

SEPTEMBER 2023



Sustainable Financing Report

Building a more prosperous planet





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Introduction

SUSTAINABILITY AT PRINCIPAL®

For decades, Principal has embraced sustainability as a strategy to help strengthen our business, advance our purpose, and help build a more inclusive and resilient world. As a global leader in retirement, insurance, and investments, we strive to act in a way that improves the wealth and well-being of all people and our planet. This is part of our commitment to sustainability—as well as an effort to listen, understand, and respond to the changing needs of our stakeholders while seeking to generate shareholder value over time.

Our sustainability efforts are multifaceted, guided by an overarching strategy and reflecting enterprise-wide contributions and accountabilities. Overseeing these efforts is the Principal Financial Group® Sustainability Task Force, which is made up of leaders from across the organization. It reports quarterly to the Nominating and Governance Committee of the Principal Board of Directors and helps to ensure that material sustainability topics help inform our business decisions, drive our strategic direction, and support our long-term purpose. This keeps us aligned with internal and external goals, reporting frameworks, and third-party standards.

OUR ACTIVATION PILLARS

We are taking action, making progress, and driving outcomes for a more inclusive, resilient, and sustainable world by remaining focused on our corporate sustainability commitments through the following activation pillars:

- 1 **Harnessing the power of our people:** We hold ourselves accountable to advance and support a work 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.
- 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 help combat the climate crisis and working to advance our commitment to sustainable sourcing while maintaining a culture of ethics and transparency.
- 3 **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.



INVESTING SUSTAINABLY

Our investment management fiduciary responsibility is to act in the long-term best interest of our clients. This client-first focus is central to how we approach sustainable investing and the integration of ESG factors across our investment portfolios. Principal Asset Management^{SM1} has been a signatory of the United Nations-sponsored Principles for Responsible Investing (PRI) since 2010 and Principal Financial Group® has aligned our enterprise sustainability strategy with the United Nations Sustainable Development Goals (SDGs).

ABOUT THE REPORT

In August 2021, Principal issued its inaugural sustainability bond² in the amount of \$600 million. The sustainability bond was a five-year funding agreement-backed notes (FABN) issued through Principal Life Global Funding II. Under the terms of this bond, Principal aims to strengthen our sustainability commitments by allocating bond proceeds towards eligible green and social initiatives. Consistent with our Sustainable Financing Framework, we committed to publishing an annual use of proceeds report highlighting the allocation and key performance indicators of the proceeds from the sustainability bond. We published our first Sustainable Financing Report in September 2022, and this is our second report covering year-end 2022 impact metrics.

Principal issued its first sustainability bond in August 2021 in the amount of \$600 million as part of our commitment to integrating and promoting sustainable practices and initiatives throughout our business. The purpose of the sustainability bond is to allocate proceeds that meet defined eligibility criteria to help advance the SDGs.

Management's assertion

The proceeds of our sustainability bond have been fully allocated according to assets from three of the eligible categories³ outlined in the Principal® Sustainable Financing Framework ('Framework'). Principal confirms that the use of proceeds from the sustainability bond complies with the Framework. Additionally, Principal has obtained an independent, second-party opinion from Sustainalytics on our Framework.

 For more detail, please see the 2021 Principal [Sustainable Financing Framework](#) (PDF) and our [Second-Party Opinion](#) (PDF) from Sustainalytics.

³ Each of the eligible categories is aligned to the U.N. Sustainable Development Goals. Data and activities related to the use of proceeds are accurate for the calendar year 2022.

