size offer to their employees and easily compare options. In 2021, the teams working on the Benefit Design Tool discovered issues that limited our ability to fully engage employers. The following year, they used customer insights to improve the tool so SMBs can understand and compare benefits options more easily, creating more opportunity for their employees to have access to benefits. These improvements led to a 72% increase in unique users in 2022.

Gender focus

Our financial education for women is tailored for the specific challenges they face, such as pay-gaps and higher health care costs due to longer lifespans. Topics include:

- Women and savings: Your future in focus
- Savvy financial moves for women: 5 life moments you don't want to miss
- Ways women can save and build wealth
- Women and wealth: Investing for each life stage

Investing is one of our most requested education topics, and it's the second most requested topic by women. We cover investment options, diversifying portfolios, and identifying risk tolerance, so retirement plan participants can build wealth and work toward their financial goals in confidence.

Read more about our Principal participant educational experiences

Customer complaints and satisfaction

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Fair treatment of all is integral to business. Complaints give us valuable information to help improve our service and identify any problems that require our attention.

Each business area has a designated individual(s) responsible for managing complaint-related procedures and ensuring complaints are recorded, resolved, and reported appropriately and in a timely and consistent manner.

We have a formal internal process in place to monitor complaints from Benefits and Protection customers. We also reference the **NAIC Complaint Index (PDF)** for Principal Life Insurance Company. The **National Complaint Index Report** reflects data reported from the state insurance department to the NAIC. This report currently includes data from 2021, 2020, and 2019. We had 52 closed, confirmed complaints in 2021. We expect the NAIC to make 2022 data available in 2023.

Principal has an established, comprehensive voice of customer program that enables collection of customer satisfaction with Principal at the overall relationship level and after specific interactions, such as with customer support areas or after completing tasks or visits on our website or app.

We review all feedback and customer issues that require prompt follow-up are escalated and triaged to the appropriate area for customer outreach within 48 hours. Beyond resolving immediate customer issues, we also analyze customer feedback to identify trends that point to more systemic pain points in our customers' experiences, and those trends guide experience enhancements.

As an organization, Principal has established customer health goals, including customer satisfaction levels, which are tracked monthly and utilized to monitor the quality of the experiences we deliver. Customer support teams also have customer-centric goals around responsiveness, issue resolution, etc., which keep them focused on delivering experiences that put the customers' needs and goals front and center.

Ensuring fair marketing and advertising

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Principal Benefits and Protection and Retirement and Income Solutions, business units follow each product's specific compliance manual, enterprise policies, and internal advertising review procedures.

Collectively, these systems of control adhere to applicable regulations that govern communication with the public, ensuring advertising does not include any false, misleading, or exaggerated statements. Principal, its affiliates, and individuals included in its distribution channel adhere to rules for communication content standards, review and approval, dissemination, disclosure, and recordkeeping. Advertising materials are reviewed and approved by the appropriate compliance area. The mediums of public communication could include retail investor, retail communication (including social media), institutional communication, public appearances, and correspondence.

Principal and its affiliates, including Principal Asset Management, comply with **Rule 206(4)-1 (PDF)** (the 'Marketing Rule') under the Investment Advisers Act of 1940, as amended (the 'Advisers Act') which prohibits Principal and its affiliates from, directly or indirectly, engaging 'in any act, practice, or course of business that is fraudulent, deceptive, or manipulative' and prohibits U.S. registered investment advisers from directly or indirectly disseminating any 'advertisement' that does not comply with its requirements.

In addition, Principal and its affiliates comply, as applicable, with **FINRA 2200 Communications and Disclosures**, **NAIC MDL-570 Advertisements of Life Insurance and Annuities Model Regulation**, **40-1 Advertisements of Accident and Sickness Insurance Model Regulation**, state insurance regulations, and the **Federal Trade Commission**.

Principal Asset Management has a global compliance manual that includes advertisement and social media policies and procedures, which contain general anti-fraud provisions prohibiting Principal Asset Management from, directly or indirectly, engaging in any act, practice, or course of business that is fraudulent, deceptive, or manipulative and from directly or indirectly disseminating any advertisement that does not comply with its requirements.

In addition, the firm follows the anti-fraud provisions as stated within policies and procedures during compliance reviews of advertisement and social media requests.

Principal Asset Management entities operating in Europe have localized policies and procedures that contain the relevant provisions for communicating with clients within the region. These include policies on communications, financial promotions and marketing, European marketing guidelines, guidelines for the jurisdictional review of marketing materials and boutique marketing review guidelines. Each of the policies constitutes an element of the compliance framework for distribution and client communications in Europe.

Europe regulations governing communicating with client requirements are, in the U.K.: Conducts of Business Handbook COBS 4; and in Europe: MiFID II requirements on client communications. Both requirements from the European Council and the Financial Conduct Authority are largely similar and driven by the same principles. The regulations prohibit any firm from, directly or indirectly, disseminating information, that is not fair or clear or misleading.

Regulatory requirements also mandate firms be transparent with the level of risk associated with their products or strategy, through the 'fair and balanced requirements.'

As of December 31, 2022, Principal and its affiliates, to the best of our knowledge, are not aware of any material regulatory compliance issues concerning the review and approval of marketing material.

Responsible product pricing

Principal Asset Management does not maintain a product and pricing policy as we do not price products. Rather, we price securities and the firm has a Valuation Policy that is used to value securities held in client portfolios of Principal Asset Management and its affiliates. The valuation team sources the pricing of securities from either a primary or secondary source (i.e. ICE, Bloomberg, etc.). There's also a formal Valuation Oversight Committee that is responsible for reviews and approvals, and implements recommendations for certain securities. It's also responsible for the review of the overall design and the ongoing oversight of the valuation process including validity of valuation techniques.

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Advocating for financial inclusion

Financial security depends on people having access to foundational financial services, education, systems, products, resources, and advice. Unfortunately, access to resources such as these is not readily available in all parts of the world—nor do all people have equitable access where it is available.

That's why we focus on financial inclusion, which is one of the first and most vital steps toward greater financial security. It is at the core of global progress.

Financial inclusion means individuals and businesses have access to useful financial products and services to meet their needs—from savings, credit, and insurance to education and advice—and that these resources are delivered in a responsible and sustainable way.

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Inclusive financial access

We believe that everyone should have access to products, services, and resources to help them meet their goals.

In 2021, with support from Principal® Foundation,[23] we committed to double the number of diverse small and midsized businesses (SMBs) we support through product access, capital access programs, community development, and financial education by 2025. Starting from a 2020 baseline, we aim to support a total of 29,228 diverse entrepreneurs and SMBs by 2025, an increase of 14,614 diverse SMBs.

In 2022, we ended the year supporting 8,292 diverse entrepreneurs and SMBs, exceeding our annual target of 2,923. In our second year, we've met 68% of our stated goal.

Product access
We're committing to making insurance and savings products more accessible to diverse business owners. Out of our total number of SMB customers in the U.S. in 2022, 10.4%[24] were owned by diverse business owners, namely women and people of color. We're encouraged to see an increase in diverse businesses, which have historically been underrepresented and continue to lack access to financial products and services.

SMBs owned by women in 2022

7.3%

SMBs owned by people of color in 2022

3.2%

Capital access programs
Our research shows that women report that they have less access to financial products, resources, services, and safeguards than men.[25] This disparity extends to women-led businesses seeking capital to start or grow their enterprises.[26] Supporting women entrepreneurs can help boost the global economy.[27]

In December 2022, we announced our support for First Women's Bank (FWB) as a Mission Partner to help close this gap and get more resources in the hands of female entrepreneurs. FWB is the only women-founded, women-owned and women-led commercial bank in the U.S. with a strategic focus on the women's economy. As a Mission Partner, Principal is supporting FWB by providing capital through mission deposits and lending programs to fuel growth for women-owned businesses.

23 Principal community relations supports the communities where affiliates of the Principal Financial Group®, Des Moines, IA 50392 operates. Insurance products and plan administrative services provided through Principal Life Insurance Company®, a member of the Principal Financial Group, Des Moines, IA 50392. Principal Financial Group Foundation, Inc. ('Principal Foundation') is a duly recognized 501(c)(3) entity focused on providing philanthropic support to programs that build financial security in the communities where Principal Financial Group, Inc. ('Principal') operates. While Principal Foundation receives funding from Principal, Principal Foundation is a distinct, independent, charitable entity. Principal Foundation does not practice any form of investment advisory services and is not authorized to do so.
24 Represents small and midsized businesses in the U.S. owned by women or people of color. Not captured here is approximately 0.1% of small and midsized businesses that are owned by people of color who are also women.
25 According to the 2022 Global Financial Inclusion Index sponsored by Principal Financial Group.
26 According to the '21st Century Barriers to Women's Entrepreneurship,' Majority Report of the U.S. Senate Committee on Small Business and Entrepreneurship.
27 According to the Boston Consulting Group 'Want to Boost the Global Economy by $5 Trillion? Support Women as Entrepreneurs.'

Inclusive financial access *continued*

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Community development
One of our primary events in 2022 was managed in collaboration with the Small Business Administration (SBA) and Business Forward, a non-profit supporting small businesses on policy-related issues, and focused entirely on diverse business leaders in the Detroit area. We hosted a panel discussion on the importance of understanding financial security holistically and the connection between a sustainable business model, centered in personalization, and the implementation of digital tools when developing business continuity. Our speakers also addressed what we know is a burden and barrier for businesses owned by people of color: access to capital. This event enabled us to have a stronger understanding of the needs and preferences of diverse SMB owners. We're exploring the possibility of replicating similar events in select cities in the U.S. in the future.

Principal sponsored three listening sessions with Inc. Magazine to hear first-hand the journey and needs of Black female small business owners.

The key themes we heard were how these business owners carry the responsibility to be leaders in their community, constantly having to reset expectations and 'prove themselves' to the lending community and potential customers, and the need for resources so they can continue to grow and prosper. These sessions will help us understand how to best serve diverse small business owners now and in the future.

Financial education
This year, we offered our expertise via educational opportunities like webinars on financial education. Additionally, Principal Foundation provided funding to non-profit organizations that offer SMBs access to capital, coaching in business finance, and financial education. An illustration of this support is our fund of 1863 Ventures' 3Rs (Recovery, Rebuild, Resiliency) business development program. This national non-profit is dedicated to the business development of New Majority Entrepreneurs – individuals who have historically been marginalized. The 3Rs program offers financial education, business coaching, technical assistance, and access to capital.

Participants who meet the program requirements may be eligible for funding in the form of a grant after completing sessions.

Our learnings in 2022 continue to support our mindset to always be purposeful. We begin with asking ourselves key questions like, 'Why are we doing this?,' 'Who are the SMBs that can benefit from this program?,' and 'How are we helping them solve a problem or overcome barriers?.' Inclusion, especially for diverse business owners, is a forethought for us. Not an afterthought.

Extending reach to international markets
To reach a broader audience and extend greater financial access, we share investment content and knowledge on social media.

Our Principal Investment Opportunities video series in Thailand provides investment outlooks, market updates, fund recommendations, and other key insights.

Read more about Principal Foundation on page 106

The challenge

Finding a balance in diversity

As we forge our path to doubling the number of diverse SMBs we support, we face challenges and obstacles. In our efforts to reach and include more diverse businesses, we do not want to inadvertently exclude male-owned businesses and partnerships from accessing our content and miss an opportunity to learn. We must find the right balance and be intentional about supporting those SMBs that face additional barriers to success.

Next, accessing and managing essential data is often an obstacle to reaching our goal to increase support for diverse business owners, especially women and people of color. Connecting with these individuals during moments that matter most to them can be limited to our ability to identify them and their greatest needs. With better data, we can engage with diverse SMBs at the most critical point along their business ownership journey.

Finally, we face challenges in understanding how we can capture our broader impact with diverse small businesses that have not yet become our customers. This will reach beyond our direct customers, and we aim to better understand our full impact moving forward.

Inclusive financial access *continued*

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In Indonesia, our distribution affiliates host monthly financial educational sessions on social media. We target a minimum of one event per quarter to support financial literacy. In 2022, we exceeded this goal, hosting or participating in 22 activities in the country. We also exceeded our 80% audience satisfaction target for all our events in 2022.

Our Dejando Huella program in Chile seeks to promote financial education. In 2022, we launched a new initiative, 'Compartamos lo que sabemos' ('Let's share what we know'), where our employees volunteered to offer financial education at three community events. We also host financial workshops to help women entrepreneurs manage their business.

In Brazil, our Claritas Solidária Program enables our employees to host classes on financial education and business to public high school and elementary school students in São Paulo. Our free game app brings financial education to young people from all over Brazil. In 2023, we expect to impact more than 1,000 students through our project.

Case study

Little Light Bulb's Robot

In 2022, Principal Hong Kong collaborated with Hong Kong Family Welfare Society (HKFWS) Financial Education Centre to publish a children's picture book, Little Light Bulb's Robot. Using examples from daily life, the story aims to inspire parents to discuss age appropriate money topics with the younger generation.

Principal®

Advancing financial inclusion through measurement and innovation

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Clear and consistent measures of progress matter in financial inclusion. This means understanding the realities of the situation, using data-driven insights to understand the barriers to financial security, and setting goals and establishing accountability to address these gaps.

That's why we partnered with the Centre for Economics and Business Research (Cebr) in 2022 to develop a robust measurement framework to track financial inclusion on a global scale. A leader in producing economic impact studies, Cebr is a credible and respected third party and provides an unbiased view of the challenges facing financial inclusivity globally. Their innovative and robust measurement framework gives us the tools and insights needed to create a more financially equal and secure society.

The Global Financial Inclusion Index ('Index') ranks 42 markets on three clearly defined pillars of financial inclusion: government support, financial system support, and employer support.

In our inaugural year, we discovered very few markets score consistently high across all three pillars. Even in the top ranked economies, there are still weak points. This suggests there is significant opportunity to provide greater support to enable financial inclusion across all pillars. The scores in each pillar serve as a benchmark to measure against annually.

While we've made great strides in improving financial security for more people, recent events such as the ongoing impact of the pandemic, commodity scarcity, and rising inflation have also revealed fragile economic footing for the financially insecure. This can result in increased poverty rates and a widening wealth and income gap.

As we look ahead, the annual Index will help enable Principal and others in the industry to take more informed approaches to promoting financial inclusion. The findings will help inform future products, services, and investments in addition our philanthropic efforts and the organizations and companies Principal collaborates with to advance financial security.

Over time, we will track how financial inclusion shifts around the world. We will also use the Index to share data-driven insights that allow a clearer understanding of the barriers to financial security and the pathways that broaden access to financial solutions.

Read more:
- **Global Financial Inclusion Index: 2022 report (PDF)**
- **Executive Summary (PDF)**
- **Key Findings (PDF)**

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As a global company operating in a regulated industry, we understand the expectations to embed sustainable, ethical, and equitable policies and practices throughout our business functions, teams and people. In doing this, we aim to improve the effectiveness of governing policies, encourage behavior to drive better social and environmental outcomes, and promote greater transparency in our reporting.

Ranked on 2023 Barron's 100 Most Sustainable Companies

Recognized for our 2022 data

Associated SDGs:

Read about the United Nations Sustainable Development Goals

We embed sustainable practices across our organization through the following practices:

Promoting sustainable sourcing

Read more on page 64

Protecting the environment

Read more on page 54

Ensuring integrity in our business practices

Read more on page 68

Goals

We aim to reduce our global scope 1 and market-based scope 2 greenhouse gas (GHG) emissions by 65% by 2034 and achieve net-zero GHG emissions by 2050, which aligns with the Science Based Targets initiative's (SBTi) 1.5° C scenario.

We aim to grow our diverse supplier pipeline and advocate for supplier diversity among our entire supply chain by setting appropriate business spend goals within our U.S. operations.

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Protecting the environment

We are committed to mitigating our impact on the environment and promoting environmental stewardship.

We manage our facilities and business operations responsibly and offer environmental solutions through our products and services. We aim to measure and manage our GHG emissions, energy and water usage, and waste production through operational improvement, renewable energy procurement, and employee engagement.

