Table of contents

3 A message from Dan Houston, chairman, president, and CEO

4 Materiality

7 Serving customers and shareholders well

11 Providing access to financial security

20 Empowering a global workforce

31 Doing good in our communities

40 Protecting our environment

44 Investing responsibly

50 Ensuring stability

53 Global Reporting Initiative (GRI)

About our 2018 report

We started publishing a Corporate Social Responsibility (CSR) Report more than 17 years ago, but for the last six years we’ve produced it annually and release it each year on our website. Please note this report includes data and activities from our global operations for calendar year 2018. Unless otherwise noted, all data is accurate as of December 31, 2018.

This is our first year using the Global Reporting Initiative (GRI), the world’s most widely used sustainability reporting framework. This report has been prepared in accordance with GRI Standards: core option.

Learn more

Watch videos throughout the report to see our efforts come to life.

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How we do things is just as important as what we do.

We’re committed to living our values of ethical corporate governance, social responsibility, and sustainability every day.

Our 2018 Corporate Social Responsibility Report is a deep dive into our community investments, how we’re promoting inclusivity, impacting our community through partnerships, investing responsibly, and sustaining our environment. You’ll learn more about what we’re doing, such as:

• Our Board of Directors provides effective, independent oversight of management’s execution and performance. They ensure transparency and accountability to shareholders, customers, and the public.

• We continue to attract, build, and retain talent, engaging employees in a diverse and inclusive work environment.

• We’ve built Environmental, Social, and Governance (ESG) into our investment philosophy and process, product development, and proxy voting.

• We remain committed to reducing our carbon footprint, using energy and water efficiently, and minimizing waste.

• We continue to serve our customers with affordable, user-friendly products and services, and provide essential financial education.

• Our Principal® Foundation set a goal of helping 50,000 youth in 10 communities worldwide earn and save more within the next five years.

We, along with the Principal Foundation, continually align our business values with social good. And our employees play an active role in delivering on this goal. I’m proud of what we’ve accomplished this year, and we remain committed to do even more in 2019.

Dan Houston
Chairman, President, and CEO
Materiality

We’re in the midst of an 18-month process to formalize our Environmental, Social, and Governance (ESG) strategy.

The end result? A comprehensive approach to align our business decisions, values, and ethics with ESG considerations.

Our process

We’ve identified our core ESG areas of focus for goal-setting and strategy development. And we’ve gathered feedback from the people who matter most to us and our business:

- **Clients**: stakeholder survey and interviews
- **Institutional customers**: stakeholder survey and interviews
- **Employees**: Employee Opinion Survey (EOS) and stakeholder survey and interviews
- **Investors**: stakeholder survey and interviews

Using feedback from these surveys and interviews, we’re able to rank which ESG topics are most material to our business and our stakeholders.

With this insight, we can do a better job communicating to our stakeholders about our impact on economic, environmental, and social issues.

Our ESG core areas of focus

- **Governance, ethics, and risk**
  - Transparency, accountability, and reporting
  - Data security and privacy
  - Anti-corruption

- **Employee engagement and development**
  - Talent attraction and retention
  - Leadership and development
  - Engagement and satisfaction
  - Diversity and inclusion

- **Responsible investing**
  - Responsible proxy voting
  - Integration of ESG analysis
  - ESG/socially responsible investing products

- **Environmental impact of operations**
  - Energy use and greenhouse gas (GHG) emissions
  - Water use
  - Waste

- **Consumer protection and engagement and product impact**
  - Customer education
  - Product equity and access
  - Digital engagement
  - Product responsibility/ethical product pricing

- **Community engagement**
  - Community investments
Material issue prioritization

Through the materiality process and research with our stakeholders, we prioritized our material issues into two interrelated categories:

- **Development priority**—areas where we’re developing communication, taking actions, or exploring opportunities
- **Continued improvement priority**—areas where we’ve done well in the past; we’re optimizing our efforts toward supporting other priorities within ESG

Because many of these issues are interrelated, they shouldn’t be viewed in isolation. When we make improvements in one, it can lead to improvements in another. The following image shows where these issues fall within our ESG strategy.

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**Governance, ethics, and risk**
We take action through proactive policy, risk management, and transparent reporting.

- **Development priority**
  - Transparency, accountability, and reporting
  - Data security and privacy
  - Anti-corruption

**Employee engagement and development**
We invest intentionally in growing, developing, and retaining top talent from recruitment to retirement.

- **Development priority**
  - Talent attraction and retention
  - Leadership and development

**Consumer protection, engagement, and product impact**
We ensure the customer is always first through equitable products and access, fair marketing practices, and consistent customer engagement.

- **Development priority**
  - Customer education
  - Product equity and access
  - Digital engagement
  - Product responsibility/ethical product pricing

**Responsible investing**
We align our investments with our values, and our customers’ best interests.

- **Development priority**
  - Responsible proxy voting
  - Integration of ESG analysis

**Environmental impact of operations**
We live by our values and make decisions based on the impact to our environment and natural resource consumption.

- **Continued improvement priority**
  - Energy use and GHG emissions
  - Water use
  - Waste

**Community engagement**
We look for ways to grow our impact in the global community by lending time, knowledge, skills, and resources.

- **Continued improvement priority**
  - Community investments
ESG committee

In 2018, we began forming an ESG Committee composed of corporate leadership appointed by Chairman, President, and CEO Dan Houston.

The role of the ESG Committee, which meets monthly, is to ensure that material issues help guide our business decisions, create our overall ESG strategy, and continue engaging with stakeholders.

Members

Mandi McReynolds, Chair of ESG Committee, Director Community Relations & Principal Foundation

Teri Button, Vice President Corporate Services

John Egan, Vice President Investor Relations

Dennis Menken, Senior Vice President & Chief Investment Officer

Kerry Gumm, Head of HR Strategy & Planning

Gary Scholten, Executive Vice President & Chief Information Officer/Chief Digital Officer

Clint Woods, Vice President & Governance Officer

Randi Woods, Vice President, Operational Risk & Service Center Business Unit Chief Risk Officer

This is one more step to make sure we’re conducting business that aligns with our values and ethics and meets the expectations of our stakeholders.
Serving customers and shareholders well

We’re a global leader that helps growing businesses, individuals, and institutional clients achieve financial security and success and delivers excellent shareholder value.

Our strategy

While accelerating change impacts the world—and our industry—it’s easy to forget that what matters most to customers remains the same: Family. Security. Opportunity. Simplicity.

What’s changing are the ways in which our customers achieve what matters most to them. And that’s what’s driving our future—leading to new solutions that meet and engage customers where they are and where they’re going. That move and inspire them to take control of their financial future. And that enable us to reach millions of new customers in the growing middle class around the world.

What we do

We help people live their best lives. We work to understand their needs, opportunities, and real-life challenges. We develop personalized products, tools, and services that engage, educate, and inspire them. And we seek to deliver superior investment expertise and performance to help them achieve financial security and success, however they define it.

We were founded in 1879 as a small life insurance company in Des Moines, Iowa. Over the years, we’ve grown to become a global leader in asset management and retirement planning and services. Today, we’re a member of the FORTUNE 500®, serving more than 24 million customers in more than 70 countries.

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

Read more: 2018 Annual Report and 10k
What we believe in

Customer focus

- Deliver clear solutions, communication, and tools that inspire action—with a customer-first mentality.
- Serve customers with heartfelt empathy, understanding, and expertise.

Employee empowerment

- Encourage our employees to realize their full potential and advance their careers by contributing to our shared purpose.
- Foster a coaching culture and invest in learning and development initiatives.
- Embrace diversity and inclusion.
- Encourage collaboration, recognize employee successes, and promote open communications.

Social responsibility

- Invest responsibly, integrating ESG in ways that support our customers’ interests.
- Minimize impact on the environment.
- Invest in communities and promote volunteerism.

Financial strength

- Invest in our businesses to deliver sustainable, profitable growth.
- Balance risks and rewards.
- Align expenses with revenues.
- Deliver on our promises to customers and shareholders.

Operational excellence

- Continuously improve our operations by utilizing technology, data, and agile processes.
- Design solutions to satisfy real-life needs.
- Respect and protect customer assets and privacy.

Integrity

- Do what we say we’ll do: We conduct business compliantly and in accordance with the highest ethical standards.

Awards and recognition for customer service and innovation

Principal Hong Kong received a Gold Award in the category of Finance and Insurance during the Mystery Caller Assessment Awards organized by the Hong Kong Call Centre Association. The award recognizes the excellence of the company’s customer service representatives and acknowledges its commitment to outstanding customer service. (November 2018)

Cuprum (Chile) is one of the most innovative companies in the country, according to the 2018 Best Place to Innovate rankings. Cuprum was the only administrator of pension funds out of 50 companies in 13 industries to receive this recognition, which is based on a perception study prepared by GFK Adimark and the Adolfo Ibanez University (UAI) Business School. (October 2018)

We received strong industry ratings in the 2018 Retirement Plan Advisor Survey conducted by PLANADVISER. We ranked as a Top 10 provider for service to micro, small, mid, large, and mega plans, value for price, fee structure for advisors, and participant educational services. (October 2018)

We received a “Best in Class” ranking for our service team and a 95 percent overall satisfaction score in the 2017 Chatham Partners Client Satisfaction Survey of defined benefit and defined contribution plans with more than $50 million in assets. (January 2018)

Global Code of Conduct

Ethics and integrity are at the heart of what we do. Our Global Code of Conduct, approved by our senior leadership and Board of Directors, serves as the foundation for ethical behavior across our company. All employees, regardless of function, position, or location, are accountable for following this Code.

Read more: Principal Global Code of Conduct
Our products and services

Our industry leadership spans a strategic mix of global businesses, all working together to help individuals, growing businesses, and institutional clients build secure long-term savings with top-tier growth potential.

Retirement and Income Solutions
- Individual and employer-paid accumulation funds—including full-service accumulation, individual annuities, and bank and trust services
- Guaranteed funds, with full-service payout and investment-only options

Principal International
Provides retirement savings and asset accumulation solutions for a growing middle class across select Latin American and Asian emerging markets.
- Annuities, pensions, and mutual funds
- Asset management for long-term investments
- Retirement advisory services

U.S. Insurance Solutions
- Individual life insurance as well as options for business owners and key executives
- Voluntary and employer-paid specialty benefits—including group life, dental, and vision insurance, as well as group and individual income protection

Principal Global Investors
Serves clients in more than 70 countries through a network of specialized investment boutiques.
- Equities, fixed income, real estate, and alternative investments
- Asset allocation and currency management services
- Institutional and retirement expertise, guidance, and outcome-based strategies

People are at the heart of our desire to solve complex social problems.
Where we do business

We offer asset management, retirement/long-term savings, and risk protection services from 19 globally diverse regions to customers in more than 70 countries.
Providing access to financial security

We serve people from a variety of socioeconomic backgrounds with affordable, accessible, and user-friendly products and services. No matter where they live or where they are in life, people can depend on us to help them reach their financial goals.

