



Inspiring change

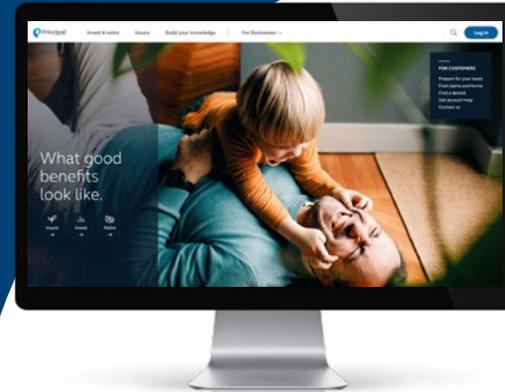
2022 Sustainability Report
Executive Summary

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This is an executive summary of our 2022 Sustainability Report, which focuses on the sustainability issues that are most material to our business and that most affect our stakeholders.

This summary includes data and activities from our global operations for calendar year 2022. Unless otherwise noted, all data is accurate as of December 31, 2022. Our 2022 Sustainability Report is prepared in accordance with the Global Reporting Initiative (GRI) and Sustainable Accounting Standards Board (SASB) standards and in alignment with the Task Force on Climate-related Financial Disclosures (TCFD) and the United Nations Sustainable Development Goals (SDGs).



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

 Get the latest information online: www.principal.com

2022 Sustainability Report

Read more about our actions and achievements against our sustainability strategy, as well as how we've been listening and learning to inspire change.



 Download the 2022 Sustainability Report (PDF)

2022 Global Inclusion Report

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



 Download the 2022 Global Inclusion Report (PDF)

About Principal

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What we do

We help growing businesses, individuals, and institutional clients achieve greater security, find success, and feel confident in reaching their financial goals. Founded in 1879 as a small life insurance company in Des Moines, Iowa, we've become a global leader in retirement and long-term savings, while expanding our insurance business. Principal became a public company over 20 years ago. Today, we're a member of the FORTUNE 500®, serving nearly 62 million customers in more than 80 nations and territories.¹

Our purpose

Everything we do is built around the knowledge that people live their best lives when they feel secure. We strive to understand people's progress, possibilities, and hurdles, and then help them to find a clear path forward.



¹ As of December 31, 2022.

A letter from our CEO

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Principal is driven by a strong commitment to helping more people and businesses gain access to financial security.

We work to increase financial inclusion around the globe, helping people to access useful and affordable financial products and services—from savings and insurance to education and advice. And we weave sustainability into our business to help build a more inclusive and resilient world.

To make sure we do this well, we listen and learn along the way. So, we ask stakeholders what they need and prefer. We watch for things that may impact our success or create new opportunities. And we identify where we need to learn more.

In April 2021, we made long-term sustainability commitments. Since then, we've made good progress in these key areas:

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

Here are some of our 2022 highlights:

- Our first **Sustainable Financing Report*** shows how the money in our inaugural sustainability bond is being invested in eligible green and social initiatives.
- We launched the **Global Financial Inclusion Index²** to better understand the state of financial security and inclusion around the world.
- Our first **Global Inclusion Summit*** brought employees together to hear and share their differing perspectives.
- **Principal® Foundation** contributed over \$17 million in charitable giving to areas that support financial security.
- We expanded our **Sustainability Task Force³**, which helps to oversee our progress on sustainability.

Looking ahead, we'll keep the momentum going in 2023 as we advance inclusive products and services, embed sustainable practices and harness the power of our people.

Dan Houston

Chairman, President, and CEO of Principal



How we define financial security at Principal

We believe that people are financially secure when they can:

- confidently meet current and future financial obligations,
- access emergency savings and protection as needed,
- progress toward long-term financial goals, and
- make confident choices.

* To learn more about these activities, see our [2022 Sustainability Report](#).

2 The [Global Financial Inclusion Index](#) is a proprietary model output based upon certain assumptions that may change, are not guaranteed and should not be relied upon as a significant basis for an investment decision.

3 Formerly the ESG Task Force.

2022 highlights

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

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Environment

Create sustainable practices through long-term, responsible actions.

Scope of coverage for global scope 1 and 2 greenhouse gas emissions (GHG) data collected and reported

100%⁴

86%⁴

Approximate amount of electricity consumed in the U.S. from renewable sources

Waste diverted from landfill through recycling, reusing, and composting

69%⁴



Social

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

Women in leadership positions across all management categories

46%



Global People Inclusion Index (GPII)⁵ score, encompassing authenticity, learning new things, sharing perspectives, and feeling valued and respected

82%

The amount Principal® Foundation⁶ donated to support economic mobility and financial empowerment

\$17M

Governance

Be a good steward of the resources entrusted to us.

One of 135

A 2023 World's Most Ethical Companies[®] honoree⁷

99.9%

Employees that completed training on human rights and human trafficking



62%
8 out of 13

Board of Directors members who are diverse, either by gender, race, or national origin

Investment approach

Drive impact through our investments.

\$600M sustainability bond

Released our inaugural Sustainable Financing Report, summarizing the use of proceeds from our sustainability bond

55%⁸
(approx.)

Assets under management (AUM) managed by Principal Asset ManagementSM that are sustainable investment products

11⁹

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

⁴ 2022 greenhouse gas (GHG) emissions and energy consumption values will be verified in Q2 2023 and final figures will be disclosed in the 2023 CDP. Waste and water data represent U.S. figures only.

⁵ The Global People Inclusion Index (GPII) is a proprietary survey tool measuring employee inclusion at Principal.