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Managing climate impact

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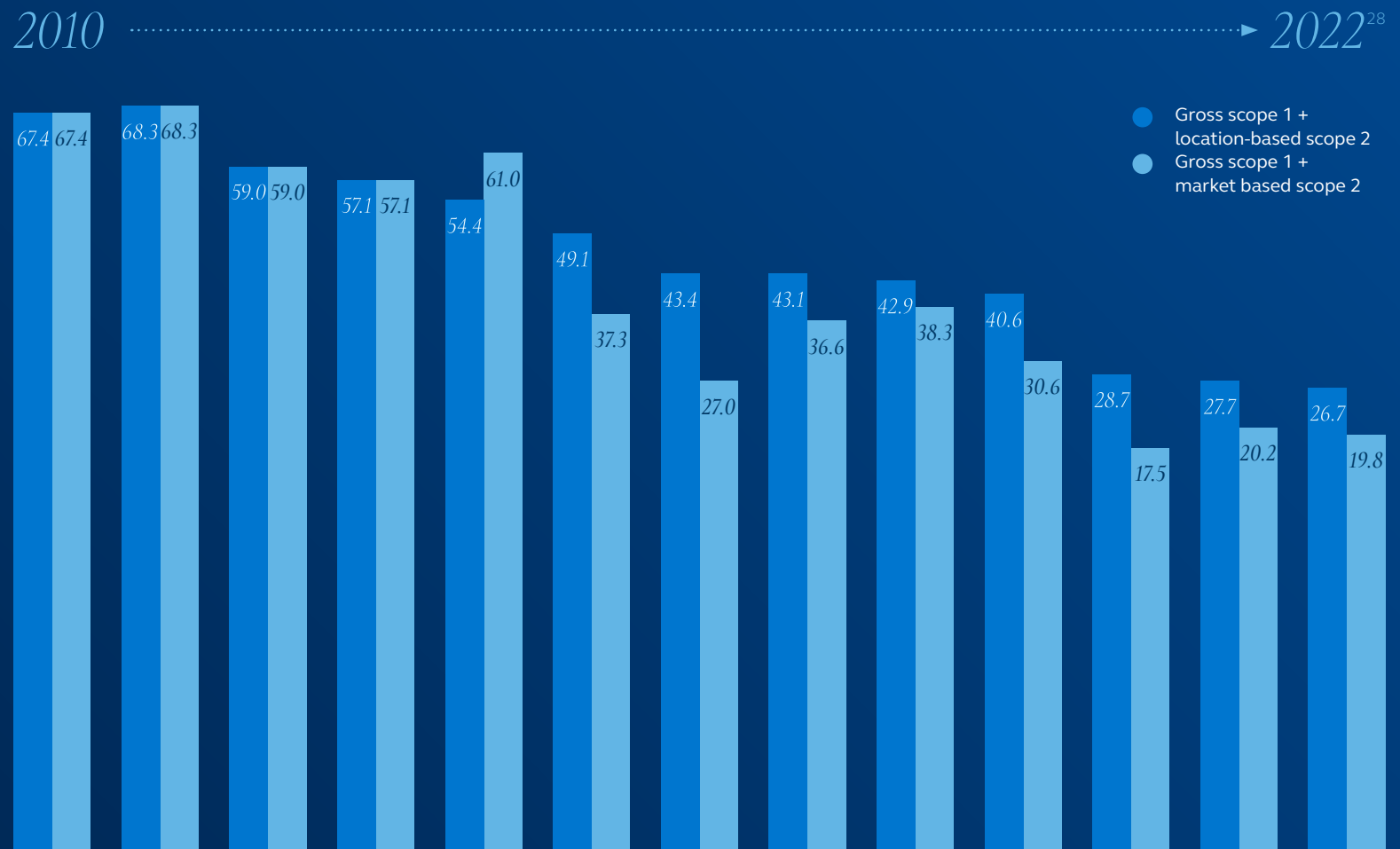
Our climate action plans require the involvement of all our global operations. We have been measuring and reporting our U.S. GHG emissions since 2010. We made significant progress on our climate goals in 2021 by launching a global energy and GHG data collection project, which now enables us to monitor and report global scope 1 and 2 emissions for all Principal owned and controlled facilities.

U.S. GHG emissions 12-year performance

('000 Metric Tons CO_2e)



28 2022 values will be verified in Q2 2023, and final figures will be disclosed in the 2023 CDP. $MTCO_2e$ are rounded to the nearest whole number.

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Climate transition

Using our new global baseline of scope 1 and 2 GHG emissions, we have reassessed and updated our emissions reduction commitment from a U.S. scope to a worldwide scope. We've also set a more aggressive reduction target from one that was aligned to a well-below 2° C scenario to one that is aligned with a 1.5° C scenario. Starting from a 2019 baseline, we aim for a 65% reduction in our global scope 1 and market-based scope 2 GHG emissions by 2034 and to achieve net-zero GHG emissions by 2050. Our 65% reduction target over a 15-year period aligns with SBTi's 1.5° C scenario.

Based on our current and available data, we are confident we can achieve our new target, and we'll monitor progress annually to ensure we're on track. We know that annual progress is an important factor—even if short-term targets don't tell the full story of progress.

Our 2022 global GHG performance	Units	2019[29]	2020[29]	2021[29]	2022[30]	% change since 2021
Scope 1 direct emissions	*Metric tons CO_2e*	*6,557*	*4,523*	*4,103*	*5,144*	*+25%*
Scope 2 market-based emissions	*Metric tons CO_2e*	*29,965*	*17,477*	*20,199*	*20,298*	*+0.5%*
Total scope 1 and scope 2 market-based emissions	*Metric tons CO_2e*	*36,522*	*22,000*	*24,301*	*25,442*	*+4.7%*
Scope 2 location-based emissions	*Metric tons CO_2e*	*39,905*	*28,689*	*27,858*	*27,200*	*-2.4%*
Total scope 1 and scope 2 location-based emissions	*Metric tons CO_2e*	*46,462*	*33,213*	*31,961*	*32,344*	*+1.2%*

29 The organizational boundary expanded from U.S. only to global data, inclusive of all owned and controlled international locations, so values will differ from those reported in the 2021 Sustainability Report and 2020 Corporate Social Responsibility Report, as this report includes updated global figures. $MTCO_2e$ are rounded to the nearest whole number.

30 2022 values will be verified in Q2 2023, and final figures will be disclosed in the 2023 CDP. Data represents global figures. $MTCO_2e$ are rounded to the nearest whole number.

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The challenge

Increasing building occupancy means more energy usage

Our U.S. scope 1 and market-based scope 2 GHG emissions represent nearly 80% of our global emissions. While our U.S. GHG emissions decreased by 2.2% from 2021 to 2022, our global GHG emissions increased by 4.7% over that same period. In 2020, remote working contributed to our reduction in scope 1 and 2 GHG emissions. However, as countries start to recover from the pandemic during the past year, more Principal employees returned to offices. The increased building occupancy increased our 2022 global energy consumption and GHG emissions in comparison to the previous reporting period. To help manage this impact going forward, we're continuing to focus on data collection and analysis for our international offices to identify opportunities for energy conservation and renewable energy.

Our energy and sustainability program has led to great results, demonstrated by our progress against our 2019 baseline year. On average, our annual glidepath goal is to achieve a 4.3% reduction in global scope 1 and market-based scope 2 GHG emissions. We didn't meet our glidepath reduction goal between 2021 and 2022, but we're pleased with our longer-term performance and are still on track to meet our 2034 and 2050 goals.

On average, since 2019 we've reduced GHG emissions 10.1% each year, exceeding the annual reduction glidepath target of 4.3%. We've achieved our 2022 target against our 2019 baseline with a 30.3% reduction in scope 1 and 2 emissions.

In 2022, we upgraded the lighting fixtures in two parking ramps at our world headquarters to LEDs with advanced sensors and controls.

The annual GHG emissions reduction from these two projects is estimated to be over 500 $mtCO_2e$.

30.3%

reduction in scope 1 and 2 emissions—2022 target achieved against our 2019 baseline

In December, Principal maintained 'Management' status for environmental stewardship from CDP, after receiving a B rating on its 2022 CDP Climate Change Report, based on 2021 data.

Our B rating is higher than the Global average (C), North American Regional average (C), and the Financial Services sector average (B-). We plan to complete the 2023 CDP for 2022 data in Q3 2023.

Scope 3 GHG emissions[31]

We measure and report our scope 3 GHG emissions from purchased goods and services, fuel and energy-related activities (not included in scope 1 or 2), waste generated in operations, business travel, employee commuting, upstream leased assets, and downstream leased assets.

31 Scope 3 GHG emissions data for FY2021 can be found in the 2022 CDP. 2022 data will be verified in Q3 2023, and final figures disclosed in the 2023 CDP.

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Goal	Units	2019 baseline year	2022 target	2022[32] performance	2023 target	2034 target
Total scope 1 + market-based scope 2 emissions	*Metric tons CO_2e*	*36,522*	*31,774*	*25,442*	*30,192*	*12,783*
Reduction against 2019 baseline year	*Metric tons CO_2e*	*N/A*	*4,748*	*Actual market-based reduction of 30.3% from 2019 to 2022*	*6,330*	*23,739*
% reduction	*% decrease from baseline year*	*N/A*	*13%*		*17.3%*	*65%*

32 2022 values will be verified in Q2 2023, and final figures will be disclosed in the 2023 CDP. Data represents global figures. $MTCO_2e$ are rounded to the nearest whole number.

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To continue to create a more secure world, we're strengthening our pledge to be responsible stewards and mitigating our impact on the planet.

We established a system and policy that is modeled after ISO14001 and designed to:

- reduce energy use and GHG emissions,
- improve water efficiency,
- reduce waste to landfill, and
- increase employee awareness.

While our consumption of energy and water and production of waste are not significant, we remain committed to measuring these indicators so we can understand our impact on the environment—and develop plans to reduce these impacts.

Energy and GHG emissions

From 2021 to 2022, we saw a net increase in global energy consumption of 2.4% and a net reduction in U.S. energy consumption of 1.4%. To help manage this, we pursue opportunities to invest in energy-efficient systems and processes and are always exploring innovative technologies to help reduce our energy consumption and emissions.

Global	Total energy consumption (MWh)	Year over year changes in energy consumption (%)
2019[33]	104,669	
2020[33]	87,496	-16.4%
2021[33]	82,591	-5.6%
2022[34]	84,599	+2.4%

33 The organizational boundary expanded from U.S. only to global data, inclusive of all owned and controlled international locations, so values will differ from those reported in the 2021 Sustainability Report and 2020 Corporate Social Responsibility Report, as this report includes updated global figures. MWh are rounded to the nearest whole number.

34 2022 greenhouse gas emissions and energy consumption values will be verified in Q2 2023, and final figures will be disclosed in the 2023 CDP. Data represents global figures. MWh are rounded to the nearest whole number.

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Global[35]	Energy consumed from fuel[36] (MWh)	Energy consumed from fuel[36] (%)	Energy consumed from electricity (MWh)	Energy consumed from electricity (%)
2019	31,934	30.5%	72,735	69.5%
2020	23,418	26.8%	64,078	73.2%
2021	20,689	25.1%	61,902	74.9%
2022	24,498	29.0%	60,101	71.0%

U.S.	Total energy consumption (MWh)	Year over year changes in energy consumption (%)
2019	91,970	
2020	77,496	-15.7%
2021	73,496	-5.2%
2022[37]	72,475	-1.4%

35 2022 greenhouse gas emissions and energy consumption values will be verified in Q2 2023, and final figures will be disclosed in the 2023 CDP. Data represents global figures. MWh are rounded to the nearest whole number.
36 Fuel types include natural gas, jet, and diesel.
37 2022 values will be verified in Q2 2023, and final figures will be disclosed in the 2023 CDP. Data represents global figures. MWh are rounded to the nearest whole number.

Renewable energy

Of our total energy consumption in the U.S. in 2022, approximately 58% came from renewable sources—a total of 41,657 MWh. This percentage increases significantly when we look at electricity consumption in the U.S., of which approximately 86% came from renewable sources. At the global level, nearly 50% of energy came from renewable sources worldwide.

We're pleased to share similar environmental commitments to MidAmerican Energy, our utility provider in Des Moines, Iowa. MidAmerican announced a plan to launch a renewable energy project in Iowa in 2022, which includes wind and solar generation and the exploration of new technologies to meet their goal of delivering 100% renewable energy to customers by 2025 and achieving net-zero emissions by 2050. We're aiming to increase our consumption of renewable energy in 2023 through our long-standing relationship with MidAmerican Energy and continue researching renewable energy options in our other global locations.

58%

of total energy consumption in the U.S. in 2022 from renewable sources

86%

of electricity consumption in the U.S. in 2022 from renewable sources

1.4%

reduction in energy consumption in the U.S. from 2021

Improving operational environmental performance *continued*

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Water consumption

Historically, our water usage has remained relatively consistent, but site closures in 2022 contributed towards improved water use this year. While our water consumption is not significant, we remain committed to measuring and reporting our water consumption in the U.S. so we can continue to understand our impact and formulate action plans to reduce these impacts. We incorporate responsible water management practices to meet or exceed Leadership in Energy and Environmental Design (LEED®) guidelines for water efficiency and implement water reduction measures wherever possible. In 2022, site closures contributed to a reduction of approximately 1,900 kGal of water.

U.S. only	kGal	Year over year change (%)
2018	42,745	
2019	37,301	-13%
2020	27,750	-26%
2021	29,590	+8%
2022	25,288	-15%

Green buildings

We use LEED® certification to ensure efficient and healthy work environments.

Of the Principal owned and occupied portfolio in Des Moines, 93% is LEED® certified, as measured by square footage.

1,900 kGal

reduction of water consumption in the U.S. from 2021

Property highlight:
Solar rendering, Central Station
Sunnyvale, California

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Waste and recycling

We integrate waste and recycling practices into business operations and construction projects to improve landfill diversion. Our goal is to meet or exceed LEED® guidelines for waste and recycling. In 2022, we diverted 69% of our hazardous and non-hazardous waste produced at our U.S. facilities through recycling, donating, and composting efforts, with 100% of our hazardous waste being recycled. We continue to make incremental changes in our offices to reduce waste. Approximately 14,200 pounds of food was diverted from the landfill in 2022 thanks to our food provider, Sodexo. And an additional 31,251 pounds of furniture from construction and renovation projects was donated to organizations and families in need.

69%

of our hazardous and non-hazardous waste produced at our U.S. facilities was diverted in 2022

Waste produced from 2018 – 2022

U.S. only	2018	2019	2020	2021	2022
Non-hazardous waste (mt)	*1,267*	*1,248*	*660*	*738*	*751*
% of total	*96%*	*94%*	*88%*	*92%*	*94%*
Hazardous waste (mt)	*54*	*74*	*88*	*68*	*45*
% of total	*4%*	*6%*	*12%*	*8%*	*6%*

Waste diverted from landfill from 2018 – 2022

U.S. only	2018	2019	2020	2021	2022
Non-hazardous waste (mt)	*792*	*768*	*462*	*509*	*507*
% of total	*63%*	*62%*	*70%*	*69%*	*67%*
Hazardous waste (mt)	*54*	*74*	*88*	*68*	*45*
% of total	*4%*	*6%*	*12%*	*8%*	*6%*

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We engage our employees, stakeholders, and supply chain through environmental awareness initiatives.

Our employee grassroots initiative, the Green Team, implements practices to help reduce our environmental footprint and promote green practices among employees. In 2022, the Green Team hosted on-campus recycling and donation events to keep electronics, paper, and clothes out of landfills. Through these efforts, we recycled 6,069 pounds of electronics and 6,450 pounds of paper and rehomed 1,035 pounds of clothes. Additionally, the Green Team hosted two volunteer events in 2022 to help Trees Forever plant 96 trees around Des Moines, Iowa.

6,069 lb

of electronics recycled

1,035 lb

of clothes recycled

Case study

Reducing plastic waste at HQ

In 2019 we completed the renovation of our world headquarters in Des Moines, Iowa. One of the many improvements was the installation of bottle refill stations to encourage employees to use reusable water bottles. To date, we have avoided the use of more than 375,000 plastic water bottles, which is equivalent to nine metric tons of plastic. In 2022, we avoided almost 110,000 plastic water bottles, equivalent to 2.6 metric tons of plastic.

~110,000

plastic water bottles have been avoided in 2022, equivalent to 2.6 metric tons of plastic.

>375,000

plastic water bottles have been avoided to date, equivalent to nine metric tons of plastic.

Principal world headquarters in Des Moines, Iowa.

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Promoting sustainable sourcing

Our value chain, which includes suppliers, vendors, and business partners, both upstream and downstream to our business, serves a critical role in helping us deliver products and services to our clients and customers.

By managing environmental, social, and governance risks and integrating these factors into our supply chain management process, we gain more transparency into how we can add extra value for our partners, mitigate business risks, and work to help create positive social and environmental impact.

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Supplier diversity

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Principal values doing business with diverse suppliers. Through our supplier diversity program, we actively support and facilitate the purchase of products and services from businesses owned or operated by individuals representing people of color, women, members of the LGBTQ+ community, veterans, or individuals with different abilities.

We are an active member of the Financial Services Roundtable for Supplier Diversity, a group dedicated to building strong supplier diversity practices in the financial services industry.

In 2022, our goal was to source 9% of eligible U.S. spend with diverse vendors. Ultimately, we spent 7.4% with diverse vendors.

U.S. diverse spend breakdown

Diverse spend in the U.S.[38]	2021		2022		2023
	Target	Actual	Target	Actual	Target
Total (in $millions)	*$69.5*	*$68.4*	*$79.5*	*$65.8*	*$53.2*

38 The reporting model changed from a percentage to an absolute dollar value to more accurately reflect the growth of our eligible spend base and impact of our diverse supplier program.

The challenge

Using spend projections to establish appropriate supplier diversity goals

In the past few years, we have established a diversity spend goal based on the diverse spend percentage of the year prior. In prior years, the eligible spend base on which the goal was established remained consistent. Additionally, we have achieved and established our U.S. diversity spend goals almost entirely through contractor utilization tied to our diverse Master Services Provider (MSP) supplier. As our contractor usage decreased in 2022 and is expected to decline in 2023, and our eligible spend base increased by 14%, our diverse spend goal amount was impacted. Moving forward, to better anticipate changes in categories of spend and our overall eligible spend base, we are using spend projections in areas of diverse spend and forecasts to the eligible spend base to establish an appropriate supplier diversity goal, as well as analyzing other areas of spend for opportunities to diversify our supplier diversity portfolio.