Through Principal International, we offer a broad range of financial services and long-term savings products to help meet the needs of institutions, growing businesses, and individuals around the world. We operate in 10 Latin American and Asian markets through wholly-owned subsidiaries and joint ventures—extending the franchise that began with our U.S. businesses.

Unfortunately, workers in the emerging middle class around the world struggle to achieve retirement security. Markets with pay-as-you-go pension systems, declining birthrates, and growing life expectancy force governments to make reductions in future retirement benefits.

While markets with funded state pension systems are better insulated from the impact of their aging populations, contribution rates are too low to generate adequate replacement rates.

“Global projections for 2050 are mind-boggling: 1.6 billion people aged 65 and over and a $400 trillion retirement savings gap. That means a $250,000 shortfall for the average retiree, who will struggle to pay for basic expenses such as housing, food, and healthcare. Our elderly population deserves better than that. Far better.”

— Dan Houston
Chairman, President, and CEO
In an article for the World Economic Forum, Dan Houston, our president, chairman, and CEO, says the global aging crisis is beyond the ability of governments or private industry to handle alone.

But we can break the problem down into manageable components and collaborate immediately on two outcomes:

1) Expand the number of workers covered by pensions.

2) Increase the long-term savings among as many people as possible.

“This requires advances in financial inclusion, technology, and financial education. Progress is already happening in each of these three areas around the world. True success requires genuine partnership among all stakeholders, though we often work in relative isolation. What if we joined forces to solve this problem?” Houston says.

Effective financial inclusion uses policies, resources, and tools to promote access to financial services and to increase personal savings. Recent innovations by the Modi government in India offer a noteworthy example. A successful drive to get millions of Indians to open bank accounts, together with the development of digital payment systems and a unique financial ID, has laid a foundation upon which Indians can build lifelong savings.

When technology and innovation empower larger populations of savers, entire communities and nations can benefit.

What we’ve learned is that financial education and advice are just as necessary as government policy and digital access to encourage a culture of long-term saving.

We believe financial education is most effective when it involves collaboration between governments, local communities, and industry. In the U.S., many businesses support programs to complement school curricula. In Chile, the Mutual Funds Association introduced its own financial literacy lessons into classrooms and works with government to expand the program.

Financial knowledge should become a cornerstone of primary and secondary schools, and our global financial services industry must step up with more support.

Today, we provide digital long-term savings alternatives to nearly eight million people in Latin America and Asia, with more than one third of them saving through automatic investment plans.
What we’re doing in the U.S.

We’ve developed unique tools, best practices, and programs that dramatically help improve retirement plan participation and savings rates for growing numbers of American workers. We’re also translating new technologies into highly personalized, engaging communications that inspire and motivate people of all income levels and backgrounds.

Monthly webinars: financial education in less than 30 minutes

Our award-winning* webinar series features a new financial topic each month, available to both customers and non-customers. In 2018, these free webinars included topics such as:

- Busting four retirement savings myths
- How a health savings account works for you
- Back-to-basics investing
- Security check: protecting your information online
- Four ways to tackle student debt

Our online library of past webinars is available on a wide range of topics, from tackling debt to building a budget and saving for the future. (Some replays are available in Spanish.)

* 2017 Pensions & Investments Eddy Award winner in the Ongoing Education category. The P&I Eddy Awards were created over 20 years ago to identify and reward the best practices in providing investment education to defined contribution plan participants. The awards are judged by an independent panel of plan sponsors and consultants. Awards are given out in seven categories, broken down by corporate employee size and/or type of firm. Entries can be joint (plan sponsor and service provider), plan sponsor only, or service provider generic.
**Website:** new personal finance stories, videos

In 2018, a newly-formed editorial team began creating and publishing personal finance stories and videos. Available to the public on the Explore Life & Money section of [www.principal.com](http://www.principal.com), we’ve ramped up content that appeals to more audiences and addresses unique financial situations.

**Tough Money Questions series**

Videos and stories featuring financial advisors that address financial topics about unique situations, such as:

- How to talk to aging parents about money
- Financial planning for multigenerational families
- How to keep your savings plan on track when you’re raising your grandkids
- Financial planning when you have a family member with special needs

**Financial checklists**

Downloadable checklists to help people through life’s unexpected moments, such as:

- What to do when your spouse dies
- Getting your financial house in order after a divorce
- Financial steps for dealing with a major illness

**Stories for younger audiences and new savers/investors**

Tips and education to help people in their 20s and 30s. Examples include:

- Questions to ask before you take on debt
- Signs you and your budget are ready to invest
- Tips for raising “super savers”
- Love and money: 5 things to teach your children
- Acronyms you need to know to manage your money

**Calculators**

[Life insurance](#) and [disability income insurance](#) calculators are also available on our website.
Youth Can Innovation Program: fostering social change

The next generation of youth faces significant barriers to economic mobility and financial security. That’s why Principal Foundation committed to fostering social change by investing in projects that help young people ages 15 to 30 earn more and save more.

We hosted our first-ever Youth Can Innovation Program, supporting organizations that propose big ideas to help youth achieve economic opportunity and financial health.

We launched the program in 2018 together with the Center for Financial Services Innovation (CFSI), the leading authority on consumer financial health. In October, we hosted four organizations who presented their ideas to use technology to help address the financial insecurity of many young adults.

They addressed an influential panel of journalists, business, and nonprofit leaders in an Innovators Showcase … a “Shark Tank”-like event.

Two organizations—Edquity and MyPath—each were granted $150,000, while two others—A.M. Money and MoneyThink—received $25,000.

Audience members included employees and area high school students engaged in the nonprofit Iowa Jobs for America’s Graduates. They were invited to vote for their favorite innovator, who received a $10,000 grant from Principal Foundation. Edquity won this grant.

“The Principal Foundation is positioned to help 50,000 youth, ages 15 to 30, earn more and save more within the next five years. The organizations participating in our Youth Can Innovation Showcase represented some of the most promising solutions that can help us achieve that goal.”

—Mandi McReynolds
Director of Community Relations and the Principal Foundation

Edquity and MyPath each were granted $150,000

Watch a recap of the Youth Can Innovation Program

Center for Financial Services Innovation, Edquity and MyPath, A.M Money and MoneyThink are not an affiliate of any company of the Principal Financial Group.
Digital products & services: new ways to reach customers

In July, we bought RobustWealth, a New Jersey firm that enables us to develop a digital advice platform, goal-based investment tools, and more efficient client onboarding. They’re also building planning features* that will allow advisors to configure their own digital experience for clients.

But RobustWealth is just one component of our much broader digital strategy, with an investment of more than $500 million annually.

- In 2018, we launched an online chat tool for retirement plan sponsors.
- This year we’re delivering an enhanced Principal mobile app that allows account holders to sign in with a thumbprint or facial recognition for added security.
- And we’re creating a “Principal Store” to make opening and accessing an account with us an easy, seamless process.

*Currently in progress.

What we offer must be simple, personalized, and secure for our customers. Because we want to put their financial goals within reach, not complicate their lives.
Principal® Milestones: new financial wellness program

A financial wellness program launched in 2018, Principal® Milestones, gives retirement plan participants access to resources and services from two companies: Enrich™, for award-winning financial education, and ARAG®, for will and legal document preparation service. Principal Milestones is available at no additional cost to the retirement plan and its participants.

Money management

Enrich goes beyond investment and benefits planning to help consumers improve financial literacy and sustain it over time. Its in-depth online assessment helps evaluate an individual’s strengths and challenges. And then it delivers personalized information to help minimize financial stress and reach goals, such as spending less, saving for emergencies, and planning for the future.

Delivered via webinars, worksheets, articles, calculators, and more, there’s something for everyone no matter their life stage or financial priorities.

You can estimate your credit score, build an interactive budget, see a snapshot of your student loans, and much more. It’s personal finance personalized.

Legal document preparation

ARAG helps people take immediate action regarding their financial wellness and risk planning by preparing a will, healthcare power of attorney, and more, at no cost. Once forms are filled out in the system, individuals can follow easy steps to formalize their plan, often by taking their documents to a notary.

“We’re constantly listening to our customers’ needs. And when 75% said they would find legal documentation helpful in supporting their financial wellness, it was a no-brainer to help fill this gap.”

— Joleen Workman
Vice President of Customer Care

Financial wellness continues to be an important topic for American workers.

Only 26% of Americans have a complete will that is up-to-date.¹

71% don’t know where to turn or how to get started with legal matters.²


Retirement Wellness Planner: visualizing progress

The color-coded Retirement Wellness Planner calculator helps people see at a glance where they are on the road to retirement, whether they’re a customer or not. With this tool, they can adjust information to see how simple changes now may help their financial security.

Retirement plan participants who use our digital resources have an eight-point higher average Retirement Wellness Score.*

*Principal, January 1, 2018, to December 31, 2018.

My Virtual Coach: interactive conversations

Our behavioral finance research revealed that many customers don’t engage for long with financial education. They prefer quick information, simple decisions, and timely alerts personalized to their needs. My Virtual Coach delivers just that.

This interactive resource uses individualized conversations to help people save for retirement—one simple step at a time. Features, such as an annual checkup, help people explore options when changing jobs or transitioning to retirement. Users can see at a glance if they’re on track for retirement. My Virtual Coach can drive better results.¹

- The average 401(k) deferral is nearly 30% higher for My Virtual Coach users.¹
- My Virtual Coach users are five times more likely to contribute 10% or more of their salary to retirement savings than those who enroll through other methods.¹

¹ Based on internal data from 01/01/2017 to 12/31/2017 for plans with service through Principal for the following conversations; Enrollment, Checkup, Welcome to Principal, and Retirement Income.

Plan design for employers: automated features

Retirement readiness is a hot topic because a lot of workers struggle to save.

- 45% of workers have less than $25,000 in savings and investments.²
- 26% say they have less than $1,000.²

The good news: Experts in human behavior, generational studies, and digital design have helped us understand and develop strategies to approach the problem.

Research and results show the power of plan design. Participants make better decisions with help from new types of education and engagement.

Many of the retirement plans we service are built around automatic enrollment and deferral components. These automated features, which a majority of workers prefer, simplify the saving process and significantly improve retirement readiness.

- Our retirement plans with automatic enrollment have a 38% higher participation rate.³
- When plans use auto escalation, 77% of plan participants keep the increasing deferral.⁴

About half of the employers we work with offer these features, with people from all income levels participating in the plans.