Inaugural sustainability bond summary

ISSUER: Principal Life Global Funding II

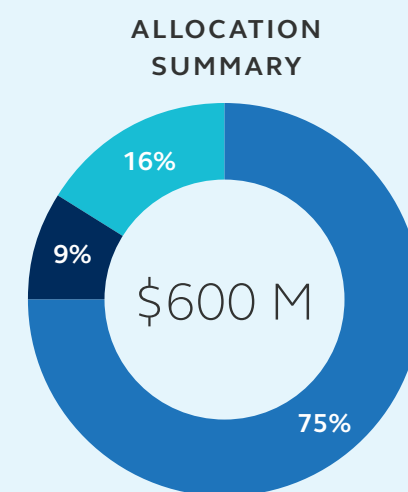
ISSUE DATE: August 16, 2021

AMOUNT ISSUED: \$600,000,000

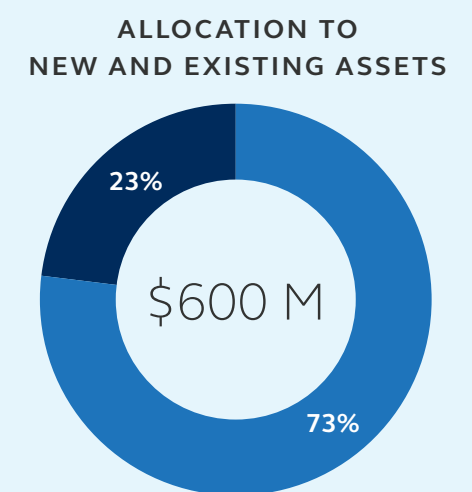
COUPON RATE: 1.250%

MATURITY DATE: August 16, 2026

ALIGNED TO THE U.N. SUSTAINABLE DEVELOPMENT GOALS:



● Green buildings ● Affordable housing
● Renewable energy



● Existing assets ● New assets

In line with our commitment to fully allocate proceeds within a period of 18 months, 100% of proceeds from the Principal sustainability bond remain fully allocated. Underlying investment allocations have changed since the 2022 Sustainable Financing Report. The changes include assets in the renewable energy and energy efficiency categories.

¹ Principal Asset ManagementSM is the trade name of Principal Global Investors, LLC.

² Sustainable bond offerings are typically limited to qualified institutional buyers (QIB's) through applicable underwriter. **May not be a suitable investment for QIB's seeking exposure to green assets.**

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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.

Summary of the Principal Sustainable Financing Framework

The Principal Sustainable Financing Framework was published in August 2021. The Framework is aligned with the four key components of the International Capital Markets Association (ICMA) Green Bond Principles 2021, Social Bond Principles 2021, Sustainability Bond Guidelines 2021, Green Loan Principles 2021, and Social Loan Principles 2021 and their recommendations on the use of external reviews and impact reporting:

- 1 Use of proceeds
- 2 Project selection and evaluation process
- 3 Management of proceeds
- 4 Reporting



Principal established the Sustainable Finance Council, comprising members from the Office of the Chief Investment Officer, Capital Markets, and enterprise sustainability teams, which is responsible for the ultimate review and selection of assets that qualify as Eligible Assets for Principal Sustainable Financing.


In the Framework, Principal committed to releasing an annual Principal Sustainable Financing Report highlighting the amount of proceeds allocated to each eligible category, environmental and social performance indicators, and the balance of unallocated proceeds, among other disclosures. This report is the second Principal Sustainable Financing Report following the issuance of our inaugural sustainability bond in August 2021.

In accordance with our commitment to transparency, Principal re-engaged Sustainalytics, a qualified, independent and external reviewer to verify and provide third-party, limited assurance with respect to the management of the Principal Sustainable Financing proceeds and compatibility of the selected Eligible Assets with the Principal Sustainable Financing Framework. A summary of their third-party review is provided in the External Review Report section below.



2022 allocation of bond proceeds and impact

Eligible category	Description of project	Location	PLIC Holdings Allocated to FABN (\$M)	% of Total ⁴	Social or environmental performance impact metric or description ⁵
GREEN BUILDINGS 	Building with LEED Gold Certification. The building is also EnergySTAR Certified	U.S.	\$83.5	14%	Total square feet certified: 320,671
	Building with LEED Platinum Certification. The building is also EnergySTAR Certified	U.S.	\$140.3	23%	Total square feet certified: 291,114
	Building with LEED Platinum Certification. The building also has the Austin Energy Green Building 3-star rating	U.S.	\$127.2	21%	Total square feet certified: 374,963
	Building with LEED Platinum Certification. The building also has a zero-waste program as well as reclaimed water systems	U.S.	\$45.0	8%	Total square feet certified: 915,000
	Building with LEED Gold Certification	U.S.	\$52.1	9%	Total square feet certified: 297,675
RENEWABLE ENERGY 	Four wind projects in the Midwest	U.S.	\$22.5	4%	Energy production - 167 GWh (Principal share)
	Solar project	Chile	\$11.8	2%	Energy production – 136.5 GWh (Principal share)
	Solar project	Chile	\$13.2	2%	Energy production – 37.1 GWh (Principal share) ⁵
	Solar project	U.S.	\$8.5	1%	Energy production – 18.8 GWh (Principal share)