Supplier diversity *continued*

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2022 program highlights

In 2022, we focused on tier two reporting from non-diverse suppliers and improved communication on timing and reports. We specifically tracked progress toward our goal of spending at least 9% of total U.S. spend with diverse suppliers through both tier one and tier two supplier relationships.

Our supplier diversity team members met with each business unit to share more details about the upcoming activations related to supplier diversity and gain feedback from our employees who act as buyers. They shared that it would be helpful to have a toolkit of resources to understand supplier diversity, how to find diverse suppliers within our supply base, metrics about our program that can be shared with clients for requests for proposals, and 'wins' that can help exemplify our work with diverse suppliers. We are incorporating this feedback into development plans for our supplier diversity program in 2023.

Looking ahead to 2023

Our 2023 goal is to source at least 5.8% of eligible spend in the U.S. from diverse suppliers, amounting to $53.2 million through tier one and tier two spending. We hope to reach this goal with the following actions:

- Create enterprise-wide ownership and accountability by developing targeted diverse spend goals for each business unit and service center business unit.
- Include progress toward supplier diversity goal as a metric of the U.S. Diversity Index, which is a metric toward employee incentive pay.
- Monitor status of supplier diversity, provide frequent updates, and celebrate and report achievements and progress.
- Embed supplier diversity discussions into standard procurement practices.
- Build and maintain a robust and qualified diversity spend pipeline through industry peer group participation and alliances with national diversity credentialing organizations.
- Develop tier two data sharing agreements with all existing and new top 100 suppliers.

Read more about supplier diversity

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Supply chain management

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We expect all suppliers, vendors, and businesses we do business with to comply with our Global Supplier Code of Conduct, and/or our Global Code of Conduct.

In 2022, we updated our Global Supplier Code of Conduct, which includes more robust expectations and guidelines for suppliers related to environmental, social, and governance performance, including human rights. We identified specific vendors that will be subject to routine risk evaluations. We also researched and evaluated supply chain management solutions to help manage topics like supplier risk, environmental performance, and human rights. We're aiming to implement these in 2023.

All suppliers are evaluated with our NAVEX Risk Rate tool during onboarding for risk-based due diligence, which includes monitoring and screening for social impacts, negative news, and conduct-related risks. Principal also monitors suppliers for unethical and illegal conduct, adverse civil or criminal litigation, illegal hiring practices, human trafficking, or other unethical behavior and negative media.

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Ensuring integrity in our business practices

As a company with more than 140 years of doing right by our customers, employees, and investors, we continue to commit to holding ourselves to the highest level of ethical standards.

We ensure good and responsible governance, manage compounding legal, regulatory, financial, reputational, and climate-related risks, protect personal information, ensure the safety and security of our worksites and disclose environmental, social, and governance impacts related to our most material ESG topics.

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Our approach to corporate governance

Good governance is essential for any sustainable business. It's especially important for financial service companies like ours, as our success depends on public trust. Our Board of Directors ('Board') and executive management team regularly review best practices for corporate governance and modify policies and practices as necessary.

Board leadership structure

Our Board exercises flexibility to structure its leadership as needed. Historically, the positions of Chairman of the Board and CEO have been held by two people, or combined and held by one person, depending on circumstances such as tenure and experience of the CEO and the economic and operating environment. Currently our CEO also holds the position of Chairman of the Board. We have a lead independent Director on our Board. The Board regularly reviews the effectiveness of this shared leadership approach.

The Board held 10 meetings in 2022. All Directors attended at least 75% of the Board and Committee meetings in which that Director was a member. As of December 31, 2022, the average tenure of all our Board members was six and a half years.

Our Board Committees: Audit, Finance, Human Resources, and Nominating and Governance.

Read more about our approach to corporate governance, board diversity, and board structure in our 2023 Proxy Statement

Role of the Board in risk oversight

The Nominating and Governance Committee monitors risks and mitigation related to our environmental, sustainability, and corporate governance responsibilities, as well as our political contribution activities. They also oversee the company's sustainability strategy and key initiatives, receive updates from management regarding the company's ESG activities, and provide guidance to the Board, other Board Committees, and management, as appropriate, concerning ESG matters.

The Committee receives updates about specific sustainability metrics, such as our climate goals and performance, twice per year during two of the quarterly Committee meetings.

The Committee also monitors whether the Board and its Committees have the collective skills and experience necessary to monitor the risks facing Principal.

Read more:
- **Bylaws (PDF)**
- **Audit Committee charter**
- **Finance Committee charter**
- **Human Resources Committee charter**
- **Nominating and Governance Committee charter**

The Enterprise Chief Risk Officer and other members of senior management provide reports and have quarterly and annual discussions with the Board and its Committees regarding our risk profile and risk management activities, including reviews of ongoing adherence to policy, current and planned mitigation, impacts of external events, and how strategy, initiatives, and operations integrate with our risk objectives.

The Board also receives input on these issues from external entities, such as our independent auditor and consultants. These activities provide the Board with a greater understanding of the material risks we face, the level of risk in matters presented for Board approval, and how risks are related.

Our approach to corporate governance *continued*

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Board diversity

We believe that for boards to oversee ESG matters effectively, they need the right committee structures and reporting processes. We see board diversity, board leadership structure, and the role of the board in overseeing risks as essential elements for strong corporate governance.

Our Board is reaping the benefits of a diverse and inclusive Board and sees diversity of Directors as an essential element to robust understanding of customers, opportunities, issues, and risks.

The Nominating and Governance Committee reviews the Board's diversity when recruiting new Directors. Characteristics for diversity include age, race, gender, national origin, background, experience, and areas of expertise. Our Board diversity policy is reviewed annually, which helps govern the Board's approach to selecting new members and determining its optimum composition to reflect the diverse nature of our business environment.

Directors are independent

12/13

Directors identify as a woman

5/13

Directors identify as a person of color

2/13

Directors are diverse in their national origin

2/13

Principal®

Maintaining an ethical culture

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People want to work with and for companies they can trust. This is true for any line of work, but especially ours. Millions of customers entrust us with their financial security, today and tomorrow. Acting ethically and with integrity are central to who we are. Our core values serve as the foundation for ethical decision-making across the company. This has always set us apart.

One of the primary ways we measure ethical culture is by regularly surveying our employees about our culture of ethics. In addition to quarterly human resources pulse surveys which include questions about our corporate culture, in 2022, Principal successfully rolled out to its global employee population its third annual comprehensive targeted ethical culture survey. The ethics survey identifies both positive and potentially challenging insights into our corporate culture. The survey, administered through a well-respected external party, allows us to benchmark our results both year over year as well as compare our results to industry peers and cross-industry participants.

The 2022 results reflected our employees' belief in our commitment to maintain a strong ethical culture, adhering to our core values and assuring we do what's right. The results make clear that our employees understand our policies and procedures and trust that we maintain a 'safe to say' environment. When benchmarked against our peer group, our results meet or exceed the industry average on seven of the eight pillars that comprise the survey.

We regularly benchmark our Ethics and Compliance Program through our membership with the Business Ethics Leadership Alliance (BELA), a group sponsored by the Ethisphere Institute, and the Department of Justice (DOJ) Guidance. The Global Chief Compliance Officer shares assessment results with executive leadership and the Audit Committee of the Principal Board of Directors.

Listen and learn

The results of the 2022 ethical culture survey identified employee requests for more education and awareness surrounding specific topics covered in the survey. In response, the Ethics and Compliance area is working with leaders across the enterprise to enhance communications with employees including additional articles, blog posts, videos, and information from leaders on key ethics topics.

2023 World's Most Ethical Companies® honoree[39]

– World's Most Ethical Companies

This marks the 12th time Principal has been recognized for its ethical leadership and business practices since the Ethisphere list launched in 2006.

39 2023 designation is based on results as of Aug. 2022.

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Alignment with our Global Code of Conduct

All employees must complete annual training and acknowledgment related to our Global Code of Conduct ('Code'). The computer-based training (CBT) course covers topics that are contained in the Code. Topics covered in the 2022 CBT included human rights and human trafficking, economic sanctions, insider trading, antitrust and competition laws, social media and news media, and reporting violations of the Code. Once they complete the training, employees sign an attestation of understanding and acceptance. Every Director and employee of Principal is accountable for following the Code.

To be more aligned with industry standards, in 2022, we added tests to computer-based trainings (CBTs) to confirm that employees have understood the course content.

Employee surveys at the end of CBTs help with future course development and improvements. We translate communications as needed to support our global workforce.

In 2022, 99.9% of active employees completed training on our Global Code of Conduct, which included human rights and human trafficking. We used quizzes to test participants' knowledge of the material and concepts covered in the course.

99.9%

of active employees completed training on our Global Code of Conduct

The Ethics and Compliance team, Corporate Special Investigations Unit (CISU) management, and other compliance personnel, regularly review the effectiveness of the Code in various ways:

- monitoring the Ethics Hotline and reviewing metrics for trends,
- releasing an Annual Report of Investigations to employees via our internal employee website,
- requiring annual Code training for all employees,
- conducting an annual ethical culture survey,
- tracking employee views of ethics and compliance policies on our internal employee website each quarter,
- completing annual risk assessments, and
- reporting quarterly to various compliance areas, which includes closed investigations and outcomes.

If our employees, customers, or business partners need to report concerns about unethical or fraudulent activity pertaining to Principal, they can do so through the Ethics Hotline by phone (U.S. only) or submit an online reporting form (available globally). Both offer anonymous options where allowed. Anonymous concerns go directly to a third party not affiliated with Principal.

We regularly remind employees about using the Ethics Hotline to report suspected fraudulent or unethical activities. One hundred percent of submissions to our Ethics Hotline are fully reviewed and investigated.

In 2022, the Compliance team performed its first consolidated Enterprise Compliance Risk Assessment, which identified key compliance risks across the organization. The results are helping to inform the Compliance team's strategic focus for 2023.

All new leaders are required to complete training on harassment (including sexual harassment), discrimination, and retaliation. U.S. employees complete training annually.

Additionally, designated employees completed training related to financial exploitation of elderly and vulnerable adults in 2022.

Maintaining an ethical culture *continued*

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Next year, priorities are:

- conducting our annual ethical culture survey,
- completing a self-assessment of our program against the Department of Justice Guidance,
- sharing program updates and results with the Principal Board of Directors, and
- evaluating the Ethics Hotline to identify trends and areas for process improvement.

Principal believes that all business decisions should be made objectively and in the best interests of our company, including impacts to our stakeholders.

Anti-bribery, anti-corruption, and conflicts of interest

We are committed to supporting international and local efforts to eliminate corruption and financial crimes. To ensure we stay vigilant, we mandate annual training on anti-bribery and corruption for employees and conduct annual anti-bribery and corruption (AB&C) risk assessments.

The Global Chief Compliance Officer is accountable for the AB&C policy and program, and reports bribery and corruption risks to the Audit Committee of the Board of Directors. In 2022, Board members and executive and senior management teams received materials on AB&C risks associated with our business, trends in the industry, and were kept informed of future priorities of our program.

Board members are provided annual training on the Code of Conduct, with anti-bribery and corruption being a required topic every third year. Anti-bribery and corruption is a scheduled topic for the 2023 training.

No charges were filed by any regulator against Principal for corruption in 2022.

Read more:
- **Anti-Bribery and Corruption Policy**
- **Anti-Money Laundering Policy**
- **Global Code of Conduct**
- **Reporting Fraud or Unethical Conduct**
- **OFAC/Sanctions Policy**
- **Political Activity Policy**

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Enterprise risk and oversight

Enterprise Risk Management (ERM) is a key part of our business model at Principal. We have formalized our ERM approach so we can identify, measure, monitor, communicate, and manage risks within established limits and risk tolerances. Our ERM policy and related resources set guidelines, targets, and limits to avoid undesirable risk, behavior, or concentrations. We use an integrated risk management framework to help inform strategic and tactical decision-making and help us adapt to changes in our businesses and the external environment.

Our internal risk committees meet regularly. Each business unit has its own committee that oversees the risks that are material to it. We also have internal committees that provide oversight around a certain risk or group of related risks across the enterprise. This matrix approach helps us maintain comprehensive risk coverage and preserve an integrated view of risks.

The Enterprise Risk Management Committee, comprised of members from the executive management group, exercises enterprise-wide oversight for our most significant risk profiles.

We maintain an enterprise-wide risk management function where business units and functional areas have primary responsibility for identifying, assessing, monitoring, reporting, and managing their own risks. Chief Risk Officers are dedicated to each business unit.

The Executive Vice President/Chief Risk Officer and our Chief Enterprise Risk Management Officer work with each business area's risk professionals to provide oversight, frameworks, and aggregated risk analysis. This results in a model where risk management can be closer to actual risks while also facilitating effective oversight and consolidation at the enterprise level. Additionally, our Board of Directors provides oversight of risk-related topics at least quarterly.

Internal Audit provides independent, risk-based, and objective assurance and advice designed to add value and improve our operations.

We use measurement, reporting, communication, and escalation procedures to make our risk position transparent, and apply appropriate risk management practices.

Here are some key milestones for 2022:

- Deployed risk assessments throughout the organization, including scenario, foundational, Risk and Control Self Assessment (RCSA), and business process.
- Began an evaluation of severity levels used for risk assessments and reporting with internal and external feedback gathered to provide insight into setting quantitative (financial) thresholds with qualitative language.
- Matured our key risk indicators (KRIs) program with improved metrics, enhanced trending, and more thorough stakeholder reporting.
- Worked with subject-matter experts to establish thresholds and boundaries and began applying trend analysis for quarterly board reports.
- Continued to utilize our actuarial modernization initiative to implement GAAP Long Duration Targeted Improvements (LDTI) calculations.
- Fully integrated a quarterly assessment of our Capital at Risk into our Board review. This assessment focuses on changes driven by the shifting macroenvironment and the impact on our various businesses.

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Mortality and morbidity risk management

Principal uses a variety of risk management practices that mitigate mortality and morbidity risks.

- **Portfolio concentration risk management.** We have a broad-based distribution network that markets our products across the entire U.S. This helps mitigate concentration risk across our book of business. In addition, we actively manage concentration of exposure for our group mortality risks. Principal also uses reinsurance to mitigate risk exposure from claims and to protect against unexpected significant events.
- **Risk monitoring and trend analysis.** We conduct ongoing monitoring and assessment of mortality and morbidity experience relative to that assumed in pricing and in force management. This includes but is not limited to valuation, capital management, stress testing, and cash flow testing.

Climate-related risk management

ERM uses a variety of scenario planning, risk assessments, modeling, and exercises to identify, assess and manage current or potential climate risks and opportunities in our business practices. As transition and physical (acute and chronic) climate risks are identified, material factors are incorporated into ERM activities. While these vary according to the line of business, product, or service, understanding and reacting to them is important to our ERM practices.

We use a risk-based approach, including materiality, likelihood, and severity, to help management prioritize risks. Risk acceptance, mitigation, control, or transfer are all considered as risk-informed decisions are made across the enterprise as part of implementing our business strategy.

Looking ahead, primary oversight of climate disclosures will be part of our Board Audit Committee's oversight of financial statements and SEC disclosures, which is in line with industry benchmarking and best practices.

As an asset owner, the real estate investment teams assess our portfolio's exposure to climate-related risks and opportunities. As part of each new development project and property acquisition, we review physical and transitional climate risks through a third-party climate risk data provider:

- Physical risks reviews include sea-level rise, flooding, tropical cyclones, extreme heat and extreme cold. Identified high-risk hazards are incorporated in the property's design, third-party inspections, capital improvements, and operational procedures.
- Transition risk analysis estimates the property's carbon reduction requirements to comply with the 1.5°, 2°, and 3° C warming scenarios in the next 15 years and any energy disclosure or reduction requirements the property is subject to.

Cybersecurity and data privacy

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We take the protection of the confidentiality of the personal data entrusted to us by our customers, employees, business partners, and other individuals seriously. We limit access to personal data to those with a business need, and only disclose such information as required or permitted by law. Our enterprise approach combines information security, privacy, and data governance to foster a culture of data protection.

Cybersecurity

We understand the nature of cyber threats and the importance of being able to defend against and respond to them. As a result, cybersecurity is treated as a Board-level matter and overseen by the full Board of Directors. Directors receive regular reports from the Chief Information Officer, the Chief Information Security Officer, and other professionals. These are to ensure management has an enterprise-wide cyber risk program with necessary policies, practices, and controls to manage the risk and ensure resiliency. Written and verbal cybersecurity reports are shared with the Executive Management Group and the Board of Directors.

We proactively assess risk on new services or systems integrated with Principal network or data. In our systems and applications, we continuously test for and resolve weaknesses and vulnerabilities using network and infrastructure vulnerability testing, dynamic application security testing, static application security testing, and adversary emulation. The frequency of automated vulnerability scanning varies from daily to monthly depending on the type of testing and target. Principal also undergoes a third-party assessment of our information security program maturity every two years.

Our controls are frequently updated and refined based on learnings from regular red team engagements and daily analysis by threat hunters. All operations are enriched through a dedicated cyber threat intelligence function.