² 2018 EBRI Retirement Confidence Survey. Amounts exclude the value of a worker’s primary home and any defined benefit plans. ³ Principal, as of December 31, 2018. ⁴ Principal, January 1, 2014–December 31, 2018.
What we’re doing around the world

India: Systemic Investment Plan (SIP)
Our Systematic Investment Plan (SIP) in India can help counter market volatility. In this disciplined investment plan, consumers invest a fixed amount in a mutual fund scheme at regular intervals, such as monthly or quarterly.
An SIP can also help investors reach their financial goals by taking advantage of investment cost averaging and growing their investments over time with compounding interest.

Chile: new products for young people
We’re launching two new “smart” mutual funds that are directed to young people who want to start saving as they begin their careers. (We already have funds for those who will retire in 2020, 2030, and 2040.)
The new funds, specifically for those who will begin to retire in the year 2050 and 2060, will launch in early January 2019 at an event for financial advisors, where they’ll learn about the investment strategy and how the funds are automatically adjusted over time.

Global digital investment: meeting customer needs
We continue our digital investment in our global business to meet changing customer needs.

- By year-end 2018, we had 9.9 million active retail mutual fund customers in China. Of those, 4.4 million were obtained digitally through our relationships with Ant Financial and Tencent. More than half of all customers obtained digitally are under the age of 35.
- We’ve been in Brazil since 1999. In the last decade, we’ve grown our joint venture, BrasilPrev, with BB Seguridade, creating the nation’s first digital and retirement sales platform.
- Claritas in Brazil now sells mutual funds through nine digital platforms, with 14% of AUM coming through those channels.
- Digital research and development continues as well. For example, our innovation lab in Pune, India, serves as a hub for experiments in business, IT, and data analytics to improve all Principal International locations.

“We have to acknowledge what customers around the world want. In today’s fast-paced, always on, digital world, people have a strong desire for personalization and 24/7 access to their money.”

— Gary Scholten
Executive Vice President & Chief Information Officer/Chief Digital Officer
Empowering a global workforce

Under new leadership in human resources (HR), we’ll continue evolving our culture and programs to attract and retain the best and brightest employees.

In June, Jon Couture, our new senior vice president and chief human resources officer (CHRO), joined Principal. Jon is a seasoned human resources executive with experience in highly complex, global business environments spanning a wide variety of industries.

HR’s areas of focus are built on the following beliefs:

- The future workforce demands a new set of skills and competencies.
- Organizational design strategies are critical.
- Our global growth continues and is core to our business.
- An inclusive workforce is a business imperative and helps us offer better customer solutions.
- Our employee value proposition is the foundation for a shared purpose and set of beliefs.

Read more: Employment policies*

* Affirmative action, equal employment opportunity, e-verify participant, pay transparency, and global pay philosophy.

Attracting and retaining the best people

We offer several ways for recent graduates and current students to make connections, gain experience, and learn our business.

Leadership Development Program
This three year rotational program teaches our next generation of leaders the ins and outs of global financial services. Each year, high-performing entry level employees are mentored by senior managers, participate in earnings call debriefs, complete leadership skills assessments and development plans, engage in learning projects, and interact with analysts, investors, and employees.

Sales Development Program
Selected applicants get professional training, hands-on field experience, tools, and resources. They receive a competitive salary and benefits while learning the employee benefits industry without the pressures of commission-based sales.

Internships
In 2018, we hired 236 students for internships from 51 colleges and universities in 23 states. One example: Our information technology (IT) interns participate in a four-day, non-stop Code Jam where they have creative rein to develop a technical solution based on an actual business need and pitch it to stakeholders.

iJAG
We brought 14 high school students to our headquarters last summer from the nonprofit Iowa’s Jobs for America’s Graduates (iJAG). Businesses like Principal provide opportunities for these underrepresented individuals to gain skills, job shadow, and learn to take the next step in their career/education.

Principal Leadership Conference
This was our 12th year hosting 30 first-year college students for two days of learning/networking.
Employee Opinion Survey

Each summer, we conduct a focused, confidential survey allowing our employees the chance to give input about their experience with the company. All feedback is collected and combined to clarify the overall employee voice. And we take it to heart. Leaders then create an action plan based on the results.

The questions are focused on three key areas:

1) Effectiveness of our leaders
2) Alignment with our strategy
3) Overall engagement of our workforce

In addition to our action plans, surveys are used throughout the year to track any meaningful changes in sentiment among employees. This helps ensure we're providing the communication, support, and insights needed for a productive and engaged workforce.

In 2018, we met or exceeded IBM’s financial services industry benchmark on our employee opinion survey in these areas: communication, compensation and benefits, customer focus, future vision, integrity, organizational leadership, and recognition.

“Our success depends on a collection of experiences, backgrounds, and talents coming together to build a stronger whole. That’s why we don’t just accept diverse perspectives—we encourage and value them.”

— Jon Couture
Senior Vice President & Chief Human Resources Officer

Recruiting talent

Recruiting employees with unique experiences, backgrounds, and talents strengthens our company. Here are a few examples of how we recruit diverse talent in the U.S.

Diversity We strive to bring diversity into our workforce through a variety of targeted efforts. We’ve participated in the National Black MBA Conference and have built strategic relationships with historically black colleges and universities to help build a pipeline of talent for a wide set of roles.

Veterans Our talent acquisition area teamed up with our Veterans Employee Resource Group (VERG) to increase awareness and hiring activity of the military. A dedicated resource from VERG helps review resumes of applicants who are veterans, helping us translate military experience to the private sector. This individual meets with hiring leaders, with prospective candidates to learn more about their skills, and with our talent acquisition team to find jobs that are a good fit.

Talent acquisition and VERG members represented Principal at the November Military Career Fair at Camp Dodge in Johnston, Iowa. They formed alliances with Iowa Works, Home Base Iowa, and Transition Assistance Program (TAPS). As a result, we hired 21 full-time employees, one intern, and three contingent employees in 2018, a 19% increase over 2017.

Retaining employees

The average tenure of our U.S. employees is 12 years, which exceeds the financial services industry benchmark of 8.7 years. Our employee turnover rate in 2018 was 10%.

Retention strategies are woven into all our compensation and retirement programs. The programs for the broader population include our Employee Stock Purchase Program, our annual incentive program, and a cash balance defined benefit retirement plan (excluding our asset management employees). For select employees, we have our Long-Term Incentive Program.
Culture, benefits, and amenities

Because each employee is unique, our benefit packages offer a lot of choice and vary by location. Each benefit contributes to the healthy, fulfilling life our employees deserve at an affordable cost. And it’s an important part of how we attract and retain the best talent.

Work-life balance

Flexible work arrangements: Some employees begin and end work at non-standard times, have a compressed workweek, or telecommute.

Flexible time off (FTO) programs: Exempt employees can use FTO for personal reasons. They don’t accrue time off; there’s no set number of days, and it’s not tracked.

Paid parental leave: Parents can take paid leave within 12 months of the birth or placement of a child (adoption or foster care) for bonding. In addition, all parents can take four weeks of paid leave. Yes, that means dads or partners, too.

Volunteer time off (VTO): We provide eight hours of paid time away from work to volunteer at nonprofit organizations and schools each year.

On-site child development center: We have a state-of-the-art center for high-quality child care at our headquarters in Des Moines, Iowa.

Health and wellness

Health: We offer medical and prescription drug coverage, dental and vision insurance, flu vaccines, flexible savings accounts, health savings accounts, Telehealth, and weight management programs. There is also an on-site pharmacy at our Des Moines headquarters.

Healthy pregnancy program: Employees and their covered dependents who choose medical coverage have access to specialized resources for expectant mothers, including an incentive for those who complete the program.

Fitness center: We offer a state-of-the-art fitness center at our company headquarters and health club reimbursements.

Mothers’ rooms: Our back-to-work moms appreciate the convenience, flexibility, and private space to continue breastfeeding.

Domestic partner benefits: If an employee elects to cover a domestic partner, the benefits are the same as any spouse covered under our plans.

Office environment that promotes well-being: We have sit/stand workstations, treadmill walk-stations, healthy options in cafeterias, and an area to retreat, relax, play games, and connect with colleagues.

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. A Defined Benefit pension plan is provided, with benefits based on earnings and years of service.

Employee stock purchase plan: Employees can buy Principal stock at a 15% discount.

Free access to financial advisors: We have 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 a maximum amount).

Scholarships for dependents: We sponsor renewable National Merit Scholarships for dependents of employees who are program finalists. In addition, up to 20 Principal Scholarships for Excellence are available each year. A third program awards money to incoming freshman at the University of Iowa.

Educational assistance program: We offer employees financial assistance with job-related educational pursuits.

Will preparation services: Employees have access to free online will preparation and identity theft prevention resources provided by ARAG®.
Development and growth opportunities

Talented employees are the heart and soul of our company. We believe development inspires the heart and mind to engage, empower, and embrace a growth mindset that directly contributes to the success of our organization.

Annual global leadership summit

For three days last fall, nearly 250 of the company’s leaders and top talent, representing more than a dozen countries and all areas of the business, gathered at our Des Moines headquarters to talk about finding real solutions to real problems.

This global leadership summit challenged leaders to get outside their comfort zones and truly think differently about an important question: In a changing world, how do we become the company our customers need us to be?

Leaders heard from outside speakers and talked to client-facing employees in small groups. Then 25 teams of leaders brainstormed around an assigned topic. They were challenged to investigate the problem, develop a vision for how to overcome the issue, and create and implement a plan to reach that vision.

Five teams were chosen to make formal presentations to members of the Executive Management Group. The winning group was awarded a budget to invest in bringing their idea to life. Leaders were told to take all they had learned back to their teams, model the behaviors and mindset, and commit to what they were going to do differently.

Develop U

Employees have access to Develop U, an online one-stop shop where they can find unique development opportunities available throughout the year. Internal experts present one-hour sessions on various business and development topics.

- Expect the unexpected: How we manage risk at Principal
- Know your numbers (KPIs)
- Data analytics for everyone
- Start with why: lead, connect, and inspire
- Excellent customer service starts with an excellent employee experience
- Data-driven analytics strategy
- Diversity of thought
- Leadership insights panel

Development plans

Employees are accountable to own their development by embracing the 70/20/10 learning philosophy. They create a development plan each year that includes strengths to capitalize on and areas for improvement. Leaders support employee development by coaching and creating a supportive work environment.

Employees can create a Talent Profile online with information about their professional skills and work preferences. This can be searched by Human Resources to match employees with the experiences and skills needed for a specific project or business need.
Networking

We’ve created a LinkedIn Principal® Talent Network for employees to stay current on news and networking events and to find new career opportunities. They can join any of nine subgroups based on their field of expertise, such as accounting or marketing.

Even when they move on in their career, former employees can join the Principal® Alumni Network to stay up-to-date on company news and job openings.

