What matters most

2017 Corporate Social Responsibility report
Serving our customers is just part of our story.

We invest company and Principal Foundation assets in what matters most to our communities, neighbors, employees, and stakeholders. Through well-considered environmental, social, and governance practices, we are working to create better futures for everyone whose lives we touch.

In this report, you’ll discover what we accomplished in 2017, including:

- Holding our first Global Impact Month
- Working to eliminate food and supply waste in our corporate campuses
- Expanding our diversity programs
- Building and investing responsibly
- Promoting opportunities for all employees to learn and give
- Helping the world’s growing middle class save and achieve financial security

I’m proud of what we’ve accomplished this year, together. And we are committed to doing even more in 2018 and beyond. We live our best lives only by helping others live theirs. And we invite you to join us in this important effort.

Dan Houston
Chairman, President, and CEO
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Learn more
Watch videos throughout the report to see our efforts come to life.
Serving customers and shareholders well

We are a global leader that helps growing businesses, individuals, and institutional clients achieve financial security and success. We deliver 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 as ever: Family. Security. Opportunity. Simplicity.

What is changing is the ways in which our customers achieve those things that matter 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.

We invest in what matters most, so we can deliver what matters most to our customers and other stakeholders.

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 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. Through the years, we’ve grown to become a global leader in asset management and retirement planning and services. Today, we are a member of the FORTUNE 500®, serving more than 19 million customers in 70-plus countries around the world.

People are at the heart of our push to solve complex social problems.

What we believe in

Customer focus
We have always known that customers are the reason we exist – advisors, institutional investors, employers, families, and individuals who benefit from the solutions we provide. We help our customers reach their goals by delivering clear solutions, personalized communication, and tools that inspire action. We believe that greater progress is possible when customers are served with heartfelt empathy, understanding, and expertise.

Employee empowerment
We encourage employees to realize their full potential and advance their careers by contributing to our shared purpose. We foster a coaching culture and invest in learning and development initiatives. We embrace diversity and inclusion. We encourage collaboration, recognize employee successes, and promote open communications.

Financial strength
We deliver on our promises to customers and shareholders by carefully balancing risks and rewards, aligning expenses with revenues, and investing in our businesses to deliver sustainable, profitable growth.

Operational excellence
We continuously improve our operations by utilizing technology, data, and agile processes. Solutions are designed to satisfy real-life needs. Customer assets and privacy are respected and protected.

Integrity
We do what we say we will do. We conduct business compliantly and in accordance with the highest ethical standards.
Principal Foundation
Helping people is at the heart of our Principal culture. That’s why the company, our employees, and the Principal Financial Group Foundation, Inc., work together to give back in a variety of ways. Principal Foundation awards grants to organizations that create positive social impact through initiatives that reflect our charitable mission.

Our primary 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 superior 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

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

Principal Global Investors
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

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

We continue to focus on the emerging middle class around the world and offer services to help prevent elderly poverty.

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 depend on us to help them reach their financial goals.

Around the world

Principal International provides a broad range of financial services and long-term savings products to 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 are struggling to achieve retirement security. In markets with pay-as-you-go pension systems, declining birthrates and rising life expectancy are forcing 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.

As part of our efforts to serve those in the emerging middle class, we partnered with the Global Aging Institute to fund a study and develop new strategies to improve retirement saving. There is an urgent need to reform pension systems – so people can rely on themselves to build financial security for retirement. And changes must include a strong voluntary savings component.

To identify best practices, the report, “Voluntary Pensions in Emerging Markets: New Strategies for Meeting the Retirement Security Challenge,” reviewed the experience of developed countries, where voluntary pensions are much better established than they are in the developing world. It described how their experience can best be applied in the very different economic, social, and institutional environments in emerging markets. The report focused on eight Asian and Latin American markets: Brazil, Chile, China, Hong Kong, India, Malaysia, Mexico, and Thailand.

According to the Global Aging Institute report, reform must proceed on several fronts at once:

- Governments must broaden existing voluntary pension systems for formal-sector workers that now serve a privileged minority of their labor forces.
- Along the way, governments should prioritize the development of occupational pension systems.
- At the same time, governments will need to build entirely new voluntary pension systems, tailored to the needs of informal-sector workers, who currently enjoy little or no retirement security.