Cybersecurity has been and will continue to be very dynamic, which requires that we remain agile and aware of internal and external changes. Information security will provide proactive approaches to cloud and data security and ensure there is a strong partnership with engineering and business teams. This includes requiring cybersecurity training for all engineers and others involved in software deployment.

Our enterprise approach to data security in the cloud remains consistent with our overall data security strategy of protecting the personal data entrusted to us by our customers, employees, business partners, and other individuals.

Cybersecurity and data privacy *continued*

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Principal is a member of the Cyber Readiness Institute (CRI), which brings together expertise from global companies to provide free resources that improve cyber readiness. We believe helping small and midsize businesses be more cyber ready encourages a team approach to cyber defense for both our customers and our suppliers.

Listen and learn

Our approach to data security in the cloud includes access control, encryption in-transit and at rest, data discovery and categorization, data destruction, data masking, and the use of synthetic data in non-production environments.

Data privacy

In 2022 our enterprise privacy office worked to update our digital privacy policies, increasing accessibility and ease of use. Our privacy center is now more user friendly, and it's easier for individuals to understand our privacy practices and their rights regarding personal data.

We replaced our digital privacy policy with our new **Global Privacy Statement**. This statement consolidated our U.S. and European-facing digital privacy policies into one statement applicable to the collection and use of personal data across the global enterprise.

Privacy risk assessments

Our privacy impact assessment is designed to identify, evaluate, and mitigate potential privacy risks, ensure we use personal data in transparent ways, and follow all applicable laws. Our business and technology partners are expected to complete privacy assessments for any new use of personal data. The assessment is updated if the use changes, or is reviewed and updated annually, whichever comes first. Internal Audit tests privacy practices and controls and conducts periodic audits of the privacy program.

In 2023, we aim to benchmark the Enterprise Privacy Program against industry standard frameworks to help identify key areas of growth to strengthen the program. We plan to create enhanced privacy training for members of the privacy office and other internal stakeholders. We'll also upscale our regulatory management program.

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Privacy rights and concerns

The Global Privacy Statement includes information about how individuals can exercise their data subject rights or raise data privacy concerns by mail, email, or phone.

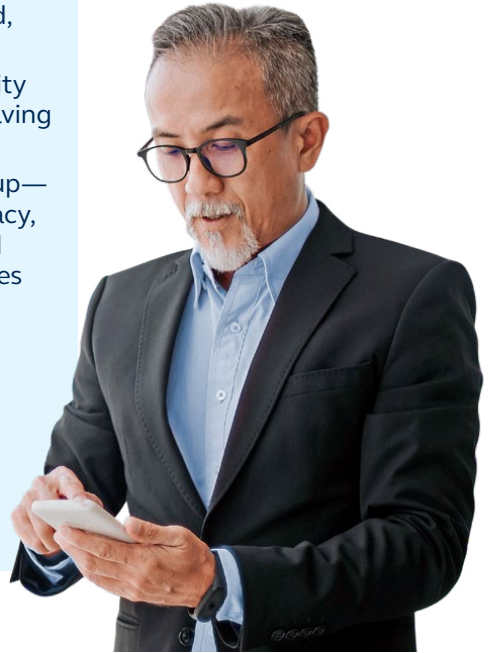
Individuals can anonymously report suspicious activity through an online form or the Ethics Hotline. Employees also have the option to report suspicious activity to their Compliance Director, the Chief Privacy Officer, the Employee Relations Consultant or Human Resources, or a member of the Corporate Special Investigations Unit (CSIU). In addition to the Code of Conduct, the methods for reporting suspicious activity are outlined in various Enterprise policies (e.g., the Whistleblower Policy, the Compliance Policy, the Anti-bribery and Corruption Policy) and are available to employees.

Other ways we protect information:

- New hires and employees must complete annual information security and privacy-related courses, with additional role-based training for specialist roles (e.g., information technology roles). In 2022, 93% of newly hired employees completed cybersecurity trainings and 3,163 employees participated in secure software training in 2022, with a completion rate of 97.5%.
- All employees must complete and sign a confidentiality acknowledgment.
- Our global privacy policy and standards outline the privacy principles with which all Principal workers are expected to comply. Our Privacy Principles and global privacy statement also detail how personal data may be collected, used, or shared at Principal.
- We run a phishing simulation program to train employees to recognize and report phishing attacks. Employees receive at least two phishing simulations each quarter.
- We have a comprehensive, enterprise third-party risk management program to help ensure access to and proper handling of confidential personal, and proprietary data.
- Our Enterprise Written Information Security Program aligns with the National Institute of Standards and Technology (NIST) Cyber Security Framework functions: identify, protect, detect, respond, and recover.
- We carry out annual cybersecurity incident response exercises involving multiple levels of management.
- Our Cybersecurity Working Group—comprising individuals with privacy, legal, compliance, risk, audit and cybersecurity expertise—provides valuable input and feedback to formal information security governance groups.

Information security is a Board-level topic, so quarterly Board reports include key metrics, an overview of the threat landscape, progress on strategic initiatives, and timely awareness topics. Our risk oversight and operational diligence has contributed to us not experiencing any significant security incidents in our more than 140 years of being in business.

Read more:
- **Privacy center**
- **Security policies**



Public policy outreach and advocacy

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Our ability—and responsibility—to shape and impact the world go beyond our product offerings. In 2022, we focused our public policy and advocacy on issues that impact on the policy and legislation that are important to our stakeholders.

We advocate to ensure government funding is allocated for local initiatives. Examples include the Iowa Confluence Water Trails, which helps local communities to improve water quality, inclusive recreational opportunities, and critical flood mitigation; and STEM programs designed to elevate academic achievement for pre-K through 12th grade students.

In our aim to empower our employees to feel safe within the communities where they live, we continued to advocate for the preservation of civil rights protections for members of the LGBTQ+ community. We also continued to advocate against the Religious Freedom Restoration Act in Iowa, which would allow discrimination against LGBTQ+ people.

Our unique insights into the SMB market adds value for legislators and regulators. We successfully advocated for a package of retirement initiatives collectively known as SECURE 2.0, which will empower small businesses with the tools to establish plans, incentivize employee participation, and overcome enrollment obstacles like student debt. We offered a critical voice throughout the debate on SECURE 2.0 regarding the potential impact of policy proposals on SMBs and worked to avoid unintended consequences for these firms.

Our public policy and advocacy work extends to educating the public about current issues that could negatively impact affordability and access to health care services. In Massachusetts this year we launched a media campaign to educate voters in the state around the harmful consumer impact of a ballot initiative establishing a dental minimum loss ratio. Although the ballot passed, it's important for us to continue working to educate the public on how ongoing legislation could impact them. Similarly, we have also supported and elevated the issue of paid leave, collaborating with the Small Business Administration (SBA) to highlight the role of private sector solutions in meeting this societal need.

Domestic policy discussions are playing out in an increasingly partisan environment, potentially limiting opportunities available to advance legislative solutions. We've learned that leveraging our voice with other corporate leaders may, at times, prove to be our most valuable resource.

In 2023, Principal will remain actively engaged in advocating for protecting LGBTQ+ protections. We will also remain actively engaged in paid family leave discussions unfolding in Washington and state capitals around the country, educating lawmakers on the role of private sector solutions.

Read more:
- **Political Activity Policy**
- **Policy for Corporate Political Donations**
- **PrinPAC Contributions (PDF)**

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Our commitment to health and safety

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We take pride in how we care for our employees, and their safety is our priority. In 2022, we released our Enterprise Health & Safety statement that covers the aspects of our health and safety program in the U.S.

As a financial services company, our operations face different work-related hazards. However different those hazards may look, our enterprise safety and security team has a plan to keep our employees safe. We have developed responses for hazards including severe weather events, workplace violence, hostile intruder situations, and accidents.

Our enterprise safety and security (ES&S) investigations team is responsible for our security protocol, including managing Occupational Safety and Health Association (OSHA) guidelines. The team is overseen by our Executive Vice President and Chief Financial Officer. The ES&S investigations team works with our building management, risk management, enterprise worksite services, and human resources teams to identify and address potential risks and health and safety issues in the workplace. If an incident does occur, ES&S investigates all incident reports. Initial information on causation is reported to our risk management team for follow-up regarding work-related injuries/illnesses.

Read more about the Employee Health and Safety Statement (PDF)

Our employee handbook provides guidance on how to respond to and report health and safety issues and incidents, and the topic is covered in new employee orientation. We also have a notification system that will alert employees with real-time updates if a safety or security event occurs on campus.

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About our approach

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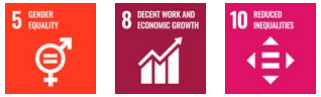
We foster a culture that empowers our employees and brings out the best of our leadership. We're committed to attracting and retaining the best people, building trust, and fostering innovation.

We're focused on building a more diverse, equitable, inclusive, and engaged workforce while providing clear pathways for development, growth, and mobility. Our sustainability strategy is largely informed by our goal of creating meaningful and rewarding experiences for our people.

Read more about our approach to global inclusion in the workplace, in our business practices, and in our communities in our dedicated Global Inclusion Report

Associated SDGs:



Read about the United Nations Sustainable Development Goals

We embody this mindset in the following way:

Investing in our employees

Read more on page 83

Goals

Reach at least an 80% Global People Inclusion Index (GPII) score annually, encompassing authenticity, learning new things, sharing perspectives, and feeling valued and respected.

Score 100% on the U.S. Diversity Index, consisting of measures that include hiring, promotion, and turnover rates for diverse individuals as well as inclusion-related learning opportunities and events.

The Best Employer for Women 2022 – Forbes

Recognized by Forbes for our 2021 data

2023 Military Friendly Employer Bronze Award – Military Friendly

Recognized by Military Friendly for our 2022 data

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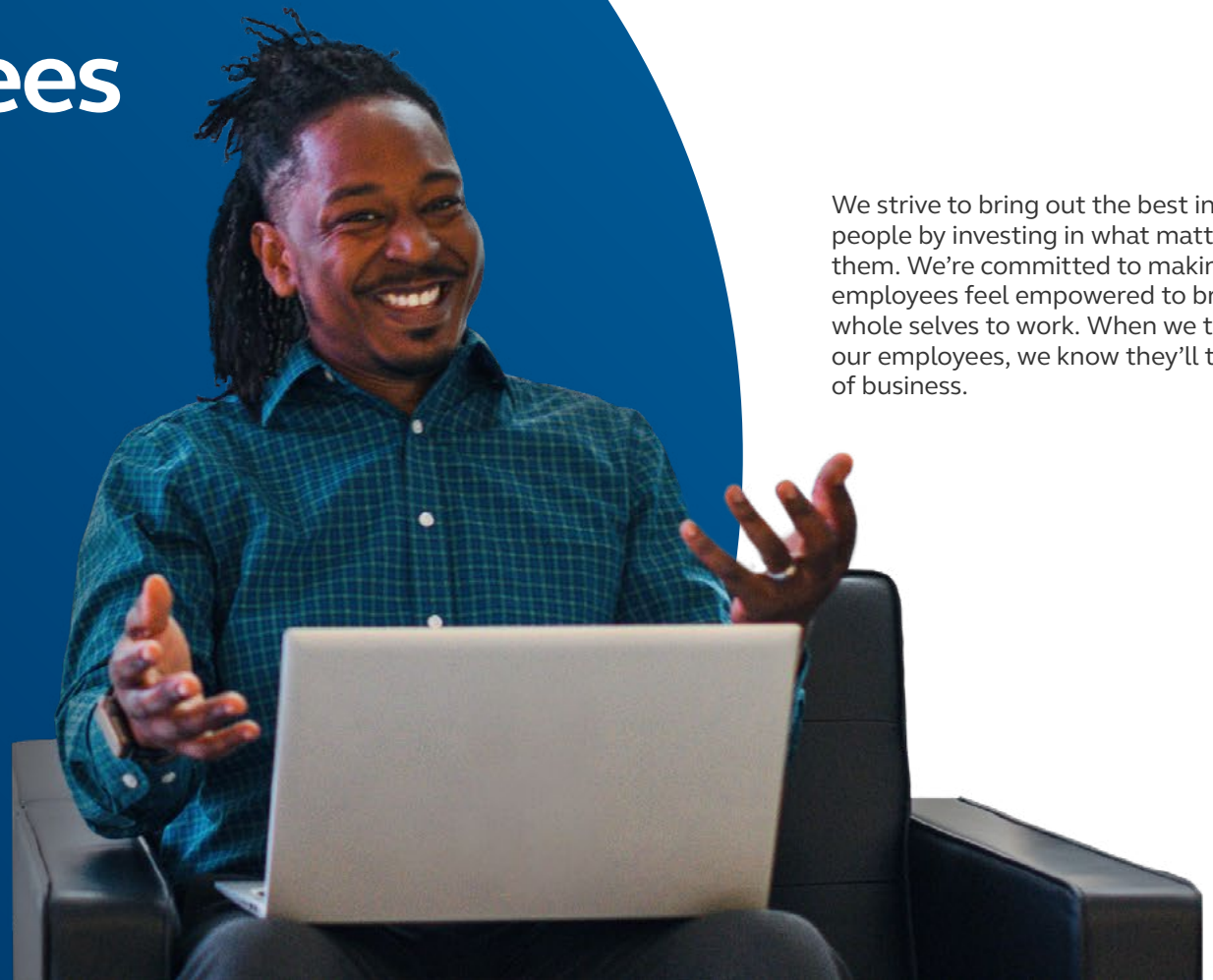
Investing in our employees

Our vision of helping our customers have enough, protect enough, and save enough extends not only to our customers, but also to our employees as they help deliver our collective purpose.



We strive to bring out the best in our people by investing in what matters to them. We're committed to making sure our employees feel empowered to bring their whole selves to work. When we take care of our employees, we know they'll take care of business.

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Our global inclusion journey

Fostering a diverse workforce, equitable practices, and an inclusive culture is foundational to who we are, the change we have driven, and the future we are creating.

We're drawn to people who bring unique perspectives, passion, and expertise to help us advance the financial security and well-being of our customers, transform our growing business, and drive positive change in the communities where we live and work. As part of our collaborative culture, we prioritize diversity, equity, and inclusion (DEI), shared values, and genuine support for every employee around the world. All our employees contribute to a thriving environment of authenticity, action, and accountability—which reverberates within our company and our communities.

Principal has a long-standing commitment to diversity, equity, and inclusion. We added our first person of color to our Board of Directors almost 45 years ago, and one year later, we added the first female to our Board. Our longest-serving female Board member joined in 1992 and retired after 30 years of service in 2022.

Today, 62% of our Board members are diverse in their gender, race, or national origin. Forty-six percent of management positions are filled by women, and 54% of our global workforce are women. People of color make up 16% of our U.S. workforce, a 50% growth rate over the last five years and slightly under industry benchmark.

Read more about our global inclusion journey in our dedicated Global Inclusion Report

Our history: notable firsts

1979
Donald M. Stewart
First person of color to the Board

1980
Mary Grefe
First woman Board member

1991
Joyce Hoffman
First woman Vice President

1998
Mary O'Keefe
First woman Senior Vice President

2004
Karen Shaff
First woman Executive Vice President

2015
Nora Everett (RIS)
Deanna Strable (USIS)
Two women as Division Presidents named

2019
Miriam Lewis
First Chief Inclusion Officer

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Our approach to global inclusion

At Principal, we believe a work environment based on integrity, respect, community, and trust enables employees to contribute to their full potential and do their best work for our customers. It helps deliver on our purpose, makes us a better company, and is simply the right thing to do.

This commitment to global inclusion starts at the top. Our Chairman, President, and CEO serves as sponsor of our Executive Inclusion Council. This team, comprised of cross-functional business leaders, are the guardians of our global inclusion strategy. Principal senior management and the Human Resources Committee of the Board of Directors make diversity and inclusion a priority and are updated regularly on our progress.

Everyone plays an important role in creating a more inclusive culture, which is why our global inclusion strategy is supported by our broad ecosystem.

Read more about our approach to global inclusion in our dedicated Global Inclusion Report

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Global inclusion: In the workplace

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Our objective is to have a more diverse, equitable and inclusive workforce, enhance our sustainability strategy, and ultimately accelerate business growth.

The global inclusion strategy outlines our multi-year path toward these objectives and is fueled by key results: the Global People Inclusion Index, Engagement Index, and U.S. Diversity Index. We set and monitor goals, and measure and act upon employee sentiment related to culture, empowerment, and engagement/experience.

2022 Corporate Equality Index (CEI) recognition for best place to work for LGBTQ+ Equality – Human Rights Commission Foundation

Recognized by Human Rights Commission for 2021 data

Global People Inclusion Index (GPII)	2020	2021	2022	2023 target
Overall results	81%	79%	82%	80%
I feel comfortable being myself at Principal	82%	80%	82%	
I have a safe environment to share ideas and perspectives	82%	80%	83%	
I feel respected and valued	75%	73%	78%	
I continuously learn and try new things	85%	84%	86%	

Global inclusion: In the workplace *continued*

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Engagement Index	2020	2021	2022	2023 target
Overall results	83%	79%	78%	79%

U.S. Diversity Index	2018	2019	2020	2021	2022	2023 target
Overall results[40]	N/A	102.6%	111.6%	92.8%	103.1%	100.0%
Women in management positions	40.0%	40.1%	41.2%	40.7%	40.9%	
People of color in management positions	6.8%	6.9%	8.2%	8.8%	9.6%	

40 Seventeen metrics contribute to our 'overall results,' with 'women in management positions' and 'people of color in management positions' being two of the 17 metrics.