Job rotation program

In addition to our Leadership Development Program (noted earlier) that’s focused on high-performing entry-level employees, we’ve also implemented an experienced leadership rotation program.

The goal is to build mid-level leader talent and provide diverse, formative experiences through facilitated/supported rotations across the company. We call this our cross-enterprise leadership (XEL) program. We currently have four people participating in the program and continue to build our strategy for continued rotations of our next generation of talent.

We’ve also created a role to build and implement a mobility strategy focused on career rotations and talent movement, with a goal of further developing organizational talent.

Global career opportunities

Principal International offices stretch around the world—each with its own character and business specialty, all with the same best-in-class work environment we’re known for. We have positions in India, Chile, Hong Kong, Mexico, and the U.S.

Principal Global Investors provides wide-ranging investment management services and specialized expertise in currency management, asset allocation, or alternative investment strategies for clients across three continents. Job opportunities in eight offices are in accounting and finance, sales and marketing, administration, investments, and information technology.

We’re building a culture of mobility by encouraging rotations of key talent around the globe. In addition, we’re rotating non-U.S. talent into roles in the U.S.

With 24 million customers worldwide, we have more than 16,000 employees in 25 countries. We take pride in being one of the best places to work in the world—and it’s the diversity and passion of our teams that keep it that way.
Embracing differences in a culture of diversity and inclusion

We define **diversity** as “the mix.” We all have unique characteristics, experiences, backgrounds, talents, values, and qualities. We define **inclusion** as making the most of “the mix.” We welcome, value, and empower everyone to be their best selves.

**A connected community**

Our Connected Community includes more than 4,300 employees in seven Employee Resource Groups (ERGs) and six women’s networks.

ERGs serve as networking and social channels for employees, providing safe havens for discussion and support. They meet to talk about current events and social issues and then brainstorm positive solutions within Principal and in their communities.

ERGs also provide development opportunities and create education and awareness for all employees via Black History Month, Chinese New Year, and other cultural celebrations and events. Members refer candidates for job opportunities, serve on diversity panels, lead new employee tours, attend campus/job fairs, volunteer at community events, and more.

We continued a new program created a year ago. Our women’s networks expanded internationally to support diversity and inclusion in India by helping women grow their professional skills.

In addition to acting as a resource for employees, ERGs impact business strategies by exploring ways to solve problems, such as how to best reach an underserved population in retirement.

**Read more:** [Connected communities](#)
Supporting women in the workforce

Principal is recognized each year by various organizations for our commitment to the development, advancement, and engagement of women in our workforce.

Our commitment starts at the top. Our executive management team of 11 people includes five women (three executive vice presidents and two presidents.)

Women comprise nearly 50% of our management staff and executive team.

Deanna Strable, our newly-promoted CFO and executive vice president, joins a very exclusive club of only 65 women CFOs serving at Fortune 500® companies (as of 2018).

Networking and development for women

In 2018, the Women in Leadership ERG membership was opened to all women and men across the enterprise. The group was created in the mid-2000s with a mission to provide a development and networking forum that supports the advancement and engagement of our female leaders around the world. They hold a number of events and activities.

- Networking events, including quarterly events like a Business Agility Leadership Panel
- Special programming with guest speakers
- Lunch buddies and virtual lunch buddies
- For fun, they even have an “unbook” club, a networking opportunity where they read short, relevant articles and talk about them to learn from one another
- Monthly “wine after work” events

Pay equity

For more than a decade, our legal counsel and HR team have actively reviewed compensation decisions to ensure we have annual pay equity across the organization. This holistic and prudent review process consistently helps us achieve our goal of pay equity.

What our people say

Hear why employees love working here.

Connected Conversations

This platform is for sharing diversity and inclusion personal stories and experiences to help drive solutions around business issues and current events.

During these discussions, employees form panels on a range of topics. One program, “It’s Okay to Ask,” provides real-life examples and practical tips for using inclusive language and avoiding accidental discrimination.

A session in 2018 was titled “From Military to Corporate Life” where employees shared their military experiences and how these stories help create a diverse and inclusive work environment.

We keep all employees involved through our Connected Communities Conversations, a content series on our intranet that highlights a different employee resource group each month to help employees better understand how our ERGs support our diversity and inclusion efforts.
Empowering employees through education

We aim to create a culture where employees are passionate about our company and its future, where diverse people flourish in a team-oriented environment, and where inclusion is encouraged.

Culture of Inclusion curriculum & Managing Diversity for Leaders: All employees and leaders complete courses that help them understand diversity at our company and how it impacts them personally. They learn how personal perspectives and experiences shape the way we communicate and how each employee and leader can help contribute to a positive work environment.

One of the core concepts: understanding biases—how to be aware of yours, how to check it, and how biases can negatively affect other people. Learning about these biases, conscious or unconscious, helps people better understand themselves and others. This in turn affects how they interact with one another, ultimately fostering a positive work environment.

Employee Resource Group presentations: Members of our ERGs regularly give presentations to teams and departments, bringing greater understanding and awareness to our employees.

We empower employees to embrace change, take risks, and maximize their potential.

Board and executive management team diversity

Our commitment to developing and advancing women in the workplace starts at the top. Our executive management team of 11 people has five women, including three executive VPs and two presidents.

We also value diversity in our Board of Directors. When recruiting new directors, the Nominating and Governance Committee reviews the Board’s needs and diversity in terms of race, gender, national origin, backgrounds, experiences, and areas of expertise.

In 2018, our Board was comprised of 55% women and people of color.

Recruiting diverse employees

We recruit world-class, experienced professionals who understand the importance of a diverse and inclusive work environment. That’s why we have internship programs and partner with organizations and colleges to recruit groups underrepresented in our field including women, veterans, people of color, and individuals with different abilities.

In 2018, we worked with the Greater Des Moines Partnership, an organization that aims to grow the region’s prosperity and global connectivity, to create an Inclusion Guide: A multi-cultural handbook. It’s a resource for central Iowa residents and a tool for recruiting people to live and work in Des Moines.
**The Facing Project**

In 2018, we joined forces with [The Facing Project](#), a nonprofit that connects people through storytelling. Because when we share our stories and learn from one another, we grow stronger as a company, community, and world.

Together, we created a book, *Beyond face value*, in which 18 people with disabilities or their caregivers shared their stories. We wanted to start a conversation about inclusion and empathy — about the challenges, strengths, experiences, and beliefs that shape our lives.

Diversity and inclusion are at the core of who we are and what we believe in. And we strive to create an environment that offers all our employees a welcoming work experience and the opportunity to grow personally and professionally.

That includes our employees with disabilities—whether permanent or temporary, visible or invisible—and their caregivers. Collaborating with The Facing Project is one way we’re making sure these voices are heard. And it was our privilege to be the first corporation to work with them.

We’re grateful to those who were willing to share their stories and to the writers who captured their words in this book.

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**Awards and recognition**

Of all the accolades we’ve received, we’re most proud of being recognized as a top workplace and we always look for ways to keep improving.

Principal was named one of the 100 best companies by *Working Mother* magazine for the 16th year in a row for our strong leadership in progressive workplace programs in the areas of advancement of women, flexibility, childcare, and paid parental leave.

We were also given the designation of being a member of *Working Mother’s* “Hall of Fame.”

*Forbes* ranked Principal No. 1 on its 2018 list of *America’s Best Employers for Women.*

For the 17th time, we’re named one of the *Top Companies for Executive Women* by the National Association for Female Executives (NAFE). We’re a member of the NAFE Top Companies Hall of Fame, recognized alongside nine other American corporations where women have significant clout to make decisions that affect their company’s future and its bottom line.

We were given the designation of being a member of *Working Mother’s* “Hall of Fame.”

We earned the 2018 Military Friendly® Employer designation by Victory Media.

We were recognized by IDG’s *Computerworld* as one of its 100 Best Places to Work in IT for 17 consecutive years, ranking 29th for 2018.

Brasilprev was ranked on the Top 150 companies to work for in Brazil by *Você S/A* magazine.

We were awarded a *WorldatWork Seal of Distinction* for support of employees at work and at home in 2017.

Principal was ranked No. 6 on *Forbes* 2018 list of *America’s Best Employers for Diversity*.

We earned a perfect score on the Human Rights Campaign (HRC) Foundation’s Corporate Equality Index for the fourth year in a row in 2019, making us one of the HRC’s Best Places to Work for LGBT Equality.

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1 *Forbes*, May 2018
2 NAFE, March 2018
3 Working Mother Research Institute, July 2018
4 This list is a ranking of 250 employers across all industries in the U.S. based on surveying thousands of employees and examining employer diversity policies as well as diversity in executive suites and on boards.
Promoting diversity among our suppliers

We believe in bringing together people and ideas that reflect unique characteristics, experiences, backgrounds, talents, values, and cultures. Together, we’re a better company—and better able to serve our customers and shareholders.

What we’re committed to:

• We widen our supplier base because it exposes us to innovative solutions and a broader pool of highly qualified vendors.
• We actively search out supplier relationships that help us reach an array of communities, ultimately allowing us to serve a more diverse customer base.
• Individuals and businesses prefer to work with companies that recognize their cultural relevance.

Groups eligible to participate

African-Americans | Hispanic Americans | Asian or Pacific Island Americans
Native Americans/Alaskan natives | Asian-Indian Americans | Women
Lesbian, gay, bisexual, or transgender individuals | Veterans
People with different abilities

Our supplier diversity affiliations

Through affiliations with several national organizations, we collaborate to identify, certify, develop, and engage diverse suppliers. We accomplish this through conference attendance, one-on-one meetings, panel discussions, sponsorships, referrals, and training.

| National Minority Supplier Development Council |
| Women's Business Enterprise National Council |
| National Gay & Lesbian Chamber of Commerce |
| U.S. Hispanic Chamber of Commerce |
| U.S. Pan Asian American Chamber of Commerce |
| U.S. Business Leadership Network Disability Supplier Diversity |
| National Veteran-Owned Business Association |
| Department of Veterans Affairs |
| Financial Services Roundtable for Supplier Diversity |
| Other federal, state, or local government agencies |

To qualify as a diverse supplier, a company must be at least 51% owned, controlled, and operated by a business owner from an underrepresented community. The supplier must be located within the U.S., its territories, or possessions.
Introducing diverse suppliers to our leaders

To help our leaders and key decision makers meet well-qualified diverse suppliers, we host an annual Supplier Diversity Business Exchange to match diverse supplier goods and services with our current and future business needs.

We work closely with suppliers to prepare them to present to business leaders by prepping them about leader expectations and reviewing and helping them tailor their presentations. Feedback from suppliers reinforces the format of the event, and the pre-planning assistance has proven valuable.

Beyond making connections with Principal, suppliers appreciate the opportunity to connect with other suppliers and develop potential subcontracting relationships.