Although reform will entail a significant fiscal cost, it will be far less than the cost of inaction. Policymakers in emerging markets face a choice: They can invest in building robust voluntary pension systems that will shore up the incomes of tomorrow’s retirees, take pressure off government budgets, and reduce income inequality. Or they can stand by as the gathering retirement crisis unfolds.
Historically, emerging markets have focused on expanding the coverage of mandatory pension systems, usually unsuccessfully. Promoting voluntary pensions has been almost an afterthought. It is time to recognize that in societies where the reach of mandatory pension systems is so limited and populations are aging so rapidly, voluntary pensions are an essential component of retirement security.

Why we are getting involved

In the United States

We have developed unique tools and best practices that are dramatically improving retirement plan participation and savings for growing numbers of American workers. We are translating new technologies into highly personalized and engaging communications that inspire and motivate people of all income levels and backgrounds to take action.

- **Webinars**: Financial education is important for everyone. But it’s especially critical for those at lower income levels, who comprise a significant percentage of our population and whose lack of discretionary income can be a barrier to saving. Our online library of free webinars covers a wide range of topics – from tackling debt to building a budget and saving for the future. It’s available to both customers and non-customers.

- **Website**: Through our online presence, we deliver retirement expertise and create momentum through tools that communicate quickly and simplify the saving process. The color-coded Retirement Wellness Score calculator enables people to see at a glance where they are on the road to retirement.

- **My Virtual Coach**: Our behavioral finance research revealed that many customers don’t engage for long with financial education. They prefer quick answers, simple decisions, and timely alerts personalized to their needs. My Virtual Coach delivers just that. This interactive tool uses individualized conversation to help people save for retirement – one short, simple step at a time. Features, like 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 and streamline planning.

- **Plan design – individual employer**: Many of our plans are built around automatic enrollment and deferral components. These automatic features, which a majority of workers prefer, simplify the saving process and significantly improve retirement readiness. About half of the employers we work with offer these features, with people from all income levels participating in the plans.
Sustaining a culture of diversity and inclusion

At Principal, 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. In 2017, our women’s networks expanded internationally with Prerana, a network that supports diversity and inclusion efforts in India by helping women network and grow their professional skills.

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, such as LGBTQ+ rights and racial injustice, and then brainstorm positive solutions within Principal and out 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). ERG members refer candidates for job opportunities, serve on diversity panels, lead new employee tours, attend campus/job fairs, volunteer at community events, and more.

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.

Active ERGs:
- African American/Black Employee Resource Group
- Asian Employee Resource Group
- Empowered Employee Resource Group
- Hispanic/Latino Employee Resource Group
- Lesbian/Gay/Bisexual/Transgender/+ Employee Resource Group
- OneABILITY Employee Resource Group
- Veterans Employee Resource Group

Women’s groups:
- Women in Leadership
- Women in Sales
- Women in Technology Group
- Prerana
- Women in Real Estate
- Women Advisors

“Most of what we see is not all of who we are.”

– Heather Schott, Assistant Director, Diversity and Inclusion
What our people say

Why employees enjoy working at Principal

Connected Conversations is a platform that brings diversity and inclusion into action through the sharing of personal stories and experiences that help drive solutions around business issues and current events. During these discussions, employees form panels on everything from the importance of allies to religion to business topics. One program is ‘It’s Okay to Ask,’ which provides real-life examples and practical tips for using inclusive language and avoiding accidental discrimination. Topics include religion at work, moving from military to corporate life, and more.

We keep all employees involved through our Connected Communities Conversations, a monthly series on our intranet that highlights a different employee resource group or network to help employees better understand how our ERGs are supporting our diversity and inclusion efforts.

Empowering employees through education

We aim to create a culture where employees are passionate about Principal and its opportunities for success, where diverse people flourish in a team-oriented environment and inclusion is encouraged. We empower employees to embrace change, take risks, and maximize their potential. All employees and leaders complete courses that help them understand diversity at Principal 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 core concept: 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.
In 2017, our Board comprised 50% women and people of color.

Our board diversity
We value diversity in our Board of 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 when recruiting new directors.

Recruiting diverse employees
Principal is committed to recruiting and hiring world-class, experienced professionals who understand the importance of a diverse and inclusive work environment. That’s why we’ve created internship programs and partner with various organizations and colleges to recruit groups that are or have been underrepresented in our field including, but not limited to, women, veterans, people of color, and individuals with different abilities.