Global inclusion: In the workplace *continued*

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Explainer

Our annual Engagement and Inclusion pulse survey is comprised of questions that make up our Engagement Index and Global People Inclusion Index.

These routine check-ins tell us how employees are experiencing Principal. In turn, they enable leaders and teams to quickly respond to challenges and identify areas of opportunity, ultimately driving real-time, positive change.

Our Global People Inclusion Index, Engagement Index, and U.S. Diversity Index results are shared annually with the Human Resources Committee of the Board of Directors.

Global People Inclusion Index (GPII)

Our GPII measures a culture of belonging, respect, learning, and trying new things.

In 2022, we exceeded our annual target of 80% with a GPII score of 82%. We also saw a record-high 81% participation from employees and made progress on all questions. Our GPII target remains at 80% for 2023.

80%

annual GPII target

82%

actual GPII score in 2022

Engagement Index

Our Engagement Index measures employee satisfaction across our global workforce. In 2022, we maintained a strong level of employee satisfaction with a score of 78% and an 80% response rate. Our score indicates that across the questions that make up our Engagement Index, 78% were positive responses. We assess the results in a variety of ways, including by gender, to ensure we are creating an inclusive work environment and a consistent employee experience that aligns with our employee value proposition and core values.

In 2022 both our female and male employee base had 78% engagement, which is consistent with similar results in prior years. Our target is to reach an Engagement Index of 79% in 2023.

78%

Employee Engagement Index score in 2022

When setting our annual targets, we take into careful consideration our historical engagement performance data, as well as internal and external trends we've observed over the past several years to inform our future goal. We also collaborate with cross-functional teams to ensure our targets align with other enterprise and business level goals.

To promote a culture of listening and learning, we ensure that feedback from our employees is incorporated into our analysis, intermittent action plans, and the following year's target.

2022 Disability Equality Index – Disability:IN

Recognized by Disability:IN for 2021 data

2023 Gender Equality Index (GEI) – Bloomberg

Recognized by Bloomberg for 2022 data

Global inclusion: In the workplace *continued*

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In 2022, we prioritized the following from the feedback we received in 2021:

- forming and activating our employee value proposition,
- increasing employee sentiment and participation in our global mentoring program to 990 pairs in 2022, which contributed to reduction of overall turnover rates (with our 2022 mentoring participation up 14% from 2021),
- reducing our people of color turnover rate by 5%, and
- further defining our core promise of delivering a 'tailored approach to work and life' to highlight how we provide flexibility.

The challenge

Bettering our employee value proposition

The challenges we faced in reaching our 2022 goals were around the theme of the heavy workload our employees are feeling. Based on the feedback we received in 2022, we are continuing to deliver on our employee value proposition with a focus on fostering a community that cares, helping employees understand their total rewards and benefits, embracing flexibility in work-life fit, and helping employees understand how their contributions are connected to our strategy. We are also working to reduce turnover in areas where it is disproportionately high.

U.S. Diversity Index

To measure diversity, our proprietary U.S. Diversity Index comprises 17 metrics and measures progress and areas of opportunity. Employee representation makes up 85% of the weighted metric with the remaining weight focused on areas like employee education and supplier diversity. We monitor and track our progress annually against past performance, as well as industry benchmarks.

We exceeded our U.S. Diversity Index goal, closing 2022 with a score of 103.1%, above 2021 result of 92.8%. Starting in 2023, our corporate incentive pay calculation for all eligible employees will include our diversity index performance.

"Although we're making significant progress on increasing diversity across our organization, we're not content. We will continue our journey as we know there's more work to be done."

Miriam Lewis
Chief Inclusion Officer

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Global inclusion initiatives

We consistently reinforce inclusive behaviors, address shortfalls, and increase accountability. Here are some of our 2022 milestones and results:[41]

- **Inclusion summit**. In conjunction with the CEO Pledge for Diversity and Inclusion, we hosted our first annual Inclusion Summit, providing opportunities for all employees around the world to learn, connect, and grow through a fireside chat hosted by our CEO and Chief Inclusion Officer. Subsequent breakout sessions highlighted our employee resources groups (ERGs) and the Global Financial Inclusion Index. As a result of the Inclusion Summit, we increased our overall ERG membership by 3.6%. Additionally, 66% of survey respondents said they learned a new, key takeaway, and 80% noted they increased their cultural competency.
- **Recruiting and hiring**. We continued our focus on diverse and underrepresented talent through strategic relationships, training, and hiring practices. Diverse candidate slates for leadership roles and diverse interview panels positively impacted our diverse hiring rates.
- **Learning and development**. NeuroLeadership Institute's INCLUDE and DECIDE training reached 100% of new leaders, equipping them to identify and mitigate bias, and lead more inclusively. In addition, our Global Mentoring Program has had nearly 4,000 participants since 2020. Employees who participate have greater retention, engagement, and inclusion rates.
- **Equitable practices**. Our global pay equity study, conducted with a third party, focused on race and gender, showed our management our pay equity ranks best in class among financial services companies who report pay equity data.

41 Milestones refer to our People focus area. For information on culture and business, please refer to sections 'Embedding sustainable practices' and 'Advancing inclusive products and services.'

Employee resource groups

Our nine ERGs help to create an inclusive and welcoming environment for employees across our global organization. They facilitate social/cultural learning, personal and professional development, and connect back to our employees and business through programming, events, and initiatives.

ERGs are uniquely positioned to provide key insights and drive tangible outcomes. Each ERG is sponsored by a member of senior management and establishes annual goals aligned with the global inclusion and business strategies.

Global mentorship

Our Global Mentoring Program offers a development opportunity to all Principal employees by cultivating formal mentoring relationships. Each year we enroll participants from across the organization, find strong matches, and support mentoring pairs as they connect with each other over an eight-month structured experience around specific goals.

In 2022, we continued our global mentoring program in its third year for a combined total of 7,536 mentoring hours across the three programs on this platform and 990 pairs matched. From 2021 to 2022, we increased our matches by 14%, and we found matches for nearly every mentee. Our senior leaders regularly set an example in our program by serving as mentors. Sixty-five of our 785 mentors (8.3%) are vice presidents or higher in their career. In total, 58% of our global mentoring program participants were female. Of our U.S. participants, 15% were people of color.

We also have mentoring opportunities within specific business units and locations. Here are a couple highlights of some of our programs:

- Our Retirement and Income Solutions 'Own What's Next' mentoring program had 76 matches and logged a total of 544 mentoring hours.
- Our Women in Latin America mentoring program had 36 matches and logged a total of 432 mentoring hours.

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Inclusion in the workplace: Growth in diversity

To serve a broad set of customer needs around the world, our employees must reflect the diversity of those that we have the privilege and responsibility to serve—and with approximately 37% of our workforce located outside of the U.S., we embrace and celebrate our distinctions through cross-cultural learning and collaboration.

We continue to track and report our gender representation for our global employee population and race/ethnicity representation for our U.S. employee population. In 2022, we expanded our external reporting in the U.S. to include other diverse demographic groups, including veteran and disability status. We'll continue adding other dimensions of diversity, including LGBTQ+ data, as we enhance system capabilities. This allows us to continue making progress towards our diversity goals.

Women make up 46% of our management team, 45% of our senior management team, and 38% of our executive management group (EMG). At the end of 2021, women comprised 56.3% of our global workforce. That percentage was 54.3% at the end of 2022.

From 2021 to 2022, we increased representation of people of color across all employment categories in the U.S. We added two people of color to our executive management group, up from zero individuals in 2021. People of color in senior management positions increased from 12.5% to 18%. Nearly 8% of people in management positions are people of color, up from 7% in 2021. Representation of people of color in our total workforce increased from 14% to 16%.

At the end of 2016, 925 of our employees identified as people of color—that was only 9.2% of our total U.S. workforce of 10,033 employees.

By the end of 2022, 1,894 employees identified as people of color, or 15.6% of 12,148 employees in the U.S. workforce. That's an average annual growth rate of 11.4% since 2016 and 13.9% from 2021 to 2022.

Globally, our workforce spans five generations. The average age of our global workforce is 41.

46%
women in management positions globally

54%
women across our global workforce

18%
people of color in senior management positions in the U.S. (12.5% in 2021)

13.9%
growth rate in U.S. workforce employees who identify as people of color (2021-2022)

Global inclusion: In the workplace *continued*

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Gender employee representation by employment category

	Global gender[42]	
Job category	**Male**	**Female**
Executives	*8*	*5*
	(62%)	*(38%)*
Senior management[43]	*6*	*5*
	(55%)	*(45%)*
Management	*1,497*	*1,275*
	(54%)	*(46%)*
Professionals and administrators	*7,329*	*9,205*
	(44%)	*(56%)*
Total workforce	*8,840*	*10,490*
	(46%)	*(54%)*

42 Includes 10 individuals who did not report their gender. Figures presented here include our global workforce.
43 In the 2021 Sustainability Report, we double-counted our executive management group as both 'Executives' and 'Senior management.' This data has been corrected for the 2022 Sustainability Report.

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Demographic employee representation by employment category–U.S. only

	U.S. only race/ethnicity[44]						
Job category	**White**	**Asian**	**Black**	**Latino/a**	**American Indian or Alaskan Native**	**Native Hawaiian or Pacific Islander**	**Two or more races**
Executives	9	1	1	0	0	0	0
	(82%)	(9%)	(9%)	(0%)	(0%)	(0%)	(0%)
Senior management	9	1	0	0	1	0	0
	(82%)	(9%)	(0%)	(0%)	(9%)	(0%)	(0%)
Management	1,594	46	35	34	4	0	15
	(92%)	(3%)	(2%)	(2%)	(<1%)	(0%)	(<1%)
Professionals and administrators	8,624	462	594	503	21	6	170
	(83%)	(4%)	(6%)	(5%)	(<1%)	(<1%)	(2%)
Total workforce	10,236	510	630	537	26	6	185
	(84%)	(4%)	(5%)	(4%)	(<1%)	(<1%)	(2%)

44 Racial and ethnic demographic data is currently only collected in the U.S. Figures presented here include our U.S. workforce. The data in the 'Executives' row includes the 11 U.S.-based EMG members out of the 13 total. The data in the 'Senior management' row includes the 11 total individuals at Principal. One employee in the 'Professionals and administrators' row identifies as 'Other race/ethnicity.' Percentages are rounded to the nearest whole number. Seventeen undisclosed race in the U.S.; one identifies as 'other race.'

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Inclusion in the workplace: Pay equity

One of the guiding principles of our global pay philosophy is to be market driven. This means that total pay is set and administered in alignment with the external labor markets in which we compete for talent. We use third-party market data to help ensure base salary and incentives are appropriately aligned. This data is obtained through our annual participation in salary surveys administered by unaffiliated consulting firms. Employees receive an annual compensation statement that explains the components of their pay and how their performance influences the awards they receive.

As a result of employee and leader feedback, we are continuing to explore ways to provide additional guidance and tools around compensation. In 2022, we increased the resources available to employees and leaders on compensation, including a leader connect session on compensation.

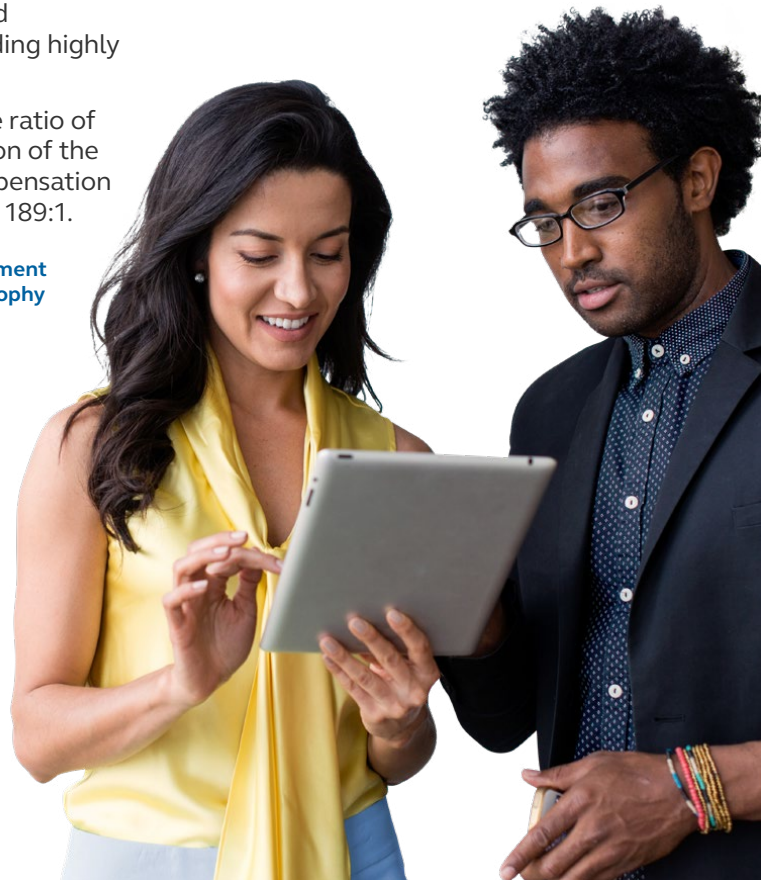
Pay equity is central to our compensation practices and policies. We conduct an annual, global pay audit to identify unexplained differences in pay between employees doing similar work in commensurate positions. To ensure that the findings are objective, we conduct our annual pay audit with a credible, third-party. On a global level, our pay audit includes a gender pay gap assessment. In the U.S., where most of our employees are based, our pay audit includes both a gender and a racial pay gap assessment. While we do not currently disclose the specific results of our pay audit, we continue to be proud of our gender and racial pay equity performance, which support that our pay aligns with our stated non-discriminatory compensation philosophies.

To promote pay transparency, in 2022 we began posting the minimum and maximum salary ranges for all open positions in the U.S.—both internally and externally.

We believe that disclosing the salary range for all U.S.-based open positions is not only crucial to giving individuals more agency, especially women and people of color, but it is also a necessary step to reducing pay disparities, creating a fair application and recruitment process, and finding highly qualified candidates.

As of December 31, 2022, the ratio of the annual total compensation of the CEO to the annual total compensation of the median employee was 189:1.

Read more about our employment policies and global pay philosophy



Principal®

Attracting and retaining talent

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At an industry level, we recognize that diverse talent is highly sought after in the current economic and labor markets. Now more than ever, workers can step back and reflect on what they are looking for in their career and are in positions to advocate for what they want.

Attracting talent

To deliver on our purpose and make the greatest impact we can on the world, we know that we must equip our teams with the best talent in the market. Our employees are our most valuable asset and a key source of competitive advantage. They also represent our largest cost, and accordingly, each hire represents a significant business decision. We employ the following talent attraction strategies to attract the best talent:

- **Proactively recruiting**. We have a sourcing team dedicated to proactively reaching out to top talent for critical roles, with a strong focus on diversity.
- **Amplifying our employment brand**. We worked with our marketing team and external consultants to activate our employment brand through social media channels, with specific campaigns to target diverse candidates in critical roles like, for example, women in IT.
- **Utilizing data analytics**. We use data to identify where we need to increase representation for certain groups, how to increase representation throughout the hiring process, and how to target locations where we can find top talent, as well as to understand how to increase the diversity of our talent and maintain a strong focus on early-career roles.
- **Focusing on early-career roles**. We've made enhancements to our intern program, and we work with diverse organizations like iJAG and Management Leadership for Tomorrow, and we employ programs such as our Leadership Development Program and Sales Development Program to build enterprise leaders for tomorrow.

We believe every candidate should have an equal opportunity for their hopeful position and we promise a fair, unbiased interview process to select the best-fit candidate. We deliver this promise by using DECIDE training to teach interviewers how to mitigate bias and our sourcing partners and recruiters are trained on mitigating bias. We are also rolling out structured interview processes where we work with hiring managers and interviewers on how to deliver an unbiased interview by using a consistent question structure for all candidates. In 2022, we saw great success with our approach with 40% of our fourth-quarter hires being diverse. In 2023, we're searching for ways to improve how we receive feedback from internal and external candidates.

In 2022, approximately 55% of new hires were in international locations, and 45% were in the U.S. The total number of new hires globally was 4,725.

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Case study

2023 Best Place to Work in IT – Computerworld

The need to hire top talent permeates all our fields, especially IT. In 2022, we had a high volume of openings, in an extremely tight talent market with high compensation demands. Candidates would often have multiple offers or have accepted positions elsewhere by the time we were ready to offer. To speed up the hiring process and get to an offer faster, we worked with our IT community to establish diverse interview panels, trained them in structured interview techniques to increase the quality of assessment and mitigate bias, and set aside time just for interviews. We reduced the time from application to offer to under seven days and received positive feedback about the experience from candidates.

Recognized by Computerworld for 2022 data.