“Working with diverse suppliers gives us access to innovative solutions and a broader pool of qualified suppliers. Including qualified diverse businesses in our procurement process is an important part of our commitment to supplier diversity.”

— Phil Gionet  
Assistant Vice President - IT

Tracking success

Prospective clients often request information about our Supplier Diversity Program as part of our request for a proposal process for their business. This year, we added more questions to supplier Request for Proposals (RFPs) to make sure we do business with suppliers who share our values.

The Principal Board of Directors also supports and follows the progress of this initiative very closely.

Read more:

Supplier Code of Conduct
Supplier diversity requirements
How we work with suppliers
Sourcing practices
Principal Foundation imagines a future where all people—especially youth—can learn, earn, and save for what matters most to them.

We work on a global scale to create new opportunities to help people build financial security and encourage our employees to lead through heartfelt service. Rooted in our values, our grantmaking, volunteerism, and match giving programs create a supportive culture for philanthropy and service.

Our work focuses on youth ages 15 to 30 because they can redefine the future if we help them plan for today.

Annually, Principal Foundation contributes more than $15 million through grants, employee and match giving, sponsorships, and in-kind donations. More than 450 organizations across the globe benefit from our local action.

**Our dollars** are creating jobs for at-risk youth by
- providing financial coaching,
- opening the doors to arts and culture, and
- building capacity for nonprofit organizations to fulfill their missions.

**Our people** are reaching out through tens of thousands of hours of volunteerism, as individuals and in teams.
- They’re swinging hammers for affordable housing.
- Preparing taxes for the working poor.
- Creating videos to showcase the impact of mentoring.

**Our Foundation** is bringing the strength of our organization’s assets to the vibrant communities where we do business. We think big and look for programs we can support that encourage positive financial behavior and enhance quality of life.

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Sustainable Business Report | 31
Our impact

We evaluate our work toward a more financially inclusive future by tracking internal key performance indicators. We also work with grant-funded partners to assess the efficacy and success of our investments.

Principal Foundation performance indicators

Met or exceeded plan  ●  Achieved 85% - 99.9% of plan

<table>
<thead>
<tr>
<th>Financial measures</th>
<th>2018 year-end targets</th>
<th>2018 results</th>
<th>2019 year-end targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total contributions (in-kind + cash + foundation giving)</td>
<td>$15.4 M</td>
<td>$15.5 M</td>
<td>$13.3 M</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Customer measures</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Dollars raised for charity partners</td>
<td>$8 M</td>
<td>$8.6 M</td>
<td>$8 M</td>
</tr>
<tr>
<td>Pro-bono and in-kind service value</td>
<td>$250,000</td>
<td>$272,803</td>
<td>$400,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Internal measures</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee volunteer hours</td>
<td>40,000</td>
<td>40,057</td>
<td>50,000</td>
</tr>
<tr>
<td>Employee giving participation rate (domestic)</td>
<td>70%</td>
<td>68%</td>
<td>70%</td>
</tr>
</tbody>
</table>

The performance indicators are linked to the foundation’s initiatives and core values via the strategic planning process.
Financial security outcomes

Our U.S. partners reported a positive trend helping people become more technically self-sufficient.* Through our investments in their programs, they were able to serve and do more, making a real difference each year.

Job & work readiness
Number of people who received job training/skill development = 13,607
Up 2.2% from 2016

Number of people who received job readiness training (resume, interview, career prep.) = 13,990
Up 2.3% from 2016

Employment & income
Number of people placed in employment = 1,830
Up 1.4% from 2016

Number of people with increased income = 1,105
Up 35.1% from 2016

Savings & credit
Number of people who participated in financial coaching = 3,436
Up 32.8% from 2016

Average personal savings increase = $178
Up 83.5% from 2016

Average credit score increase = 89 points
Up 34.3% from 2016

Read more:
Current sponsorships | Process for request sponsorship | Process for requesting a grant
Grant guidelines and eligibility | Giving back | Employee volunteerism | Our partners

* In 2018, all partners who received grants in 2017 were asked to provide two years' worth of data (2016-2017) to measure impact year-over-year.
Grantmaking

We primarily invest in work that promotes financial inclusion for all, with an emphasis on serving global youth and disadvantaged communities. In 2018, Principal Foundation made targeted investments to organizations in more than 15 countries with funding for partners who addressed our priority areas:

Financial security grant
The majority of our overall investments (70%) fund organizations and programs focused on:

- professional skill-building and job training,
- access to savings, credit-building, and financial coaching, and
- increase in savings due to resource-building.

Talent-focused education grants
We invest 20% of funds in K-12 educational organizations that provide STEM programming related to our business, like information technology and cybersecurity. We also partner with select colleges, universities, and other higher education programs to continue driving business talent development.

Strong communities grants
With 10% of our investments, we support organizations that provide arts, cultural, and/or recreational activities at a free or near-free cost to children and families, especially for individuals who otherwise wouldn't have access to that type of programming.

Organizations supported in 2018

Principal Foundation grant funded and cause partners

Read more: Principal Foundation grant guidelines and eligibility
Heartfelt service

Match giving
We encourage our employees to use their time and talents for causes that matter to them. Our match giving encompasses three programs:

- **Board Service Match.** Employees who volunteer their time and leadership skills to boards receive a 1:1 match for donations they make, up to a cap of $1,500 each for two organizations per year.

- **Dollars for Teams.** Groups of employees volunteer for a common cause, giving a minimum of five hours, supported by a $500 grant to the organization.

- **Dollars for Doers.** This program takes an employee's donated service hours and turns them into dollars for the organization. For every 25 volunteer hours, we give the organization a $250 grant.

Employee Volunteer Time Off

Another way we demonstrate our support is through our Volunteer Time Off (VTO) benefit. Through VTO, hourly employees can use work hours to volunteer with nonprofit community organizations.

Formed in 1972, the Principal Volunteer Network is the oldest corporate volunteer program in Iowa and facilitates thousands of hours of employee volunteerism each year, much of it during their time away from the office. On-site volunteer opportunities, like food packaging for Meals from the Heartland and the United Way bookcase build, are popular.

In 2018, more than **3,100** Principal employees volunteered **40,000 hours.**
United Way

Our partnership with United Way, one of the most well-respected charitable organizations, is stronger than ever.

We offer our employees an unlimited 1:1 match for charitable donations to United Way. In 2018, contributions went to more than 178 local United Way chapters and agencies across the U.S. Our employees take comfort in knowing 100% of their donations—including our match—stay in their local community.

We are a leading corporate partner in central Iowa. Our contributions aren't limited to dollars. Our leaders serve in United Way cabinets, and employees volunteer through the "book buddy" reading mentors program as part of our United Way Day of Action.

Through the United Way Loaned Executive program, we've made leaders available for more than 30 years. The loaned executives use their leadership, fundraising, and teamwork skills to assist local companies in planning and implementing their own successful United Way campaigns.

Globally, we partnered with United Way in Germany, Malaysia, the Netherlands, and the United Kingdom to help increase financial security for youth, ages 15 to 30.

Read more: Youth Can Innovation Program

Our partnership dates back a century, when we helped the United Way of Central Iowa's first campaign in 1917, raising an astonishing sum of $100,000.
Global Impact Month

For the second year in a row, we hosted a Global Impact Month for our employees, a celebration of our ability to make a difference around the world. Held in September, this project is when we set aside time to actively support our communities.

Here are just a few ways employees made an impact in 2018.

<table>
<thead>
<tr>
<th>20,000</th>
<th>7,008</th>
<th>30</th>
<th>1,500</th>
</tr>
</thead>
<tbody>
<tr>
<td>hours volunteered during Global Impact Month and our United Way campaign, including 11 employees who traveled to India to learn and give.</td>
<td>employees and retirees donated money during the 2018 United Way campaign.</td>
<td>transition-age homeless youth benefited when Sacramento, California, employees teamed up to beautify a shelter.</td>
<td>backpacks for BackPack Buddies were filled by 20 volunteers working 60 hours in Raleigh, North Carolina.</td>
</tr>
</tbody>
</table>

(Read more about the Global Impact Trip to India on the next page.)

<table>
<thead>
<tr>
<th>19</th>
<th>10</th>
<th>32</th>
<th>14</th>
<th>62</th>
</tr>
</thead>
<tbody>
<tr>
<td>community partner organizations benefited from funds raised by employees volunteering at the Nebraska State Fair ice cream parlor.</td>
<td>volunteers in Ottumwa, Iowa donated 19 hours bagging pasta at the Food Bank of Iowa.</td>
<td>volunteers from our Chile office hosted job readiness talks for 12th graders.</td>
<td>volunteers from Cedar Falls, Iowa contributed 42 hours to remove invasive plants and restore an oak savanna, one of Iowa’s most threatened ecosystems.</td>
<td>tie blankets were made and donated by the Global Security department.</td>
</tr>
</tbody>
</table>
Global Impact Experience to India

In October of 2018, 11 members of a cross-cultural team of employees from around the world participated in the second Principal Global Impact Experience.

They experienced a week-long deep dive into leadership development and immersion in Indian culture through local community partner organizations and collaboration on an international service project.

Together, team members visited schools and nonprofit organizations, learned about the challenges faced by local people, and contrasted them with the challenges they face in their home communities.

Trip highlights included:

- **Learned about the CSR program in our Principal Global Services office in Pune.** Employees are involved in sustainable projects with Swachh Bharat (clean India), and Saakshar Bharat (literate India). Of the 1,300 to 1,400 employees, around 10% volunteer before or after work.

- **Visited the Light House Project, our community partner.** Its main objective is to provide underprivileged youth of Pune a chance to explore possibilities for enhancing their skills and pursuing a meaningful career.

- **Spent time with Lend-a-Hand India (LAHI), our community partner** educating young people and preparing them for a career. The Global Impact Team continues to work with LAHI, providing strategy, marketing consultation, and other support.

“This experience has taught me how important it is to give back to the community and the impact it can have. It doesn't matter if you are in Pune or Des Moines, there are people in need --and a little help goes a long way.”

— Gavin

one of 11 employees who traveled to India
Principal Charity Classic®

Our sponsorship of the Principal Charity Classic® tournament supports thousands of Iowa children. The annual PGA TOUR Champions event held in Des Moines helped more than 130,000 Iowa kids in 2018. And more than 100 organizations participate in Birdies for Charity which benefits Iowa nonprofit organizations that provide programs for children.

We’ve helped raise approximately $17.7 million for Iowa kids’ charities during our 12 years of title sponsorship.