Eligible category	Description of project	Location	PLIC holdings allocated to FABN (\$M)	% of Total ³	Social or environmental performance impact metric or description ⁴
AFFORDABLE HOUSING 	Investments that expand or maintain the availability of housing for U.S. households whose income is below 80% of the area median income. These investments involve multiple properties in the U.S.	U.S.	\$19.6	3%	Funding new construction and substantial renovation for 33 properties. All properties targeting households earning <60% of area median income. Rental costs are approximately 14-42% below the national/regional rent index.
	Investments that expand or maintain the availability of housing for U.S. households whose income is below 80% of the area median income. These investments involve multiple properties in the U.S.	U.S.	\$20.3	3%	Funding new construction and substantial renovation for 22 properties. All properties targeting households earning <60% of area median income. Rental costs are approximately 10-48% below the national/regional rent index.
	Investments that expand or maintain the availability of housing for U.S. households whose income is below 80% of the area median income. These investments involve multiple properties in the U.S.	U.S.	\$5.4	1%	Funding new construction and substantial renovation for 19 properties. All properties targeting households earning <60% of area median income. Rental costs are approximately 5-74% below the market rent.
	Investments that expand or maintain the availability of housing for U.S. households whose income is below 80% of the area median income. These investments involve multiple properties in the U.S.	U.S.	\$17.2	3%	Expecting to provide 169 units of shelter for families experiencing homelessness served by the NYC Department of Homeless Services.
	Investments that expand or maintain the availability of housing for U.S. households whose income is below 80% of the area median income. These investments involve multiple properties in the U.S.	U.S.	\$33.4	6%	Expecting to provide 100 units of shelter for individuals or families experiencing homelessness. ⁶
TOTAL			\$600	100%	

⁴Asset percentages are rounded.








⁵Data for each asset is from fiscal year 2022 unless otherwise noted in the Principal Sustainable Financing Report. Certain affordable housing assets are currently under construction, so their data covers future capacity.

⁶Target populations are individuals or families who cannot afford housing or may not be mentally fit to live in an affordable housing complex.

Project example

PRINCIPAL REAL ESTATE INVESTORS Green building financing



- 385 Interlocken
-  Broomfield, CO
 -  297,675 SF Office Building built in 2010
 -  \$57M investment⁷
 -  Core Deal
 -  LEED Gold Core & Shell during development
 -  Well Health-Safety Rated
 -  Avoided ~8 MTCO₂e GHG emissions in 2022

⁷Current allocation in the Principal 2021 sustainability bond is \$52.1M.

External review report

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted a third-party verification with limited assurance of the Principal sustainability bond use of proceeds in August 2023. This is the second annual review that Sustainalytics has provided for the Principal sustainability bond following their original review in September 2022. The work undertaken as part of this engagement included collection of documentation from Principal employees and review of documentation to confirm the conformance with the Principal Sustainable Financing Framework.

Based on the limited assurance procedures conducted,⁸ nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the Framework. Principal has disclosed to Sustainalytics that the proceeds of the sustainability bond were fully allocated as of November 2021.⁹

⁸Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, their estimated and realized costs of impact, as provided by the issuing entity, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

⁹Language is sourced from the Sustainalytics annual review of the Principal sustainability bond use of proceeds.

Important information

Integration of sustainability considerations and/or environmental, social and governance (ESG) factors is qualitative and subjective by nature. There is no guarantee that the criteria used, or judgment exercised, will reflect the beliefs or values of any particular investor. There is no assurance that any strategy or integration of sustainability considerations and/or ESG factors will be successful or profitable. 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. ©2023 Principal Foundation.

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