Retaining talent

At Principal, we're committed to delivering real-life solutions that help customers of all incomes and portfolio sizes make financial progress. We want to foster a world where financial security is accessible to all. And our success depends on every employee. Our employee value proposition underscores the components our employees value most, which allows us to proactively engage and retain an inclusive workforce at Principal today so we can meet our evolving customer needs tomorrow. Our employee value proposition underscores the components our employees value most, including:

- **Community that cares**. Our collaborative culture prioritizes diversity, equity, and inclusion, shared values, and genuine support for every Principal employee around the world.
- **Tailored approach to life and work**. We take a tailored approach to flexibility that allows our teams to prioritize life and work.
- **One company, boundless opportunities**. With opportunities across a wide variety of geographies, industries, and functions throughout our global network, employees can put their ambitions and curiosity to work in different ways throughout their career journey with us.
- **Contributions that count**. We're committed to helping employees understand the breadth of their individual and collective impact in clear, tangible ways. We do this by highlighting our enterprise strategy and how our employees' work makes the execution of that strategy possible.
- **Valuable total rewards**. As a provider of retirement solutions and employee benefits, we support our employees the same way we support our customers—through holistic, competitive offerings designed to protect our employees' financial and physical well-being.

In 2022, we introduced a scorecard to measure culture (including our Engagement Index and Global People Inclusion Index), talent attraction, employee retention, leadership, and development. We set and met at least one goal in each of the focus areas in 2022. For example, we met our 2022 goal to keep turnover below 23%. Between 2021 and 2022, our global turnover improved from 24% to 21%, and our U.S. turnover remained steady at 13%. In 2022, we had 1,523 terminations in the U.S. and 3,971 terminations globally. In 2023, we identified new goals and will continue to develop and deploy strategies to work toward achieving them for each category.

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We also conduct proactive employee-stay conversations and quarterly performance check-ins. Inevitably, some employees choose to pursue their career elsewhere. In September, we introduced a company-wide exit survey for employees and leaders, enabling us to better understand turnover trends and rationales. We will have more data and insights in 2023 to consider actions on themes.

When we look forward to 2023, we will continue to focus on delivering a personalized employee experience, with a focus on diversity and inclusion and tailored development opportunities.

This year, approximately 56% of employees promoted in the U.S. were women. Furthermore, 33% of our IT department are women, as well as 26% of our engineering workforce.

		Global demographics			
		U.S.	Global	Male	Female
Average tenure (years)	2022	*10.96*	*8.58*	*7.53*	*9.47*
	2021	*11.4*	*8.9*	*7.6*	*9.0*

	U.S. demographics						
Race/ethnicity	White	Asian	Black	Latino/a	American Indian or Alaskan Native	Native Hawaiian or Pacific Islander	Two or more races
Average tenure (years)	*12.02*	*6.88*	*4.2*	*5.9*	*6.85*	*3.97*	*2.92*

Globally, the average tenure for women slightly increased from 9.0 in 2021 to 9.47 in 2022 while the average tenure for men slightly declined from 7.6 to 7.53 years. In the U.S., we also saw a slight increase for employees who identify as white/Caucasian from 12.0 to 12.02 years but a decline from 6.3 to 5.13 years for people of color. Overall, tenure of our U.S. workforce decreased from 11.4 to 10.98 years and global tenure decreased from 8.9 to 8.58 years.

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Benefits

Ensuring the physical, mental, and financial health and wellness of our workforce is core to how we take care of our people. Our goal is to provide market-competitive and holistic health coverage that meets the needs of our diverse employee population at different stages of their life, at a cost that is sustainable to our business.

We have a cyclical review process for our benefits including benchmarking, learning from employee feedback, reviewing claims, and assessing new program opportunities. In 2022, we heard from our employees of the need for greater price transparency in health care offerings and the ability to customize their benefits package even more through voluntary benefits. Following the cyclical review process, we implemented changes to our 2023 offerings.

All active employees are eligible to utilize an inclusive suite of health and welfare benefits, including medical, dental, vision insurance, short-term and long-term disability, life insurance, and other comprehensive benefits. All global employees receive benefits either through Principal and/or through their local government sponsored health care programs, or both depending on which combination of benefits offerings provides them the support they need.

Physical health

We offer the following benefits to support a physically healthy workforce:

- **Medical and supplemental benefits**. Medical and prescription drug coverage, dental and vision insurance, flexible and health savings accounts, telehealth, and weight management programs.
- **Domestic partner benefits**. The benefits are the same for a domestic partner as they are for any spouse covered under our plans.
- **Metabolic health**. Our metabolic health program, aimed at reversal of Type 2 diabetes, diabetes management, and weight loss is available to all health plan members at no cost to them.
- **Fitness center**. We provide a state-of-the-art fitness center at our company headquarters, plus health club reimbursements for employees who do not reside in our Des Moines, Iowa headquarters.
- **Healthy pregnancy program**. Employees and their covered dependents who choose medical coverage can access specialized resources for expectant mothers.
- **Paid parental leave**. Parents can take four weeks of paid leave within 12 months of the birth or placement of a child for adoption for bonding—spouses and partners included. Paid maternity leave, combining short-term disability and the family medical leave act (FMLA) is at minimum 12 weeks for exempt employees.
- **Mothers' rooms**. Private spaces are available to back-to-work moms who are breastfeeding.
- **Reproductive health**. As a public company, representing diverse viewpoints and individuals, we do not express an official view on abortion. We support our employees with equitable access to safe health care options, including travel-related expense reimbursements for necessary care. In the U.S., we provide coverage of fertility services, including egg freezing. Most contraceptives are covered 100% through our health plan. We also provide insurance coverage for gender reassignment/affirmation services according to WPATH standards, with no limit.

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Mental health

We offer the following mental health benefits for our employees:

- **Employee Assistance Program (EAP)**. The EAP, available 24/7, is a free resource to U.S. employees and provides services for mental health, substance use, family and parenting, financial and legal, stress management, and mindfulness.
- **Telehealth**. Mental health visits are available through virtual telehealth.
- **Office environment that promotes well-being**. We have sit/stand workstations, treadmill walk stations, healthy food options, and social areas to relax, play games, and connect with colleagues.
- **Work-life balance**. Depending on an employee's position and location, we offer in-person, hybrid, and remote work arrangements.
- **Flexible time off (FTO) programs**. Exempt employees (full-time and part-time who work at least 20 hours per week) have unlimited FTO for personal reasons, including vacation and sick days.
- **Volunteer time off (VTO)**. We provide eight hours of paid volunteer time off to all employees.

Financial health

As a company whose purpose is to foster financial security in the world, our employees' financial security is top of mind. Beyond our employees' compensation, we offer the following benefits to foster their financial security:

- **Retirement plans**. We match 75% of the amount an employee elects to defer to the 401(k) plan, up to 8% of eligible pay. Employees outside our asset management business are eligible to participate in a cash balance defined benefit retirement plan.
- **Employee stock purchase plan (ESPP)**. Where permitted by law, global employees can buy Principal stock at a 10% discount. We adjusted our ESPP benefit in 2022 from 15% to 10% to bring the benefit more in line with peers.
- **Long-term incentive plan**. For select employees, we offer a long-term incentive plan, which is a stock-based compensation plan.
- **Free access to financial professionals**. We offer one-on-one meetings, financial education seminars, financial needs analysis and planning, and discounts on Principal products.
- **Adoption reimbursement**. After an adoption is finalized, employees can request reimbursement for adoption expenses (up to $10,000 for lifetime maximum).
- **Scholarships for dependents**. We sponsor renewable National Merit Scholarships for dependents of employees who are program finalists and award up to 20 Principal Scholarships for Excellence each year.
- **Educational assistance program**. We offer employees financial assistance with job-related educational pursuits.
- **Will preparation services**. Employees have access to free online standard will preparation and other legal documents and identity theft prevention resources provided by ARAG®.

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Practicing active listening

Our Voice of the Employee (VoE) program amplifies our workforce's voices to reveal insights and creates a foundation to drive change. It gives leaders insights into what is working and what obstacles need to be cleared from the path ahead.

How are we listening and what are we listening for?

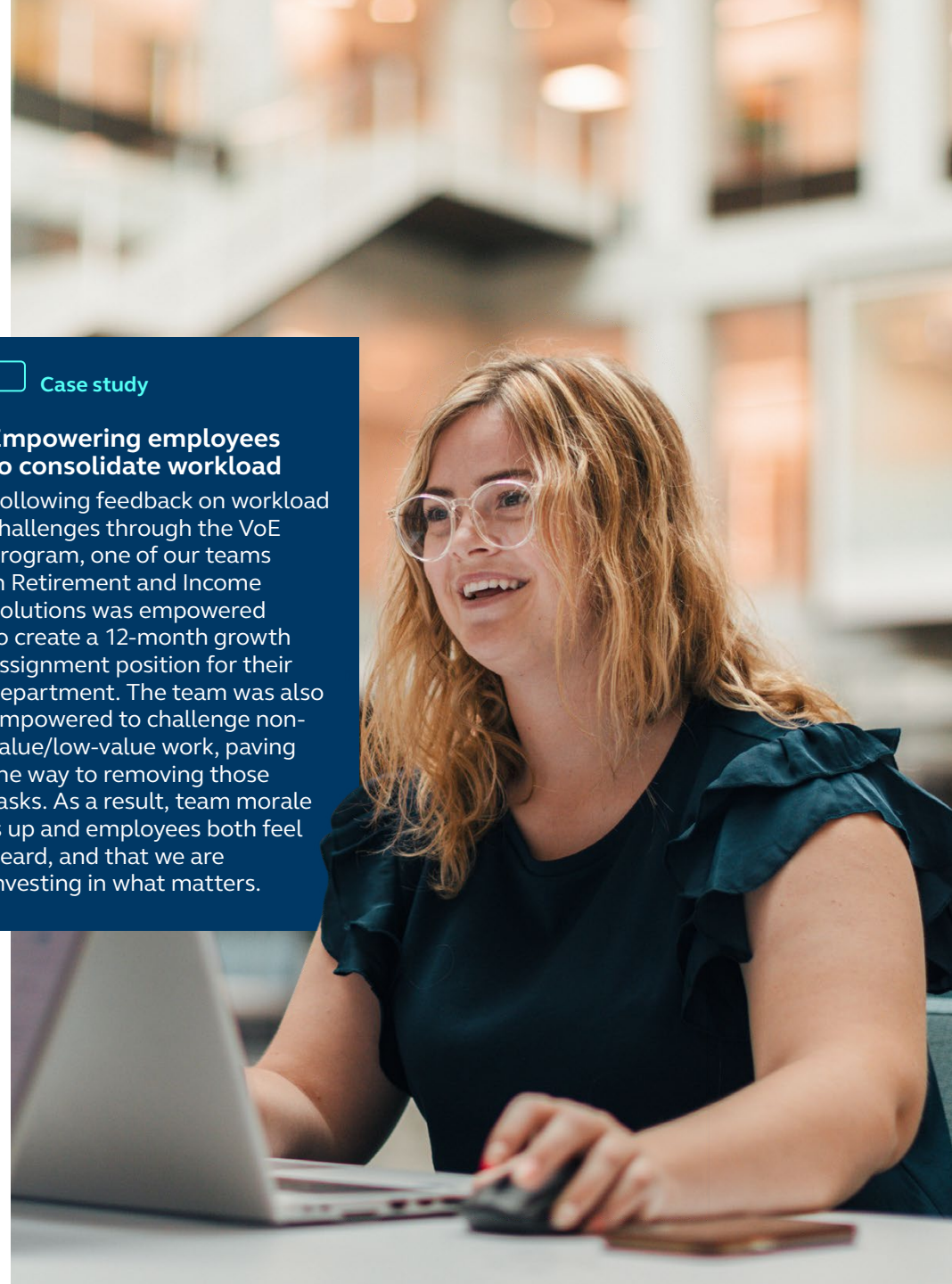
Throughout the year we leverage multiple avenues to capture employee sentiment, including pulse surveys, focus groups, town halls, exit surveys, and consults with executive and senior management. We listen for employee sentiment, needed resources and support, and challenges and barriers to solve. Our enterprise readiness team functions as an essential component of our VoE program by championing the voices of employees to help us think, work, and lead differently.

We track program success through employee participation and survey results. We also measure our success by the frequency of integration of employee feedback into townhall speaking points, and our hiring, onboarding, retention, and global inclusion strategies and execution.

How we've responded in 2022:

- **New employee learning opportunity**. Based on 2022 listening, we launched a 'Principal and the Economy' course in December to help simplify the complexities of the economy and understand how it impacts Principal.
- **Improving user experience regarding benefits offerings**. We are refining our workplace benefits resources to enhance and simplify the overall user experience so employees can make the most informed decisions for themselves and their loved ones.

As we expand employee lifecycle listening in 2023 and 2024, we will be better able to proactively engage and retain an inclusive workforce at Principal today so we can meet our evolving customer needs tomorrow.



Case study

Empowering employees to consolidate workload

Following feedback on workload challenges through the VoE program, one of our teams in Retirement and Income Solutions was empowered to create a 12-month growth assignment position for their department. The team was also empowered to challenge non-value/low-value work, paving the way to removing those tasks. As a result, team morale is up and employees both feel heard, and that we are investing in what matters.

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Leadership and development

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We care about our employees' ability to explore areas that interest them and grow their knowledge, whether that be directly related to their core job functions, cross-job functions, or life skills. We provide opportunities to and encourage all our employees to continuously develop. We do so in a variety of ways, including formal development opportunities, experiential and on-the-go education, and professional relationship building.

Learning and growth opportunities

Principal offers employees a variety of development opportunities, including:

- **Onboarding and core job training**. New hire onboarding and ongoing role-specific training, includes asynchronous and synchronous learning opportunities, videos, and e-learning courses.

- **Cross-job and life-skills training**. Topics on our internal skill development site include analytics, customer mindset, getting ahead, technology adaptive, working together, leadership, inclusion, and career development. In 2022, more than 10,000 employees completed 19,480 LinkedIn Learning courses, resulting in 24,262 hours of additional skills and life-based learning.
- **Leadership training**. New managers experience 20 hours of onboarding related to being an effective and inclusive leader.
- **Career mobility**. Employees can engage in short-term growth assignments to learn and apply skills outside their formal role. Additional opportunities exist for role rotations, job shadowing, mentoring, and pursuing further education or skills training.
- **Educational assistance**. Our Educational Assistance Program offers employees financial assistance with their job-related educational pursuits. In 2022, approximately 242 employees participated in our educational assistance program, totaling over $700k in investment by the organization.

To help us improve our employees' experience, we surveyed those who participated in various training courses to hear their feedback. One takeaway for 2023 is to encourage monthly learning challenges, which break up content into smaller pieces that feel more manageable with busy schedules.

Performance reviews

We want to promote a culture that encourages employees to reflect on their performance, provide feedback to their peers, and share development recommendations to their managers. Leaders provide feedback to employees and engage them in reflection and development planning. In 2022, 95% of global employees received a rating as part of an annual performance review process.

See our appendix for the breakdown of U.S. employees who received a performance review in 2022 by gender and race/ethnicity.

Leadership and development *continued*

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Case study

From pilot to program - career development planning

In 2022, we piloted a program with around 75 employees to help them develop a career development plan. The content of the program centered around skill building, networking, and gaining experience. The program ran for six months and involved large-group sessions with panel discussions, small-group peer teams to network and learn together, and individual activities to build out their plans. We also curated learning paths, promoted collaboration between participants, and offered a weekly drip of resources to help further learning and reflection. The pilot was successful and will become a formal program in 2023. "I've worked with my leader to set a clearer path for my development. This program has made me think deeper about development, beyond the superficial short-term goals," says one Principal employee.

Feedback and learnings

Our VoE program featured on page 100, has told us that priority skills for our employees are data and analytics, customer centricity, automation, agility, setting and working with objectives and key results (OKRs), and developing a growth mindset. We are currently developing tactics to support the development of these skills across the organization.

Feedback is one of our greatest tools when it comes to developing successful, impactful programs for our employees, which is why one of our strategies is to deploy pilot programs. In doing so, we can test new ways of working that support our focus on enabling employee development and advancing leaders.

One example is our 360 program for leaders. Recently, leaders have shared a desire for more performance feedback and ongoing support and development to better serve their teams. In response, in 2021 our Talent Management team developed a common set of six expectations for leaders. In 2022, we piloted a 360-degree review process with a cohort of 449 leaders (approximately 16% of our leaders across the company) to test effectiveness and understand outcomes against these six expectations. This allowed leaders to get feedback from all directions—their leader, their direct reports, and their peers—and then build a development plan based on the insights they gained. The pilot was successful and will become a standard process for all leaders in 2023. Future outcomes of this program will include improved leadership skills for managers that result from upward feedback.

Explainer

Our six expectations of leaders:

1. Inspire a shared purpose and maintain focus
2. Drive results/business
3. Build strong teams
4. Demonstrate agility
5. Lead teams through change
6. Create trusting relationships

The 360-degree review process provides leaders a way to assess themselves against the six leadership expectations and understand where they can focus their own development. Leaders first assess themselves, then choose a variety of raters, including their direct leader, peers, and direct reports, to gain further insight on both their strengths and areas of opportunity.

Leadership and development *continued*

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Early and middle-level career development programs

In 2022, we continued to focus our early and middle-level career and recruitment efforts on recruiting diverse and underrepresented talent. We do this by investing in programs that help build valuable social connections and financial capability for students and young adults looking to enter the workforce.

iJAG partnership

Principal also has a longstanding relationship with the Iowa office of **Jobs for America's Graduates network** (**iJAG**). iJAG's mission is to provide support, skill development, and opportunities for underrepresented students at the highest risk of disengaging from school. In 2022, a total of 120 employees at all levels and areas of the organization participated as trainers, guest speakers, and mentors connected with students across central Iowa. Our employees supported students with resume building, college and career options, interview skills, and financial literacy.