Amount raised for Iowa kids’ charities in 2018

$4.3 million

Number of volunteers 1,200

Tournament Charity Partners

(Nonprofit organizations supporting children who benefit from the money raised)

Blank Children’s Hospital UnityPoint Health

Greater Des Moines

Community Foundation Greater Des Moines

MercyOne

Des Moines Medical Center

United Way of Central Iowa

Variety - The Children’s Charity

An annual Principal Charity Classic highlight is the bike presentation through Variety—the Children’s Charity, which provides custom bikes adapted for children with special needs.
Protecting our environment

We care about the environment and it’s woven into our business practices. It’s an extension of our core value of integrity. Being a good steward of the resources entrusted to us is a responsibility we take seriously.

We do our part by treading lightly—reducing our carbon footprint, using energy and water efficiently, and minimizing waste. And at the same time, we’re engaging our employees, stakeholders, and supply chain through environmental awareness initiatives.

Our environmental areas of focus

Energy and carbon: We pursue opportunities to invest in energy efficient systems and processes that reduce carbon and energy usage. Our goal: reduce 2010 baseline GHG emissions 30% by 2020.

Water efficiency: We incorporate responsible water management practices to meet or exceed Leadership in Energy and Environmental Design (LEED®) guidelines for water efficiency.

Waste and recycling: We integrate waste and recycling practices into business operations and construction projects to improve landfill diversion. Our goal: meet or exceed LEED guidelines for waste and recycling.

Awareness: We communicate regularly with employees and stakeholders about sustainability initiatives and progress. We support employee efforts to make a positive impact on the environment.

Supply chain: We work with key suppliers regarding their sustainability initiatives and establish purchasing guidelines to encourage responsible environmental practices. In 2018, we added two new sustainability and corporate social responsibility questions to our Request for Proposal (RFP) for suppliers:

1) Please describe your organization’s environmental and sustainability management practices.

2) Also, please describe any other current corporate responsibility initiatives, including, but not limited to, topics such as ethics, diversity and inclusion, and fair treatment of workers.
How we do it

We insist on environmentally responsible behaviors by our company, our employees, and our business partners in the communities where we operate.

- We comply with applicable environmental laws and regulations.
- We make it a priority to meet or exceed recognized environmentally-responsible benchmarks.
- The Board Nominating and Governance Committee oversees the Corporate Environmental Policy and sustainability efforts.

Environmental management system

While we don’t have an ISO-certified environmental management system, we do have an established system and policy modeled after ISO14001 designed to:

- Reduce energy use and GHG emissions
- Improve water efficiency
- Reduce waste to landfills
- Increase employee awareness

Food diversion and composting

We team with our on-site food service provider, Sodexo, to help tackle hunger throughout the Des Moines, Iowa, area (our corporate headquarters) to prevent waste through food rescue and composting.

75,442 lbs. of food donated or composted in 2018

13,242 lbs. of food donated (8,828 meals)

62,200 lbs. of food composted
Our green building initiatives

As part of ongoing renovations to our corporate campus buildings, we:

- **Diverted 64% of office waste**
  - Changed to fully-compostable food containers.
  - Implemented a composting program for food prep areas in all cafeterias.
  - Implemented composting in the customer area of the largest café.
  - Processed 25 tons of compostable material.

- **Recycled more than 87% of construction materials removed**—beating the LEED guidelines of 70%.

- **Installed eco-friendly fixtures in restrooms and kitchens** (low-flow toilets, low-voltage soap and paper dispensers).

- **Utilized eco-friendly** carpet, furniture, wood, and paint when possible.

- **Installed 100% LED lighting** to significantly reduce electricity use.

- **Provided bicycle storage** to encourage employees to bike to work.

- **Maximized green space** with native and drought tolerant plants.

- **Made recycling easier** for employees by placing recycle bins next to landfill waste bins.

- **Provided more natural light** to reduce energy use.

*Our furniture partners use renewable resources in their manufacturing and have committed to promoting green and environmentally-friendly practices.*

Sustainable Business Report | 42
Employee efforts

Our employee grassroots initiative, the Green Team, implements practices to help reduce our environmental footprint and promote green practices among employees. In 2018, the Green Team kept more than 8,960 lbs. of plastic bags, electronics, and paper out of landfills.

Read more: Environmental policy

5,450 lbs. paper recycled

3,510 lbs. electronics recycled

Thousands of plastic bags recycled

Carbon Disclosure Project

For the sixth year in a row, Principal earned a Leadership-level score on the Carbon Disclosure Project (CDP) climate change questionnaire in 2018. Our score of A- was above average for companies within our industry and in the U.S.

Carbon intensity trends

- Ended 2018 with a 36% reduction in carbon emissions (over 2010 baseline)
- Goal: Reduce our 2010 Scope 1+2 GHG emissions by 30% by the end of 2020

Building green

We currently have three LEED-certified buildings.

- 750 Park Street, part of our global headquarters campus in Des Moines, earned LEED Gold, the second highest rating possible.
- The LEED Gold certification for our Principal Child Development Center in 2009 made it one of the first LEED-certified buildings in Des Moines.
- We earned LEED certification for our 801 Grand Avenue building in Des Moines in 2017.

We’re currently seeking LEED certification for our most recently renovated building in Des Moines, 711 High Street.
Investing responsibly

We’re committed to responsible investing, and know it’s important to our customers, too. ESG investing principles require careful consideration and long-term focus and are a natural fit with the research-driven nature of our company.

As one of the 2018 World’s Most Ethical Companies, we’re committed to making our ESG initiatives transparent. Trust in our business—to do the right thing, in the right way—is central to who we are as a company.

Investors seek ESG for a variety of reasons. We’ve established the capabilities to help implement those client-driven factors into portfolios.

**Principal Global Investors**

Principal Global Investors, our global asset management company, serves a broad range of investors in more than 70 countries from offices in major money centers worldwide. We provide investment expertise, consistently competitive investment strategies, and superior service.

**Our portfolio**

- Fixed income, $190.2B
- Equity, $142.9B
- Real estate, $75.2B
- Alternatives, $4.1B

*AUM as of December 31, 2018. Due to rounding, figures and percentages shown may not add to the totals or equal 100%.

**Integrating ESG principles**

Our fiduciary responsibility is to act in the long-term best interests of our clients. This client-first focus is central to how we integrate ESG factors across our investment portfolios. So, too, is the voice given to us by Principal Global Investors’ signatory status to the United Nations-sponsored Principles for Responsible Investment (PRI).

Our voice includes a role in defining and shaping the ongoing ESG discussion, the development of best practices, and, ultimately, the potential to enhance the risk-adjusted returns we deliver to clients. Our [Responsible Investment Policy](#) lays out our approach to ESG integration.

**What does ESG integration mean to us?**

ESG integration within our established investment process is just a matter of doing what we’re already doing—focusing on repeatable and achievable, long-term outperformance for our clients.

For Principal Global Investors, ESG means incorporating those issues that are material and relevant to the evaluation of sustainable earnings trends, sentiment, and valuations.

Integrating ESG factors takes place across all asset classes that Principal Global Investors’ boutiques manage. The approach is determined by the specific boutique investment process and the underlying asset class, regardless of whether that asset is equities, fixed income, or real estate.
Clients come first

Our client-first focus is central to integrating ESG factors across our investment boutiques and asset classes. We empower our clients with choice and confidence and recognize there isn’t a one-size-fits-all approach. So we collaborate with our clients in a personal, customized way to determine what type of engagement and investments best support their values and goals.

A flexible approach

The ESG landscape is evolving. Our flexible approach to these issues allows us to offer options that follow a repeatable investment process while supporting client values and achieving their financial goals.

“Investment performance comes first. ESG won’t be a substitute for that, but it’s a bigger part of the conversation.”

— Pat Halter
President and CEO of Principal Global Investors

Portfolio-specific sustainability efforts

Our asset classes have sustainability programs specific to the risks and opportunities within their portfolio. The following pages detail the sustainability efforts for real estate, equities, and fixed income.

Our philosophy

We continuously assess the latest developments in ESG issues and seek the most effective way to incorporate best market practices for the investment process.

Industry recognition

Received an A+ ranking in the Strategy & Governance module by PRI

Named a CDP S&P 500 Climate Performance Leader for the fifth consecutive year

Read more:

- Responsible Property Investing Website
- Principal Global Investors Responsible Investment Policy
- Responsible Investing and ESG
- ESG: A Path to Fulfilling Fiduciary Duty
- Principal Global Investors Proxy Voting Policies and Procedures
- 2018 PRI Assessment Report
- 2018 PRI Transparency Report
- Principal Global Investors Europe Limited Stewardship Code Policy
- Principal Global Investors Australia Limited Stewardship
- EFAMA Stewardship Code
Real estate

Principal Real Estate Investors, our dedicated real estate investment manager, is committed to responsible property investing.

We believe ESG matters are integral to our fiduciary responsibility and critical to our goal of delivering superior risk-adjusted returns to our clients and investors.

Our Pillars of Responsible Property Investing framework guides our approach to real estate investment and management and includes the following pillars:

Market resilience: Reinforcing the social and economic vitality of markets where we do business through equitable contracting practices, job creation, and a focus on healthy and productive buildings.

Corporate governance: Managing risk and meeting investor objectives through integrity, transparency, and managerial oversight.

Property performance: Delivering enhanced financial and environmental performance through the benchmarking of energy, water, and waste; operational best practices; and stakeholder engagement.

Our 2018 ESG accomplishments and recognition*

ENERGY STAR® Partner of the Year

Sustained Excellence Award for continued excellence in energy management and superior contributions to ENERGY STAR

More than $52.5 million in cumulative avoided energy costs (2008 baseline)

Certified more than 89% of office area as green space (ENERGY STAR and/or LEED)

Received an A+ rating for the second consecutive year in the PRI Direct Property Assessment, the highest possible rank awarded by PRI

Achieved 18.5% energy savings over baseline

Goal: Save 20% by 2020

*Data as of October 31, 2018. Energy savings goals and performance are relative to 2008 baseline.

Read more: Responsible property investing website | Principal Real Estate Investors responsible property investing report 2018/2019 | Awards and recognition
Responsible property investing thought leadership
Responsible property investing policies: Responsible property investing lending policy | Responsible property investing policy | Health and wellness guidelines for properties
Guidelines for real estate development | Building technology and innovations | Smart building strategy | Sustainability profiles
Equities

Principal Global Equities’ commitment to ESG issues is centered on a key factor: our fiduciary responsibility to act in our clients’ long-term best interests.

Environmental and social

These issues are qualitative factors that contribute to an overall stock view. Our bottom-up stock selection process hones in on material environmental and social issues that are relevant to the evaluation of sustainable earnings trends, sentiment, and valuation. MSCI analytical tools increase awareness and understanding of risks and controversies. Our focus is on trends and change catalysts more than nominal scores.

Governance

Governance is material because it’s inherently tied to company fundamentals and valuation. Companies with strong governance are generally correlated with improved valuations while companies with deteriorating governance historically underperform and are a source of risk.