We also 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 to be used both as a resource for Des Moines, Iowa, area residents and as a tool in recruiting people to live and work in Greater Des Moines.

Awards and recognition
• Ranked no. 6 on Forbes 2018 list of America’s Best Employers for Diversity*
• Earned a perfect score on the Human Rights Campaign Foundation’s Corporate Equality Index for the third year in a row in 2018
• Earned the 2018 Military Friendly® Employer designation by Victory Media
• Awarded a WorldatWork Seal of Distinction for support of employees at work and at home in 2017
• Named one of the 2017 Working Mother 100 Best Companies by Working Mother magazine for our strong leadership in progressive workplace programs in the areas of advancement of women, flexibility, childcare, and paid parental leave

*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.

Read more
Discrimination policy
Connected Communities
Employee stories
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 are a better company – and better able to serve our customers and shareholders.

We value diversity

• Widening our supplier base 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.

Our program

Through affiliations with several supplier diversity organizations, we collaborate on identification, certification, development, and engagement of diverse suppliers. We do so through conference attendance, one-on-one meetings, panel discussions, sponsorships, referrals and training. Our affiliations include:

• 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 percent 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.

Groups eligible for participation are:

• 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

Tracking success

• Prospective clients often request information about our Supplier Diversity Program as part of our request for proposal process for their business.
• The Principal Board of Directors supports and follows the progress of this initiative very closely.

Diversity in practice

To help Principal 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 for presenting to business leaders by prepping them on leader expectations and reviewing and helping tailor presentations for better success. Feedback from suppliers reinforces the format of the event. And the pre-planning assistance proves valuable. Beyond making connections with Principal, suppliers appreciate the opportunity to connect with other suppliers and develop potential subcontracting relationships.

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

– Wayne Ellis, assistant vice president, global sourcing

Read more

Supplier Code of Conduct
Doing good in our communities

Principal Foundation helps people learn more, earn more, and save more. We influence access to financial stability and education wherever we have a strong business presence.

In 2017, we introduced Global Impact Month. Four weeks of “doing and giving” expanded on a strong history of impact in Des Moines, Iowa, our headquarters, to include worldwide initiatives.

We encourage our employees to lead through heartfelt service. Our grantmaking, volunteerism, and match-giving programs create a supportive culture for philanthropy.

At Principal, we help people live their best lives. It goes beyond serving their retirement, insurance, and investment needs. It’s about helping them achieve financial security and overall well-being, while conquering real-life challenges. And improving and strengthening the communities in which they live.

Grantmaking

Principal Foundation makes targeted investments of $14.2 million in funding to support initiatives in central Iowa, and throughout our Corporate Social Responsibility network, domestically and internationally. Our grant programs include:

- **Strong communities** – Creating good places for people to live, work, and play, by ensuring access to services and cultural attractions
- **Financial security** – Helping individuals learn and progress toward good financial behaviors through partnerships with organizations such as EVERFI and Solidarity Microfinance
- **Talent-focused education** – Supporting educational partnerships that build a pipeline for future employee talent

Community sponsorship

Our sponsorship of the Principal Charity Classic®, an annual PGA TOUR Champions event, supports thousands of Iowa children.

Principal is a strong sponsor of many community events in central Iowa that improve the quality of life – from sporting events and music festivals to celebrations of arts and culture. Sponsorships are just one of the ways we give back and create strategic connections with customers in places and on causes that matter to them.

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.

We’ve helped raise approximately $13.5 million to Iowa kids’ charities during our 11 years of title sponsorship.
Leading through the United Way

Principal offers employees a 1:1 match for charitable donations to United Way, one of the most well-respected charitable organizations in the U.S.

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. A century later our United Way partnership continues – and it’s stronger than ever.

Principal hosts the leading corporate campaign in Central Iowa, and our contributions aren’t limited to dollars. Our leaders serve in United Way cabinets, and employees give back as “book buddy” reading mentors, contributing 30,357 service hours through the campaign.

Global Impact Month

In 2017, employees from around the world came together during Global Impact Month, September 6 – October 6.

The first two weeks focused on doing, with volunteer projects happening around the globe. The last two weeks focused on giving, via the United Way campaign in U.S. locations.