In 2022, we hired nine iJAG graduates to complete an eight-week program on career exploration and professional development. Training was focused on developing foundational business skills, learning and practicing important personal finance concepts, and enhancing interpersonal skills. Five accepted internship roles.

Our goal is to increase our full-time conversion rates to provide long-term growth opportunities for iJAG graduates who are specifically interested in Principal as a place to launch their careers. Two of our 2021 iJAG interns accepted to full-time positions at the company in 2022.

Principal community relations supports the communities where affiliates of the Principal Financial Group®, Des Moines, IA 50392 operates.

Collegiate internship program

Our collegiate internship program aims to support experiential learning and personal and professional development for students. Our internship programming strategy delivers targeted, development-focused programming initiatives grouped into three categories: cohort networking programming, formal learning events, and our executive speaker series. We offer a traditional 10-12-week internship and an extended co-op internship experience over 16 weeks.

Interns provide a unique, diverse perspective while they're temporarily employed with us and gain real-world work experience. We hired 220 interns in 2022, increasing our intern representation from 28 states and 75 colleges in 2021 to 30 states and 84 colleges. Additionally, we continue to see increasing interest and participation in diverse candidates in our internship cohorts. In 2022, 28% of our intern cohort were women and 36% were people of color. Over the last three years, an average of 31% of interns became full-time employees.

In 2022, along with their compensation, all interns working in a full-time capacity received incidental expense stipends to assist with relocation, housing, travel, or any other expenses they may have incurred participating in our internship program.

We continuously check in with stakeholders, including interns, leaders and mentors, formal professional community recruiting committee leads, university faculty, and career services representatives to assess our recruiting, sourcing, and programming strategy and initiatives.

28%

of our intern cohort were women

36%

of our intern cohort were people of color

Leadership and development *continued*

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Management Leadership for Tomorrow

We work with the Management Leadership for Tomorrow (MLT) program, which provides nationwide access to over 1,000 diverse undergraduate and MBA candidates targeting technology, accounting, finance, and investments. This internship partnership is aimed at building our pipeline into early career full-time opportunities at Principal. In 2022, out of 278 applicants for this competitive program, 42% were women, and 52% were people of color. Our partnership with MLT yielded 10 active candidates that are the top talent from their junior and senior level classes.

Sales Development Program

In our Sales Development Program, applicants get professional training, hands-on field experience, tools, and resources. They receive a competitive salary and benefits while learning the workplace benefits industry without the pressures of commission-based sales. In 2022, two of our six program associates were women and four were people of color. In 2023, we hope to improve our outreach and connect with more diverse talent.

Leadership Development Program

This three-year rotational program teaches our next generation of leaders the ins and outs of global financial services. Each year, 11 high-performing, entry-level employees participate in rotations across the company based on their unique career interests. During the program they are mentored by senior managers, complete leadership skills assessments and development plans, engage in learning projects, and interact with customers, investors, and employees around the world. Upon program completion, associates can accelerate their careers through full-time placement in high-impact areas. In 2022, 64% of program associates were women and 36% were people of color.

64%

of program associates were women

36%

of program associates were people of color

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Principal works every day to deliver on our purpose of giving people a reason to feel secure. For many, financial security feels like a destination, but we believe it's a journey that evolves and changes depending on where you are in life.

Principal® Foundation is an important part of helping people along that journey and focuses its support on those who are underserved and under-resourced.

Principal Foundation is a duly recognized 501(c)(3) non-profit organization, created and fully funded by Principal, to fulfill its philanthropic mission of fostering a world where financial security is accessible to all. Principal Foundation spends a portion of its endowment each year to fund programs that address gaps in basic living needs, remove barriers, and provide resources to help people, small businesses, and communities take the next steps in their financial journeys.

Our social investments support local and national non-profit organizations, as well as academic and research institutions that work to address basic needs, such as nutrition, housing, and disaster relief, as well as empowering individuals and communities by focusing on financial health, building social and cultural connections, and funding research.

In 2022, Principal Foundation and Principal invested through grants, employee match giving, sponsorships, and in-kind donations to more than 145 organizations across the United States and in five different countries, totaling more than $17 million. Our work benefits communities worldwide by improving individuals' lives and creating opportunities for people to build a brighter future for themselves and their families.

Our work benefits communities worldwide and creates opportunities for people to build a brighter future.

+145

organizations supported across the U.S. in 2022

$17M

total community investments in 2022

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Our work in the community

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Engaging employees

The Principal Gives Back program connects Principal employees to our philanthropic culture through volunteer opportunities and incentives, and an employee match giving program. The program draws on the expertise and resources of the business to strengthen communities and create lasting impact in the cities in which our employees live and work.

We improved the Principal Gives Back program in several ways in 2022. First, we expanded our match and volunteer incentive programs to support all Principal employees around the world. Next, we reimagined our popular Dollars for Doers and Dollars for Teams programs, making it easier for employees to report the time they commit to the causes most important to them and, in turn, making it easier for them to earn reward dollars that they can donate to those causes. Last, we increased the number of sponsored volunteer opportunities related to employees' interests.

True to our culture, employees responded, generating over 59,000 hours in 161 cities around the world. From giving to community-based organizations through our contribution match and Dollars for Doers programs, to packing food and hygiene kits for underprivileged families and unhoused individuals, to mentoring school children and young people from economically disadvantaged backgrounds, employees provided their time, expertise, and resources to better the communities where we live and work.

In 2022, we supported our communities with:

59,708
volunteer hours logged by Principal employees

$501,607[45]
volunteer grants given by Principal Foundation

$4,334,614
matching dollars given to eligible organizations by Principal Foundation

45 One hour of recorded, employee volunteering will earn a $25 reward, which is then made available in the employee's giving account with a $1,000 annual cap. These earned rewards can be dispersed to eligible organizations of the employee's choice.

Our work in the community *continued*

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Case study

Charity Miles

The world weathered several disasters—both natural and manmade—in 2022. Between April and September, employees from around the globe came together in remarkable numbers to raise much needed funds for six distinct disaster relief organizations through our partnership with Charity Miles, a philanthropic initiative that converts movement into a donation. Employees kept track of their mileage using wheelchairs, walking, jogging, and biking— ultimately raising more than $824,000. Individuals tracked their daily commutes and offices organized large team events, all with the goal of making an impact, together.

$824,000

raised through Charity Miles

Volunteer initiatives around the world:

400

art and STEM kits packaged for under-resourced communities in North Carolina

100,000

meals packaged for Meals from the Heartland

1,000

backpacks filled with school supplies for Iowa students

+250

hours volunteered by London employees, including 160 hours at a children's hospice

+240

books donated to students in India during a career workshop

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Our community investments

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In 2021 Principal Foundation funded over 75 charitable organizations that help individuals, small businesses, and communities move along the financial security spectrum toward financial empowerment. In 2022, we increased the number of organizations we support to 145.

The missions of these organizations fall under at least one of our focus areas, which include basic needs, like housing security, nutrition security and disaster relief, or financial empowerment programs supporting entrepreneurs and small businesses, expanding access to capital and financial products, and fostering the social and cultural connections needed to support thriving communities and individuals.

+75 → +145

charitable organizations funded by Principal Foundation in 2021

charitable organizations funded by Principal Foundation in 2022

2021 grantee metrics[46]

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102,333

Number of individuals to receive job and skill development training

383

Number of individuals that opened a new small- to medium-sized business

97,409

Number of individuals to receive job readiness training

13,200

Number of individuals placed in employment

7,323

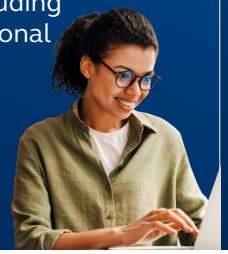
Number of individuals with increased income

4,538

Number of individuals with new access to banking and financial service opportunities

24,448

Number of individuals who received financial education including coaching, personal finance, etc.



6,977

Number of individuals who received financial education for entrepreneurship including coaching, business finance, etc.

1,357

Number of individuals with an improved credit score

3,578

Number of individuals with an increase in savings

46 Impact data reported in 2022 is in reference to grants awarded in 2021.

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Promoting financial health

The road to financial security is not a universal path, it is a unique, personal journey. Principal Foundation strives to support organizations that excel at meeting individuals where they are and providing them with what they need to weather the ebbs and flows of life and continue their journeys. The better we understand the journeys and the barriers, the better we can identify ways to clear the path and accelerate progress.

In 2022, Principal Foundation funded research conducted by the Financial Health Network to explore the issues, barriers, and policies affecting the financial health of women, and particularly women of color. Researchers surveyed 3,000 men and women and then conducted small group conversations with focus groups.

The research identified four barriers to financial health:

1. income disparities and discrimination,
2. limited support for care,
3. burdensome debt, and
4. insufficient retirement savings.

Although the barriers outlined in the report are not an exhaustive list of the factors that contribute to the financial health gender gap, it identified areas where the financial sector, employers, and policymakers can effect change to ameliorate them. These changes would not only improve financial health for women, but also benefit financial service providers, employers, and the U.S. economy.

Ultimately, **the report** focuses on policy- and employer-level solutions that could make a meaningful difference in leveling the playing field for women. Among the suggested policy solutions, the report suggests building our care infrastructure, expanding portability of retirement plans, and increasing the affordability of education. We hope the report's findings will encourage policymakers, activists, and companies to join us in finding solutions to better serve women and others facing financial insecurity around the world.

Read more about the Gender Gap in Financial Health – Financial Health Network

Principal Foundation strives to support organizations that excel at meeting individuals where they are and providing them with what they need.

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Supporting small businesses

Small businesses represent the backbone of American industry and are vital to local economies. According to the Small Business Administration, small businesses have created 8.4 million net new jobs since the year 2000, four million more than large businesses. They represent roughly 99% of all companies nationwide that have paid employees. Additionally, small businesses hire people who live in or near the communities in which they operate, boosting local employment rates and other local businesses.

Because small businesses are a pathway to financial security for many Americans, Principal Foundation funds organizations that provide financial and technical assistance to them. During the 2021 grant cycle we funded four Community Development Financial Institutions (CDFIs) to ensure small businesses have access to capital at crucial points in their growth, as well as organizations providing financial and technical education and assistance to small businesses.

Case study

Cities for Financial Empowerment Fund

Cities for Financial Empowerment Fund received a $1M grant to pilot a new initiative, Small Business Boost (SBB).

Housed in existing, city-funded financial empowerment centers, SBB is designed to provide financial counseling to entrepreneurs and small business owners. Financial counseling addresses the personal financial challenges that present barriers to business ownership success and financial management issues that inhibit business growth. Since the launch of SBB, counselors across five selected cities have provided over 1,000 counseling sessions helping over 380 entrepreneurs.

1,000

counseling sessions provided by SBB

380

entrepreneurs helped through counseling sessions

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Advancing educational programming

Principal Foundation has worked with EVERFI, a leader in digital educational programming, for the past 10 years on various financial literacy projects. In 2021, with a goal of shaping a diverse and future-ready workforce, Principal Foundation and EVERFI joined together to create a new data science and financial literacy program for high school students in the U.S. The interactive digital curriculum, called DataSet*Go*, is a first-of-its-kind education program designed for students to learn how to apply data science and analysis concepts, build their personal financial literacy and wellness, and be exposed to data science careers.

Currently, according to the LinkedIn 2020 Emerging Jobs Report, data scientist topped the emerging jobs list for three years in a row and has a projected 37% annual growth rate. Similarly, the U.S. Bureau of Labor Statistics reports that data scientists and mathematical science occupations have a projected growth rate of 31% from 2020-2030.

DataSet*Go* seeks to prepare more students to pursue these emerging jobs. Principal data science and actuarial employees worked with EVERFI to develop the courses that make up DataSet*Go*. To make the content even more engaging and easier to understand, Principal and EVERFI created an interactive simulation that gives students hands-on data analysis experiences. The simulation asks students to apply problem-solving skills to investigate the triggers that cause young adults to make poor financial decisions, like maxing out a credit card, and suggests data-informed solutions to intervene.

The curriculum, available at no cost to schools, debuted in 11 markets during the 2022-2023 school year with the goal of reaching at least 70,000 students and educators by 2025.

The initial markets are New York City, New York; Charlotte, North Carolina; Washington, D.C.; Raleigh, North Carolina; Atlanta, Georgia; Wilmington, Delaware; Seattle, Washington; Folsom, California; Minneapolis, Minnesota; Dallas, Texas; and Des Moines, Iowa. Youth-serving community organizations are also able to sign up for free access to the curriculum.

The DataSet*Go* program was piloted during the 2021-2022 school year, impacting 6,000 students in more than 160 schools. After completing the program, students showed a doubling in assessment scores related to knowledge of the types of skills and processes used by data scientists in their careers. Currently, 1,906 schools and 80 community-based organizations are engaged with DataSet*Go*.

"Our goal is to empower students with education that pairs financial literacy with college and career readiness."

says Jo Christine Miles, Director of Principal Foundation and Community Relations.

"We also aim to inspire a diverse set of students across a diverse set of school districts to pursue long-term educational and career goals that are attainable, meaningful, and helpful in positioning students for economic mobility and financial security."

Read more about DataSet*Go*

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Fostering social and cultural connections

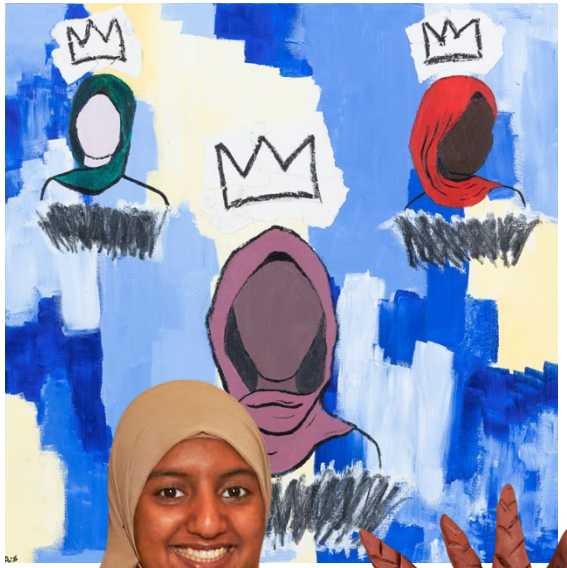
Research demonstrates that completion of **high school or higher education** increases people's salary potential, directly impacting their financial stability and security. Studies have shown that art enhances **educational experience** and achievement. Involvement in the arts is also associated with gains in math, reading, cognitive ability, critical thinking, and verbal skills. According to a recent study, students receiving arts **education experienced** a 3.6 percentage point reduction in disciplinary infractions, an improvement in standardized writing scores, and were more likely to agree that schoolwork is enjoyable.

Art also positively impacts the broader **community and adults**, bringing people together physically and culturally.

Based on these findings, the Principal Foundation funds programs that expand access to the arts. A Principal Foundation grant to the Des Moines Art Center is an example.

The grant supports free admission for everyone every day the museum is open, and extends the museum's opening hours one day per week so people have the time to experience the museum. Our grant also launched a new program, My Voice, that took the museum's experienced art educators to three schools in Des Moines's most under-resourced neighborhood where the educators provided student cohorts with art instruction and guided museum tours, including its vaults. Students were asked to choose an artwork in the museum's collection to which they would respond with an artwork of their own creation. The results were extraordinary.

The students' artist statements provide a glimpse of the joy, discovery, and boosted esteem the students experienced during the program and carried back to their classrooms.



Left painting (individual featured):
Aryam – A Hijabi's Crown 2022 inspired by Jean-Michel Basquat, Untitled 1984.

Top right painting:
Sabah - The Peace on Waiting 2022 inspired by Portraits of Edouard and Marie-Louise Pailleron 1881.

Front statue:
Davianna – Crystal Clear Eyes 2022 inspired by Wangech Mutu, Water Women 2017.

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Materiality and ESG topics

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Materiality methodology

In 2019, we went through a stringent evaluation process of our reporting landscape to review material ESG factors alongside developments in industry regulations, trending and emerging industry research, and shareholder resolutions on ESG topics. We checked these against industry peers, consulted area experts, and cross-referenced our reporting frameworks, which include Global Reporting Initiative (GRI), Sustainable Accounting Standards Board (SASB), and Task Force on Climate-related Financial Disclosures (TCFD). This year, we conducted a similar analysis to update and ensure our ESG strategy is informed by sustainability factors that are important both to our stakeholders and help contribute to a positive social and environmental impact.

Completing a materiality assessment process on a recurring basis is important to us—especially as industry regulations and sustainability trends continue to evolve and present new salient impacts on our business and the stakeholders most affected by our business. In 2023, we anticipate starting our next materiality review process to understand which material ESG topics should inform our strategy moving forward.