Our commitment to ESG engagement is well-aligned with our focus on sustainable fundamental change.

ESG integration

We’ve responded to more than a decade of history of custom-socially responsible and faith-based mandates, including a seamless incorporation of client-specified criteria.

$2.5 billion* custom-screened assets under management

*As of October 31, 2018.

We offer a full suite of specialty ESG indices. MSCI ESG company profiles are fully-integrated in our analyst research dashboard.

- Ratings, changes, trends
- Component scores
- Controversy tracking
- Risk factors

We have sustainable and Social Responsible Investing (SRI) proxy voting options.
**Fixed income**

Principal Fixed Income works closely with Principal Global Investors’ Responsible Investing Group, sharing ideas for ESG integration and improvements.

We’re committed to providing robust, evolving training programs for our research analysts and other key personnel to increase awareness of PRI and ESG considerations.

**What frames our research**

**Proprietary fundamental research**

Our research analysts—more than 35 sector-focused investment professionals—get the information they need for their fundamental analysis from a diverse range of sources.

- Public company information
- Meetings and calls with corporate management teams
- Industry conferences and publications
- Media reports
- Direct dialogue and publications from rating agencies
- Industry contacts

Our analysts also leverage various internal resources, including our economic team, legal counsel, and investment professionals from other asset classes.

**Third-party insights**

Our analysts supplement their own fundamental research with insights from third-party ESG research providers to ensure they appropriately integrate ESG factors into their investment theses.

Research providers include MSCI, a globally recognized leader in ESG research, and ISS-Ethix, which researches and screens more than 20,000 debt and equity issuers worldwide.

*Read more: [Principal Global Fixed Income Responsible Investing Statement](#)*
How it all comes together

We integrate our ESG perspective in all levels of our investment process.

1. **Assign a specific ESG signal for each issuer in the investment-grade (IG) and high-yield (HY) universes.**

   Analysts raise any concerns about ESG issues and other fundamental concerns during meetings with corporate management teams. The response feeds into the assessment of the company’s outlook and potential fit for the portfolio.

2. **Assign an explicit numeric ESG score.**

   ESG is factored into the fundamentals component of our FTV (fundamentals, technicals, valuations) framework and accounts for 10% of the total fundamental score.

3. **Create client-defined ESG portfolios.**

   Our flexible investment process allows us to screen out securities, industries, or countries a client specifies.

As a result, our ESG portfolio construction options include:

- **Negative screening**: We can include a client’s specific screening lists in their investment management agreement. Alternately, we can incorporate third-party lists to exclude categories like banned weapons or United Nations offenders.

- **Full ESG integration**: We can exclude all issues with red ESG signals from the portfolio. We can also construct the portfolio so that its average ESG-rating category is higher than the relevant benchmark index.

- **Thematic and impact**: We have the capability to focus on themes or sectors to solve specific ESG challenges or deliver positive ESG impact.
Ensuring stability

Governance through effective, independent oversight: It’s an important part of our heritage and success. Each generation of Principal management has committed to operating with integrity and serving the interests of our customers and shareholders.

Global Code of Conduct

The Global Code of Conduct is our foundation for ethical behavior. It’s an extension of our core values, particularly of our integrity. It applies to all wholly- and majority-owned entities of Principal Financial Group around the world and to the Board of Directors.

Read it [here](#).

We were named one of 100 of Ethisphere Institutes’ World’s Most Ethical Companies for the 9th year.*

*Ethisphere, February 2019

Corporate governance

Our Board and management regularly review best practices for corporate governance and modify policies and practices as appropriate.

Our current best practices include:

A majority of independent Directors (10 out of 11)

All key committees composed entirely of independent Directors

A strong and experienced independent Lead Director

Invoking a Director resignation policy, if the support of a majority vote of shareholders is not achieved

A policy for Directors’ service on other public company boards

Conducting annual Board and Board committee self-assessments

Conducting Director assessments in connection with the Director nomination process

Robust stock ownership guidelines for Directors

Achieving diverse Board membership in terms of background, experience, gender, ethnicity, and tenure

Providing a robust shareholder engagement program to obtain valuable feedback on our compensation and governance programs

Having the CEO succession plan reviewed annually (or more often as needed) by the independent Directors, with and without the CEO present

Conducting a Board review of senior management long-term and emergency succession plans

Read more

Message to shareholders about corporate governance practices

Director independence

Bylaws

Committee positions held by Board members

Audit Committee Charter

Finance Committee Charter

Human Resources Committee Charter

Nominating & Governance Committee Charter
Board leadership structure

Our Board structures its leadership with the flexibility appropriate to the situation. 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.

The Board regularly reviews the effectiveness of this shared leadership approach. Currently, Daniel J. Houston is chairman and CEO.

Read more about our Board structure in our Proxy Statement.

Role of the board in risk oversight

Risk management is an essential component of our culture and business model. Management within our business units and functional areas is primarily responsible for identifying, assessing, monitoring, and managing risk exposures.

Our company-wide Enterprise Risk Management program includes a Chief Risk Officer, whose team operates independently from, but works closely with, the risk professionals in the business units, and an Enterprise Risk Management Committee, composed of members from the executive management team. The program provides enterprise-wide oversight for material risks. We also have a robust internal audit function.

The Board oversees execution and performance of its risk management responsibilities. The Board also reviews strategic threats, opportunities, and risks that Principal and its businesses or functions manage. This includes oversight of credit, market, liquidity, product, operational, cybersecurity, and general business risks that the Board or Board Committees handle directly.

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

Transparency, accountability in reporting

We ensure transparency and accountability in reporting. As a public company, it's our responsibility to communicate effectively with our shareholders, customers, and the public-at-large about our operations, products, and services.

Our company’s disclosure committee thoughtfully works to establish balance, and we participate in Institutional Shareholder Services (ISS) disclosure assessments. We strive to share as much information as possible while also safeguarding the security of our customers’ private information.

Read more: ESG committee charter | Disclosure policy

Sustainable Business Report | 51
Cybersecurity

Cybersecurity risk is an enterprise-wide concern that involves people, process, and technology. Therefore, it’s treated as a Board-level matter.

Cybersecurity embodies a persistent and dynamic threat to our entire industry and is not limited to information technology. The Board remains focused on this critical priority by continuing to receive regular reports from the Chief Information Officer and other information security professionals. This is to ensure they are well informed about the evolving cyber threat landscape, taking steps needed to ensure safeguards are implemented and protocols are in place to manage risk. We place a high priority on the safety of the data our customers entrust to us.

We manage risks related to cybercrime, using a variety of controls and capabilities including, but not limited to, employee training, access management, data protection, phishing simulation, firewalls, encryption, penetration testing, intrusion prevention systems, and threat intelligence.

Comprehensive cyber risk assessments are regularly performed on third parties that handle or have access to our sensitive, confidential, or proprietary data.

We align our controls with the National Institute of Standards and Technology (NIST). Several control measures roll up into our Corporate Balanced Scorecard metric of “Information Security Controls Effectiveness” for visibility, oversight, and accountability across the enterprise. Principal has Network Security and Privacy Liability (cybersecurity) insurance. We also conduct annual cybersecurity incident response exercises that involve business recovery leaders as well as senior management.

Data security and privacy

We take privacy of sensitive information very seriously. That’s why we do so much to protect information. And we continuously review and make enhancements to how we safeguard and protect customer information.

Our comprehensive information security program includes administrative, technical, and physical safeguards to protect customer information. A highly skilled and dedicated security team helps ensure the security of information we process and store.

Employees: All employees are required to complete privacy, security, ethics, and compliance training. New employees complete a Confidentiality Acknowledgement at the time of employment. This Confidentiality Acknowledgement is also completed by employees on a regular basis.

Industry collaboration: We actively participate in the Financial Services Information Sharing and Analysis Center (FS-ISAC), the only industry forum for collaboration on critical security threats facing the global financial services sector—including data security and privacy.

Our Chief Information Security Officer is on the Board of Directors. Membership in this group provides us with threat intelligence, early warning of attacks, expert advice, and proactive mitigations to protect against cyberattacks.

Links to policies:
Online privacy policy | Security policies
European Economic Area online privacy policy

Anti-corruption

Bribery and corruption are not only against our company values; they are illegal and can expose both our employees and our company to fines, penalties, and reputational damage.

Read more: Anti-bribery and corruption policy

Read more:
Protecting your information
Business Continuity Planning | Corporate Governance
Employment Policies | Political activity policy
Reporting fraud or unethical conduct
Anti-money laundering and OFAC policy
List of corporate political contributions
Policy for corporate political contributions
## GRI:102 General Disclosures

<table>
<thead>
<tr>
<th>GRI Standard Number</th>
<th>GRI Standard Title</th>
<th>Cross-reference or Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>102-1</td>
<td>Name of the organization</td>
<td>Principal Financial Group, Inc.</td>
</tr>
<tr>
<td>102-2</td>
<td>Activities, brands, products, and services</td>
<td><em>2018 Corporate Social Responsibility Report</em>, p. 9, 13-19, 53</td>
</tr>
<tr>
<td>102-3</td>
<td>Location of headquarters</td>
<td>Des Moines, IA, USA</td>
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<tr>
<td>102-4</td>
<td>Location of operations</td>
<td><em>2018 Corporate Social Responsibility Report</em>, p. 10</td>
</tr>
<tr>
<td>102-6</td>
<td>Markets served</td>
<td>*10K</td>
</tr>
<tr>
<td>102-7</td>
<td>Scale of the organization</td>
<td><em>2018 Corporate Social Responsibility Report</em>, p. 10</td>
</tr>
<tr>
<td>102-8</td>
<td>Information on employees and other workers</td>
<td><em>2018 Corporate Social Responsibility Report: Empowering a global workforce</em>, p. 20-30</td>
</tr>
<tr>
<td>102-9</td>
<td>Supply chain</td>
<td><em>2018 Corporate Social Responsibility Report</em>, p. 29-30</td>
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<tr>
<td>102-10</td>
<td>Significant changes to the organization and its supply chain</td>
<td><em>Annual Report</em>, p. 4</td>
</tr>
<tr>
<td>102-11</td>
<td>Precautionary principle or approach</td>
<td><em>2018 Corporate Social Responsibility Report: Ensuring stability</em>, p. 50-52; <em>Investing responsibly</em>, p. 44-49</td>
</tr>
<tr>
<td>102-12</td>
<td>External initiatives</td>
<td>none</td>
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**Organizational Profile**

<table>
<thead>
<tr>
<th>GRI Standard Number</th>
<th>GRI Standard Title</th>
<th>Cross-reference or Answer</th>
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</table>
## General disclosures (cont.)