In September, eight members of a cross-cultural team of Principal employees from around the world participated in the first Principal Global Impact Trip. For one week, they experienced a deep dive into leadership development and immersion in Indian culture through experiences with our local community partner organizations, such as Lend-a-Hand India (LAHI), which offers programs to educate young people and prepare them for a career.

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

To prepare for the trip, each team member received cultural training and completed an inventory to gain insights into their thinking around human differences. They learned that recognizing and appreciating cultural differences and commonalities is key to creating bridges across cultures.

The Global Impact Team will continue working with LAHI, providing strategy and marketing consultation and other support.

Our employees gave more than $4.02 million to 438 organizations in 230+ communities around the world in 2017.

Making a difference

Principal’s Global Impact Trip
Employee volunteering

We believe our employees are our most valuable resources, and we encourage the utilization of time and talents to causes that matter to them. Not only do we believe our employees should give their time, we make a commitment to match it with our own funds.

Principal offers matching gifts to employees who serve on nonprofit boards and make financial contributions to charitable partners for every 25 hours an employee invests in their organization. Our “Dollars for Teams” initiative incentivizes volunteer service as a team-building activity by providing a mini grant to organizations where small groups of employees engage in service projects together.

On-site volunteer opportunities, like food packaging for Meals from the Heartland and the United Way bookcase build, are popular as well.

Offering a Volunteer Time Off (VTO) benefit is another way we demonstrate our support. Through VTO, our hourly employees can use paid work time to volunteer with nonprofit community organizations.

Giving back to our communities

In 2017, more than 1,600 Principal employees volunteered 30,357 hours through the VTO program.
Protecting our environment

Principal’s concern for the environment is an extension of our core value of integrity. We take our responsibility to support and protect our natural environment seriously.

We lessen our environmental impact by reducing our carbon footprint, using energy and water efficiently, and minimizing waste, while engaging our employees, stakeholders, and supply chain through environmental awareness initiatives.

Our environmental areas of focus

- **Energy and carbon:** We are pursuing opportunities to invest in energy efficient systems and processes that reduce carbon and energy usage. Our goal: Reduce 2010 baseline greenhouse gas emissions 30 percent 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 in business operations and construction projects to improve landfill diversion. Our goal is to 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 engage key suppliers regarding their sustainability initiatives and establish purchasing guidelines to encourage responsible environmental practices.

How we do it

- We encourage and support environmentally responsible behaviors by our company, our employees, and our partners in the communities where we operate.

- We comply with applicable environmental laws and regulations.

- We pursue opportunities 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 Principal does not have an ISO-certified environmental management system, we do have an established environmental management system and a corporate environmental policy designed to reduce energy use and GHG emissions, improve water efficiency, reduce waste to landfills, and leverage employee awareness.

27,453 lbs. donated or composted

Food diversion and composting

Principal partners with Sodexo to help tackle hunger throughout the Des Moines, Iowa, area (our corporate headquarters) to prevent food waste through food rescue and composting.

In 2017, our corporate cafes recovered and donated 15,053 lbs. of food. We’ve composted 12,400 lbs. Equaling a total of 27,453 lbs. donated or composted.
Our green building initiatives
As part of the renovations to our corporate campus buildings, we:

- **Building green**
  We currently have three Leadership in Energy and Environment (LEED) certified buildings:
  - 750 Park Street on our global headquarters campus in Des Moines is the latest building on our campus to earn LEED Gold, the second highest rating possible.
  - LEED Gold certification for our Principal Child Development Center in 2009 – making it one of the first LEED certified buildings in Des Moines, Iowa.
  - In 2017, we also earned LEED certification for our 801 Grand Avenue building.
  - We’re currently seeking a LEED certification for our most recently renovated building, 711 High Street.