Given the industry Principal is in and our areas of expertise, the following topics are material to us:

- Sustainable investing
- Consumer and product impact
- Financial inclusion
- Environmental impact
- Sustainable sourcing
- Governance, ethics, and risk
- Employee engagement

Materiality and ESG topics *continued*

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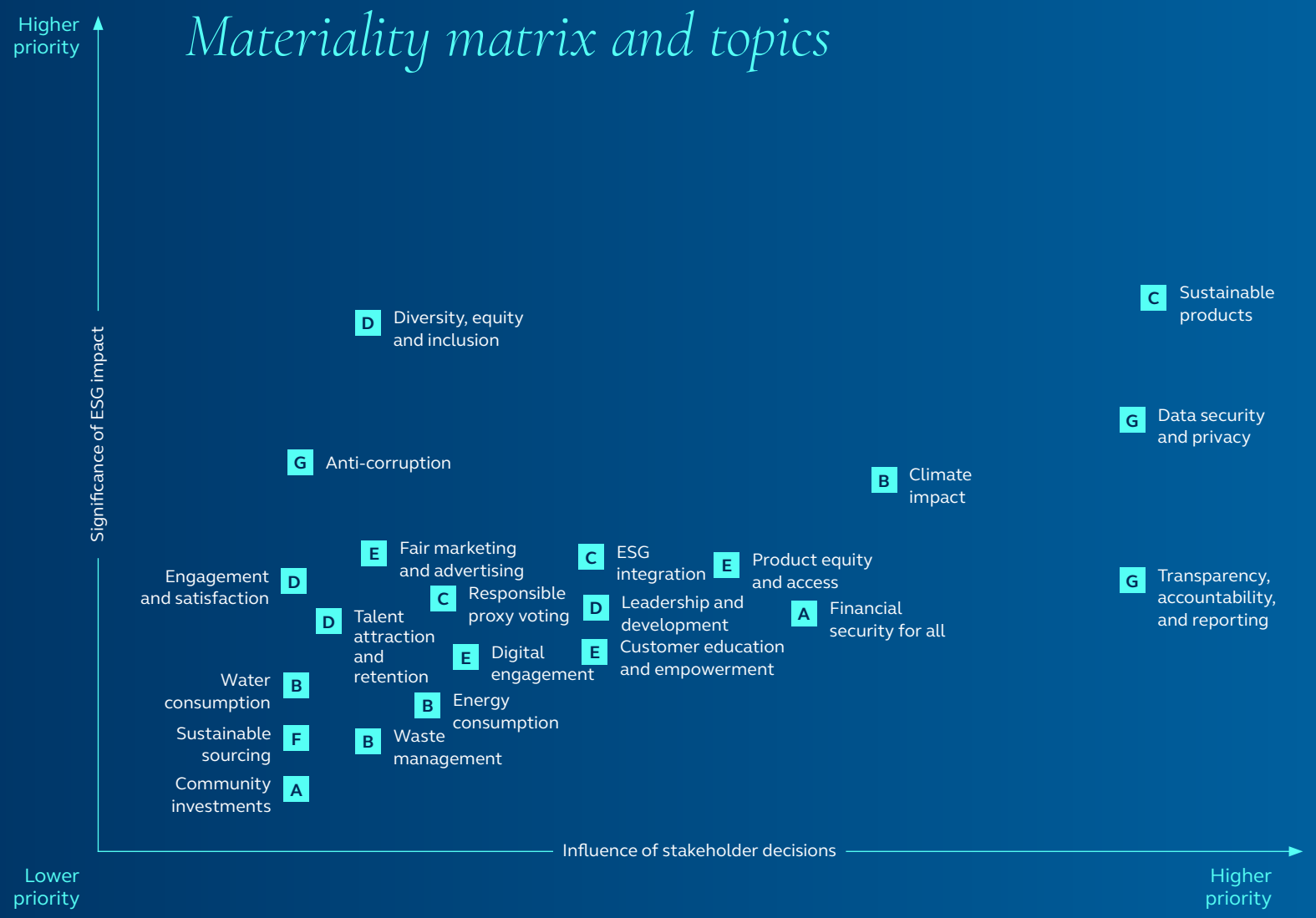
Materiality matrix and topics

Within the seven focus areas are 21 specific ESG topics that drive the sustainability targets, goals, and initiatives described throughout this report.

- **A Financial inclusion**
- **B Environmental impact**
- **C Sustainable investing**
- **D Employee engagement**
- **E Consumer and product impact**
- **F Sustainable sourcing**
- **G Governance, ethics, and risk**



Stakeholder engagement

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How we engage with our stakeholders

Stakeholder group	*Material topic*	*Nature of engagement*	*Frequency*
Employees	• Diversity, equity, and inclusion • Talent attraction and retention • Leadership and development • Engagement and satisfaction	• Performance reviews and career development discussions • Employee engagement and inclusion surveys via periodic pulse checks and formal year-end questionnaire • Training and knowledge-sharing • Direct outreach to Employee Resource Groups (ERGs) via forums, company meetings, and events	• Formal performance review and satisfaction and engagement surveys annually • Ongoing pulse check of employee engagement and satisfaction as well as professional development and engagement with ERGs • Voice of Employee program pulse surveys three times per year to assess employee engagement and inclusion • Quarterly coffee or happy hours with our executive management group
Institutional customers	• ESG integration • Responsible proxy voting • Sustainable products • Data security and privacy • Climate impact	• Touch points with dedicated account managers • Focus groups for new and existing products • Fact sheets, prospectus, website • Third-party ESG ratings as a screening mechanism	• Ongoing touch point with dedicated account managers for voice of client feedback • Focus groups (with global representation) as needed
Retail customers	• Digital engagement • Customer education and empowerment • Fair marketing and advertising • Product equity and access • Sustainable products	• Direct outreach through digital chat interface • Social media and gamification to engage on values alignment story • Surveys and polling to gather voice of customer feedback; insights used to enhance future experiences	• Ongoing feedback from digital platforms and social media • Voice of customer surveys and polling at least annually • Ad hoc SMB Listening Tour and participation in Inc. 5000 events to hear from diverse business owners

Stakeholder engagement *continued*

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How we engage with our stakeholders *continued*

Stakeholder group	*Material topic*	*Nature of engagement*	*Frequency*
Investors	• Climate impact • Sustainable sourcing • Sustainable products • Transparency, accountability, and reporting • Anti-corruption	• Utilize sustainability/annual reports to analyze how ESG factors at the corporate level reduce costs and enhance brand value • Press releases, conference calls, webinars, and proxy statements to learn about ESG-focused products that are an added revenue stream • Third-party ESG ratings as a screening mechanism	• Ongoing Investor Relations engagement • Quarterly shareholder meetings and earnings calls
Governments and industry associations	• Financial security for all • Product equity and access • Community investments • Diversity, equity, and inclusion • Sustainable products • Climate impact	• Joining sustainably aligned industry organizations, like UN PRI • In person/virtual meetings • Thought leadership on policy forums and financial inclusion • Speaking at events/conferences • Teaming on initiatives • Collaboration with Cebr to develop the methodology for the Global Financial Inclusion Index, conduct research, and release findings of financial inclusion	• Annual review of philanthropic and company sponsorship partner alignment • Continuous engagement at events and forums • Annual Global Financial Inclusion Index research
Communities	• Community investments • Diversity, equity, and inclusion • Financial security for all • Product equity and access	• Digital chats • Social media and gamification • Surveys	• Ad hoc polling/surveying of various community groups • Ongoing feedback from digital platforms

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Sustainability Task Force

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Sustainability Task Force

The Principal Sustainability Task Force is made up of members appointed by Chairman, President, and CEO Dan Houston. The members are leaders across the organization and report quarterly to the Nominating and Governance Committee of the Board of Directors. The role of the Sustainability Task Force is to ensure that material issues are integrated into and help guide our business decisions, drive our comprehensive ESG strategy, and continually engage with stakeholders. This keeps us aligned with internal goals, third-party standards and other business groups and signatories, such as the United Nations Global Compact.

Throughout 2022, the Sustainability Task Force met monthly to discuss our approach to sustainability reporting frameworks, such as GRI, SASB, TCFD, and CDP, public policy engagement, social and environmental goals and targets, performance against our sustainability commitments, and the company's long-term purpose strategy.

Beth Wood
Chair, EVP, and
Chief Marketing Officer

Binay Chandgothia
Managing Director
Portfolio Management

Kevin Farley
Vice President
Enterprise Worksite Services

Jane Keairns
Director
ESG and Emerging Strategies

Natalie Lamarque
EVP, General Counsel
and Secretary

Miriam Lewis
Chief Inclusion Officer

Ken McCullum
EVP and Chief Risk Officer

Jo Christine Miles
Director
Principal® Foundation and
Community Relations

Chris Reddy
Executive Director
Investments and
Client Solutions

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About our 2022 Sustainability Report

We began publishing a Corporate Social Responsibility (CSR) Report more than 20 years ago. For the past nine years, we've produced our CSR annually for release on our website, and in 2021 we released our inaugural Sustainability Report. The evolution of these annual reports demonstrates the maturing of our sustainability journey—one that is reflective of continuous progress and performance.

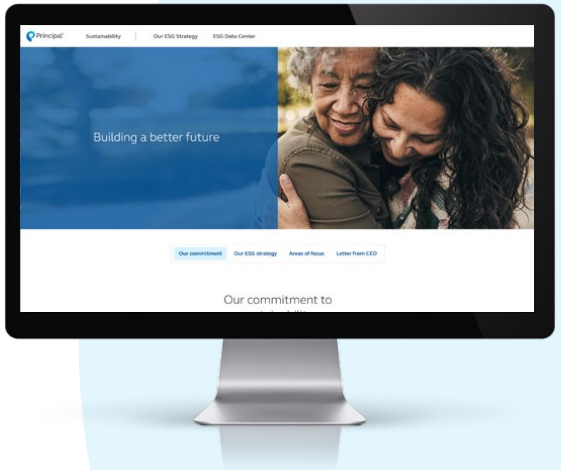
The purpose of the annual Sustainability Report is to disclose our performance for the past year, share meaningful activations that help us toward achieving our long-term sustainability commitments, and inform our stakeholders of our plans for the following year. This report is not only intended to be a look back at what we accomplished and learned in 2022, but also allows us to communicate how our 2022 performance informs our 2023 planning, goals, and initiatives.

This 2022 Sustainability Report primarily focuses on the sustainability issues that are most material to our business and that most affect our stakeholders. We conducted a materiality assessment in 2019 and re-evaluate our material topics each year, through which we determine our 21 most material ESG issues.

Read more about our materiality matrix

Please note this report includes data and activities from our global operations for calendar year 2022. Unless otherwise noted, all data is accurate as of December 31, 2022.

This report has been prepared in accordance with GRI and SASB standards and in alignment with TCFD and the United Nations Sustainable Development Goals.



For further information about our ESG reporting and resources, visit our website

Contact Us:
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Employees as of 12/31/2022	U.S.	International	Global
Total workforce[47]	12,148 (63%)	7,192 (37%)	19,340
Total full-time	12,056 (63%)	7,138 (37%)	19,194
Total male full-time			8,825
Total female full-time			10,359
Total part-time	92 (63%)	54 (37%)	146
Total male part-time			15
Total female part-time			131
Total temporary (interns/short-term)	60	0	60
Total active contractors	335	Not currently reported	335
Total independent contractors	3	Not currently reported	3

U.S. demographics as of 12/31/2022

	White	Asian	Black	Latino/a	American Indian or Alaskan Native	Native Hawaiian or Pacific Islander	Two or more races
Male	4,439	243	221	222	11	2	88
% of U.S. workforce	36.5%	2%	1.82%	1.83%	0.09%	0.02%	0.7%
Female	5,796	267	409	313	15	4	97
% of U.S. workforce	47.8%	2.19%	3.4%	2.6%	0.12%	0.03%	0.8%
Total workforce[48]	10,235	510	630	535	26	6	185

47 Inclusive of full-time and part-time employees. Ten employees have not indicated gender.
48 Racial and ethnic demographic data is currently collected in the U.S. only. Figures presented here include our U.S. workforce. Two U.S. employees are listed as unknown gender and Latino/a, which is approximately 0.02%. One U.S. employee is listed as unknown gender and White, which is approximately 0.01%. Three U.S. employees are listed as unknown gender and race.

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Open positions and fills in 2022	Global	U.S.
Total number of open positions	*6,809*	*3,445*
Total number of fills	*4,425*	*2,514*

Percentage of global open positions in 2022 filled by internal candidates	
	12%

Percentage of global open positions in 2022 filled by internal candidates by gender	Male	Female
	40%	*60%*

Global open positions by employment category	% of hires
Executive	*0%*
Senior management	*0%*
Management	*12%*
Professionals and administrators	*88%*

Percentage of U.S. open positions in 2022 filled by internal candidates by race/ethnicity	% of internal hires[49]
American Indian or Native Alaskan	*1%*
Asian	*4%*
Black	*5%*
Latino/a	*7%*
Hawaiian or Pacific Islander	*0%*
Two or more races	*3%*
White	*81%*

49 Internal hires include transfers, promotions, and job changes. This data does not include any fills that occurred outside of our ICIMS system so is not representative of total internal hires. Data is accurate as of 12/31/2022.

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Global hiring by employment category	Number of individuals	% of hires
Executive	*1*	*0.02%*
Senior management	*3*	*0.06%*
Management	*133*	*2.81%*
Professionals and administrators	*4,588*	*97.10%*

Global hiring by gender	Number of individuals	% of hires
Male	*2,249*	*47.60%*
Female	*2,451*	*51.87%*
Gender non-identifying	*25*	*<1%*

U.S. hiring by race/ethnicity	Number of individuals	% of hires
American Indian or Native Alaskan	*5*	*0.23%*
Asian	*153*	*6.95%*
Black	*284*	*12.90%*
Latino/a	*175*	*7.95%*
Hawaiian or Pacific Islander	*2*	*0.09%*
White	*1,489*	*67.65%*

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Employee turnover results in 2022 (# and % of total employed)[50]

	2019		2020		2021		2022	
Geography	**#**	**%**	**#**	**%**	**#**	**%**	**#**	**%**
U.S.	1,145	11%	813	8%	1,446	13%	1,532	13%
Global	4,528	26%	2,934	17%	4,271	24%	3,971	21%

Employee turnover results – demographics (% of terminations) 2022

Voluntary vs involuntary[51]	**%**
Voluntary	18%
Involuntary	3%

Gender	**#**	**%**
Female	2,107	53%
Male	1,859	47%

Race/ethnicity[52]	**#**	**%**
American Indian or Native Alaskan	4	<1%
Asian	65	4%
Black	144	9%
Latino/a	102	7%
Hawaiian Native or Pacific Islander	2	<1%
White	1	77%
Employment category		
Executive	2	<1%
Senior management	2	<1%
Management	223	6%
Professionals and administrators	3,748	94%

50 Due to reconciliation of data, some figures for 2020 and 2021 have been updated to reflect the accurate terminations.
51 All data represents percentage of terminations, except for 'Voluntary vs involuntary', which is calculated by number of terminations (voluntary or involuntary) divided by average headcount. The total percentage adds up to the global turnover rate for 2022.
52 Racial/ethnicity demographic data reflects U.S. terminations only. >1% of U.S. terminated employees did not disclose their ethnicity. Due to rounding, figures may not add up to 100%.

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2022 performance review period – gender and ethnicity breakdown (U.S. only)

Gender—U.S. only	Received rating
Female	*97%*
Male	*98%*

Ethnicity—U.S. only	Received rating
American Indian or Alaska Native	*92%*
Asian	*98%*
Black or African American	*93%*
Hispanic or Latino/a	*97%*
Native Hawaiian or other Pacific Islander	*100%*
Two or more races	*91%*
White	*98%*
Total U.S. receiving a rating[53]	*97%*

53 Approximately 5% of employees were hired too late into the performance cycle to receive a formal evaluation. These individuals will be a part of the formal performance cycle in 2023.

Waste disposed in 2022

U.S. only	2018	2019	2020	2021	2022
Non-hazardous waste (mt)	*475*	*480*	*198*	*229*	*245*
% of total	*37%*	*38%*	*30%*	*31%*	*38%*

Waste recycled in 2022

U.S. only	2018	2019	2020	2021	2022
Non-hazardous waste (mt)	*758*	*704*	*430*	*466*	*491*
% of total	*60%*	*56%*	*65%*	*63%*	*65%*
Hazardous waste (mt)	*54*	*74*	*88*	*68*	*45*
% of total	*4%*	*6%*	*12%*	*8%*	*6%*

Waste upcycled or donated in 2022

U.S. only	2018	2019	2020	2021	2022
Non-hazardous waste (mt)	*0*	*0*	*5*	*38*	*9*
% of total	*0%*	*0%*	*1%*	*5%*	*1%*

Waste composted in 2022

U.S. only	2018	2019	2020	2021	2022
Non-hazardous waste (mt)	*34*	*65*	*27*	*5*	*6*
% of total	*3%*	*5%*	*4%*	*1%*	*1%*

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U.S. workforce representation for people of color, persons with disabilities, and veterans, 2018–2022

	2018	2019	2020	2021	2022
People of color	*10.4%*	*10.5%*	*11.9%*	*14.1%*	*15.6%*
Persons with disabilities	*1.1%*	*1.3%*	*2.2%*	*1.9%*	*4.5%*
Veterans	*1.5%*	*1.5%*	*3%*	*2.6%*	*3.1%*

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