<table>
<thead>
<tr>
<th>GRI Standard Number</th>
<th>GRI Standard Title</th>
<th>Cross-reference or Answer</th>
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<tbody>
<tr>
<td><strong>Strategy</strong></td>
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<tr>
<td>102-14</td>
<td>Statement from senior decision-maker</td>
<td><em>2018 Corporate Social Responsibility Report</em>, p. 3</td>
</tr>
<tr>
<td><strong>Ethics and integrity</strong></td>
<td></td>
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<tr>
<td>102-16</td>
<td>Values, principles, standards, and norms of behavior</td>
<td><em>2018 Corporate Social Responsibility Report: Serving customers and shareholders well</em>, p. 7-10, 50</td>
</tr>
<tr>
<td><strong>Governance</strong></td>
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<tr>
<td>102-18</td>
<td>Governance structure</td>
<td><em>2018 Corporate Social Responsibility Report: Materiality</em>, p. 4-6; <em>Ensuring stability</em>, p. 50-52</td>
</tr>
<tr>
<td><strong>Stakeholder engagement</strong></td>
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<tr>
<td>102-40</td>
<td>List of stakeholder groups</td>
<td><em>2018 Corporate Social Responsibility Report</em>, p. 4; <em>Ensuring stability</em>, p. 50-52</td>
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<tr>
<td>102-41</td>
<td>Collective bargaining agreements</td>
<td>We do not closely track this metric due to differing definitions of collective bargaining agreements across locations.</td>
</tr>
<tr>
<td>102-42</td>
<td>Identifying and selecting stakeholders</td>
<td><em>2018 Corporate Social Responsibility Report</em>, p. 4</td>
</tr>
<tr>
<td>102-43</td>
<td>Approach to stakeholder engagement</td>
<td><em>2018 Corporate Social Responsibility Report</em>, p. 4</td>
</tr>
<tr>
<td>102-44</td>
<td>Key topics and concerns raised</td>
<td><em>2018 Corporate Social Responsibility Report</em>, p. 5; <em>Investing Responsibly</em>, p. 44-49</td>
</tr>
<tr>
<td><strong>Reporting practice</strong></td>
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<tr>
<td>102-45</td>
<td>Entities included in the consolidated financial statements</td>
<td>10K, p. 204</td>
</tr>
<tr>
<td>102-47</td>
<td>List of material topics</td>
<td><em>2018 Corporate Social Responsibility Report: Materiality</em>, p. 4-6; <em>Ensuring stability</em>, p. 50-52</td>
</tr>
<tr>
<td>102-48</td>
<td>Restatements of information</td>
<td>This year’s report will serve as a baseline as it’s the first time we’ve reported in GRI accordance.</td>
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<tr>
<td>102-49</td>
<td>Changes in reporting</td>
<td>No significant changes in reporting.</td>
</tr>
<tr>
<td>102-51</td>
<td>Date of most recent report</td>
<td><em>2018 Corporate Social Responsibility Report: About our 2018 report</em>, p. 2</td>
</tr>
<tr>
<td>102-53</td>
<td>Contact point for questions regarding the report</td>
<td><em>2018 Corporate Social Responsibility Report: Contact us</em>, p. 2</td>
</tr>
<tr>
<td>102-54</td>
<td>Claims of reporting in accordance with the GRI Standards</td>
<td><em>2018 Corporate Social Responsibility Report: About our 2018 report</em>, p. 2</td>
</tr>
<tr>
<td>102-55</td>
<td>GRI content index</td>
<td><em>2018 Corporate Social Responsibility Report: GRI:102 General Disclosures</em>, p. 54-62</td>
</tr>
<tr>
<td>102-56</td>
<td>External assurance</td>
<td>An outside assurance review has not been conducted for the <em>2018 Corporate Social Responsibility Report</em>. The 2018 report includes results from the Carbon Disclosure Project, which S&amp;P Trucost conducted an assurance review to the AA1000AS standard for quantitative carbon emissions data. Principal is working to identify an outside assurance reviewer for the 2019 Corporate Social Responsibility Report.</td>
</tr>
</tbody>
</table>
### Material issues

<table>
<thead>
<tr>
<th>GRI Topics, Ethics, and Risk</th>
<th>GRI Disclosures</th>
<th>Disclosure Description</th>
<th>Disclosure Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>GRI 417</td>
<td>417-1, Marketing and Labeling</td>
<td>Requirements for product and service information and labeling</td>
<td>As this is our first year reporting in GRI accordance, we haven’t tracked this information. Moving forward we’ll take measures to quantify this data.</td>
</tr>
<tr>
<td>GRI 410</td>
<td>410-1, Security Practices</td>
<td>Security personnel trained in human rights policies or procedures</td>
<td>As this is our first year reporting in GRI accordance, we haven’t tracked this information. Moving forward we’ll take measures to quantify this data.</td>
</tr>
</tbody>
</table>

#### Employee Engagement & Development

<table>
<thead>
<tr>
<th>GRI 401</th>
<th>401-1, Employment</th>
<th>New employee hires and employee turnover</th>
<th>2018 Corporate Social Responsibility Report, p. 21</th>
</tr>
</thead>
<tbody>
<tr>
<td>401-2, Employment</td>
<td>Benefits provided to full-time employees that are not provided to temporary or part-time employees</td>
<td>2018 Corporate Social Responsibility Report, p. 22-24</td>
<td></td>
</tr>
<tr>
<td>401-3, Employment</td>
<td>Parental leave</td>
<td>2018 Corporate Social Responsibility Report, p. 22</td>
<td></td>
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</tbody>
</table>

#### Consumer Protection, Engagement, and Product Impact

<table>
<thead>
<tr>
<th>G4 Financial Services Sector Specific Disclosures</th>
<th>G4-DMA, Product Responsibility: Product and Service Labeling</th>
<th>Initiatives to enhance financial literacy by type and beneficiary</th>
<th>2018 Corporate Social Responsibility Report, p. 11-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>G4 Financial Services Sector Specific Disclosures</td>
<td>FS13, Society: Local Communities</td>
<td>Access points in low-population or economically disadvantaged areas by type</td>
<td>2018 Corporate Social Responsibility Report, p. 38</td>
</tr>
</tbody>
</table>
| GRI 203                                        | 203-1, Indirect Economic Impacts                           | Infrastructure investments and services supported:  
• Extent of development of significant infrastructure investments and services supported  
• Current or expected impacts on communities and local economies, including positive and negative impacts where relevant  
• Whether these investments and services are commercial, in-kind, or pro bono engagements | 2018 Corporate Social Responsibility Report, p. 32, 40-41, 43 |
| G4 Financial Services Sector Specific Disclosures | G4-DMA, Product Responsibility: Product & Service Labeling | Policies for the fair design and sale of financial products and services | 2018 Corporate Social Responsibility Report, p. 4-5, 50-52 |
## Material issues (cont.)

<table>
<thead>
<tr>
<th>GRI Topics</th>
<th>GRI Disclosures</th>
<th>Disclosure Description</th>
<th>Disclosure Response</th>
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<tbody>
<tr>
<td><strong>Responsible Investing</strong></td>
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<tr>
<td>G4 Financial Services Sector Specific Disclosures</td>
<td>G4-DMA, Product Responsibility: Active Ownership</td>
<td>Voting policy(ies) applied to environmental or social issues which the reporting organization holds the right to vote shares or advises on voting</td>
<td>2018 Corporate Social Responsibility Report, p. 45</td>
</tr>
<tr>
<td>G4 Financial Services Sector Specific Disclosures</td>
<td>G4-DMA, Product Responsibility: Product Portfolio</td>
<td>Policies with specific environmental and social components applied to business lines</td>
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<tr>
<td></td>
<td></td>
<td>Procedures for assessing and screening environmental and social risks in business lines</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Processes for monitoring clients’ implementation of and compliance with environmental and social requirements included in agreements or transactions</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Processes for improving staff competency to implement the environmental and social policies and procedures as applied to business lines</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>Interactions with clients / investees / business partners regarding environmental and social risks and opportunities</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Organization-wide goals regarding performance relevant to product portfolio, including plans to improve implementation of policies/procedures with specific environmental and social components applied to business lines and procedures for assessing and screening environmental and social risks in business lines and any relevant audit results</td>
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<tr>
<td><strong>Environmental Impact of Operations</strong></td>
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<td></td>
<td>302-5, Energy</td>
<td>Reductions in energy requirements of products and services</td>
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<tr>
<td>GRI 305</td>
<td>305-4, Emissions</td>
<td>GHG emissions intensity</td>
<td>2018 Corporate Social Responsibility Report, p. 42</td>
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<td></td>
<td>305-5, Emissions</td>
<td>Reduction of GHG emissions</td>
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<tr>
<td>G4 Financial Services Sector Specific Disclosures</td>
<td>G4-EN15, Emissions</td>
<td>Direct GHG Emission (Scope 1)</td>
<td>2018 Corporate Social Responsibility Report, p. 43</td>
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<td>G4-EN16, Emissions</td>
<td>Energy Indirect GHG Emissions (Scope 2)</td>
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</tr>
<tr>
<td>G4 Financial Services Sector Specific Disclosures</td>
<td>G4-EN23, Effluents &amp; Waste</td>
<td>Total weight of waste by type and disposal method</td>
<td>2018 Corporate Social Responsibility Report, p. 41-43</td>
</tr>
</tbody>
</table>
## Material issues (cont.)

<table>
<thead>
<tr>
<th>GRI Topics</th>
<th>GRI Disclosures</th>
<th>Disclosure Description</th>
<th>Disclosure Response</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Community Investments</strong></td>
<td>202-2, Market Presence</td>
<td>Proportion of senior management hired from the local community</td>
<td>As this is our first year reporting in GRI accordance, we haven’t tracked this information. Moving forward we’ll take measures to quantify this data.</td>
</tr>
<tr>
<td>GRI 204</td>
<td>204-1, Procurement Practices</td>
<td>Proportion of spending on local suppliers</td>
<td>2018 Corporate Social Responsibility Report, p. 29-31</td>
</tr>
<tr>
<td>GRI 413</td>
<td>413-1, Local Communities</td>
<td>Operations with local community engagement, impact assessments, and development programs</td>
<td>2018 Corporate Social Responsibility Report, p. 31-39</td>
</tr>
<tr>
<td>G4 Financial Services</td>
<td>G4-DMA, Economic Performance</td>
<td>The DMA should include an explanation of the organization’s community investment strategy in association with the data reported on community investment.</td>
<td>2018 Corporate Social Responsibility Report, p. 31-39</td>
</tr>
<tr>
<td>Sector Specific Disclosures</td>
<td>G4-EC1, Economic Performance</td>
<td>Direct economic value generated and distributed</td>
<td>2018 Corporate Social Responsibility Report, p. 34-37, 39</td>
</tr>
</tbody>
</table>
“People want to work with companies they can respect and trust.”

— Dan Houston
Chairman, President, and CEO