1. **Recycled more than 90 percent** of construction materials removed – beating the LEED guidelines of 70 percent.
2. **Installed eco-friendly fixtures** in the restrooms and kitchenettes, such as low-flow toilets and urinals and low-voltage soap and paper towel dispensers.
3. **Used eco-friendly carpet, furniture, wood, and paint** whenever possible.
   - Our furniture partners use renewable resources in their manufacturing and have committed to promoting green and environmentally friendly practices.
4. **Made recycling easier** for employees by placing recycle bins next to landfill waste bins.
   - We currently **divert 70 percent of office waste** from the landfill.
5. **Installed 100 percent LED lighting** to significantly reduce electricity use.
6. **Provided more natural light** to reduce energy use.
7. **Provided bicycle storage** to encourage employees to bike to work.
8. **Maximized green space** with native and drought tolerant plants.
Earned a Leadership score on the Climate Disclosure Project (CDP) climate change questionnaire in 2017

**Employee efforts**
Our employee grassroots initiative, the Green Team, implements practices to help reduce our environmental footprint and promote green practices among employees. In 2017, the Green Team kept more than 10,200 lbs. of office supplies, electronics, and paper out of landfills.

- **5,912 lbs.** paper recycled
- **2,156 lbs.** electronics recycled
- **2,164 lbs.** other office supplies recycled

**Carbon intensity trends**
- Ended 2017 with a **29% reduction in carbon emissions** (over 2010 baseline)
- Goal: Reduce our 2010 Scope 1+2 GHG emissions by 30% by the end of 2020

[Read more](#) Environmental policy
Investing responsibly

Our commitment to responsible investing focuses on one key priority: the long-term best interests of our clients. We develop strong, stable, research-based investment solutions through our globally integrated asset class teams and shared information infrastructure.

Who we are
Principal Global Investors (PGI) is a leader in the global asset management industry. We serve 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
- Superior service

Our portfolio

![Portfolio Chart]

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 that Principal Global Investors’ signatory status to the United Nations-sponsored Principles for Responsible Investment (PRI) gives us. 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.

What does ESG integration mean to us?
ESG integration within our established investment process is just a matter of doing what we are 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 the boutiques of Principal Global Investors manage. The integration 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.

“We are proud to support PRI and contribute to the development of a sustainable global financial system that is focused on long-term value creation.”

–Jim McCaughan, CEO of Principal Global Investors

1AUM as of 12/31/2017
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 that there isn’t a one-size-fits-all approach. Because of this, 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. And we eschew a rigid definition of and approach to these issues. Our flexible approach allows us to offer options that follow a repeatable investment process, while supporting client values and achieving their financial goals. It also keeps us open to opportunities for new pathways in the future.

Responsible real estate investing

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

Commercial real estate is an integral part of our communities and the economy, directly impacting the environment, our quality of life, and economic well-being. Real estate represents an important asset class with unique financial benefits that allow our clients to meet their investment objectives.

Principal Real Estate Investors’ Responsible Property Investing Policy recognizes the relationship between real estate as an investment vehicle and its role in improving our communities. It also recognizes that real estate, through development, operations, and management, possesses the power to positively impact our stakeholders.

As a market and community leader, Principal Real Estate Investors is committed to engaging with stakeholders to reduce the environmental impacts of its real estate portfolio and, as such, promote environmental stewardship. Read how ESG strategies are integrated into all phases of the real estate investment lifecycle here.

We continuously assess the latest developments in ESG issues and seek the most effective way to incorporate best market practices for investment process. A recent example is offering a third-party verified, ‘banned weapons list’ for utilization in client portfolios that wish to not be exposed to those firms.
Our 2017 green accomplishments

Certified more than 85% of office area as green space (ENERGY STAR and/or LEED)

Achieved 16.4 percent energy savings over baseline

Goal: Save 20 percent by 2020

Piloted an innovative research study in partnership with the U.S. Department of Energy (DOE) analyzing the value of green buildings in our portfolio and became an inaugural member of the DOE “data lab” to facilitate further research

More than $38.5 million in cumulative avoided energy costs (2008 baseline)

Enhanced and implemented revisions to our Appraisal Scope of Work, which now includes analysis, comparison and evaluation of a property’s high-performing building attributes, energy performance, ENERGY STAR, LEED, and other green building certifications

Industry recognition

- Received an A+ rating from PRI, the highest possible rating, in 2017
- Achieved the Green Star designation for both funds submitted for the fourth consecutive year on the GRESB assessment
- Named a CDP S&P 500 Climate Performance Leader for the fifth consecutive year and ranked in the A- band for 2017 performance
- Ranked among top companies with 1,000+ employees in Pensions & Investments’ Best Places to Work in Money Management for the last six years

Energy STAR Partner of the Year

Earned recognition as a Green Lease Leader by the Department of Energy and Institute of Market Transformation by implementing new green language in leasing agreements

ENERGY STAR Partner of the Year

Participated in the United Nations Principles of Responsible Investment (PRI) annual survey, the Global Real Estate Sustainability Benchmark (GRESB), and Carbon Disclosure Project (CDP) in 2017

Letter from our CEO

Sustain a culture of diversity and inclusion

Doing good in our communities

Providing access to financial security

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More than Certified more than...
Ensuring stability

Governance through effective, independent oversight: It’s an important part of our heritage and success. Each generation of 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. And it applies to all wholly and majority-owned entities of Principal Financial Group around the world. Read it [here](#).

Corporate governance

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

Our current best practices include:

- A majority of independent Directors (11 out of 12)
- Comprising all key committees 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 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 by the independent Directors, with and without the CEO present
- Conducting an annual Board review of senior management long-term and emergency succession plans

Board leadership structure

Our Board is flexible to restructure leadership as needed. Historically, the positions of Chairman of the Board and CEO have been held by two people, or combined and held by one person, depending on circumstances such as tenure and experience of the CEO and the economic and operating environment. 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](#).

“People want to work with companies they can trust.”

– Dan Houston, Chairman, President, and CEO
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 the business units, and an Enterprise Risk Management Committee, composed of members from the executive management team, that provides enterprise wide oversight for material risks. We also have a robust internal audit function.

The Board oversees management’s execution and performance of its risk management responsibilities. The Board also reviews strategic threats, opportunities, and risks Principal and its businesses or functions manage. This includes oversight of credit, market, liquidity, product, operational, cybersecurity, and general business risks that are handled directly by the Board or by Board Committees. Our Board committees include: Audit Committee, Finance Committee, Human Resources Committee, and Nominating and Governance Committee.

The Nominating and Governance Committee monitors risks and mitigation related to our environmental, sustainability, and corporate social responsibilities, as well as our political contribution activities. The committee also monitors whether the Board and its committees have the collective skills and experience necessary to monitor the risks facing Principal.

The Chief Risk Officer and other members of senior management provide reports and have discussions with the Board and its committees regarding our risk profile and risk management activities, including reviews of ongoing adherence to policy, impacts of external events, and how strategy, initiatives, and operations integrate with our risk objectives. The Board also receives input on these issues from external entities, such as our independent auditor and consultants. These activities provide the Board with a greater understanding of the material risks we face, the level of risk in matters presented for Board approval, and how risks are related.

Cybersecurity

Cybersecurity risk is an enterprise-wide concern that involves people, processes, 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 professionals to ensure that it is monitoring cyber threat intelligence and taking the steps necessary to implement needed safeguards and protocols to manage the risk.
Assessing our progress

People are at the heart of our push to solve complex social problems. We regularly assess our initiatives by seeking feedback from internal and external stakeholders. Their recommendations help guide our decision making, ensure we’re tracking toward our ESG goals and looking ahead to what’s next.

Employee Opinion Survey

Each year Principal surveys all employees to better understand their experience. The annual Employee Opinion Survey (EOS) is an important method for collecting feedback and suggestions from employees on a wide range of topics. Results of EOS are used to inform decision making about high-level programs like the campus renovations, child daycare facility, and benefit offerings. It is also used by teams to create local action plans to improve communication, empowerment, and collaboration.

Rankings and Awards

We examine the criteria for third party awards that recognize employee wellbeing and ethical practices, such as Forbes list of America’s Best Employers for Diversity. Out of the 250 companies named to the list, Principal ranked No. 6. According to Forbes, they – in collaboration with Statista – asked 30,000 employees working for large U.S. companies and organizations to evaluate their employers on issues of diversity in the workplace. Participation in the survey was voluntary. Rankings and awards such as these help us review our practices against peers and other leading companies and encourage us to continually evolve our policies to best accommodate employee needs.

Moving forward

This year, we also invited outside partners to participate in a review of our CSR Report. Their feedback – to tie our initiatives to how outcomes change and grow from year to year – will be incorporated in our future reporting, and determine how Principal can better provide information to the public on ESG.

Our goal is to show how Principal’s investments in socially responsible practices progress and create change in the lives of those we serve. We’re listening – to what matters most, and to innovative ideas that continue to bring our business in line with global goals for good.

Contact us

Corporate Social Responsibility

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