⁶ Information within this report is related to Principal Financial Group[®] unless otherwise noted. The Principal Financial Group Foundation, Inc. ('the Principal[®] Foundation') is a duly recognized 501(c)(3) entity focused on providing philanthropic support to programs that build financial security in the communities where Principal Financial Group, Inc. ('Principal') operates.

⁷ 2023 World's Most Ethical Companies[®] honoree designation is awarded by the Ethisphere Institute. Principal received the 2023 designation based on results as of Aug. 2022.

⁸ Principal Asset ManagementSM is the trade name of Principal Global Investors, LLC. AUM representative of Principal Asset Management investment teams as of December 31, 2022. AUM that are sustainable investment products are internally classified by Principal Asset Management and not by any third party or regulatory body.

⁹ Products representative of Principal Asset Management and Principal International investment teams as of December 31, 2022.

Our sustainability strategy and commitments

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

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

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

Activation pillars

1. Advancing inclusive products and services:

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

Focus areas:

- Sustainable investing
- Consumer and product impact
- Financial inclusion

2. Embedding sustainable practices:

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

Focus areas:

- Environmental impact
- Sustainable sourcing
- Governance, ethics, and risk

3. Harnessing the power of our people:

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

Focus area:

- Employee engagement

Sustainability vision

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

Sustainability approach

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



Achieve gender equality and empower all women and girls



Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all



Reduce inequality within and among countries



Take urgent action to combat climate change and its impacts



Revitalize the global partnership for sustainable development

Advancing inclusive products and services

As an asset manager and owner, and provider of benefits, savings, and insurance, we advance inclusive products and services in the following ways:

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

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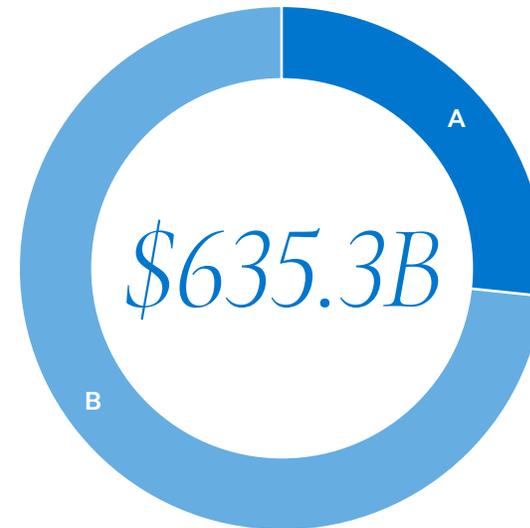
Goal	2022 target	2022 performance	2022	2023 target
<i>Align our sustainable investment strategies with relevant UN Sustainable Development Goals (SDGs) by 2022.</i>	Align with seven SDGs.	Aligned with 13 SDGs.	Exceeded	Goal met
<i>Double the number of diverse small to midsized businesses (SMBs) we support through product access, capital access programs, community development, and financial education by 2025.</i>	Support at least 2,923 diverse SMBs.	Supported over 8,000 diverse SMBs.	Exceeded	2,923 Support at least 2,923 diverse SMBs.

About Principal Asset Management

Our commitment to sustainable investing revolves around our fiduciary responsibility to our clients. Acting in their best interests comes first. Although client demands, products and regulations may differ around the world, our sustainable investing strategy is the unifying factor.

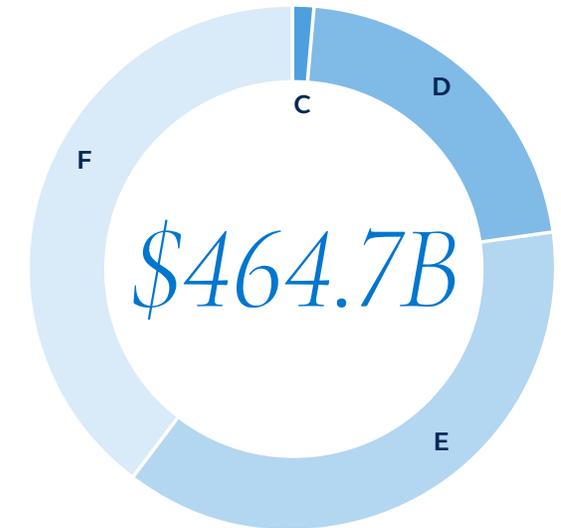
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Principal Financial Group, Inc. total assets under management (AUM) as of December 31, 2022¹⁰



A Principal International and other entities of PFG, Inc. ¹²	\$170.6B
B Principal Asset Management	\$464.7B

Principal Asset Management¹¹ managed AUM by asset class in billions as of December 31, 2022¹⁰



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

¹⁰ AUM as of December 31, 2022. Due to rounding, figures shown may not add to the totals.

¹¹ Principal Asset Management includes the assets held by our general account and specific Principal International asset management businesses. REIT and CMBS AUM are included in real estate figures.

¹² Principal International AUM makes up \$145.2B of the \$170.6B of AUM managed by Principal International and other entities of Principal Financial Group, Inc.

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Sustainable investing milestones in 2022:

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

In 2021, we set a goal to align our sustainable investment products with seven SDGs by 2022.¹³ This year, we exceeded our goal by aligning to 13 SDGs.

There isn't a one-size-fits-all approach to sustainable investing. So we take a client-first approach, empowering clients with choice and confidence. We work closely with our clients to understand what type of engagement and investments best support their values and goals.

Strategy alignment with SDGs¹³

Goal	Product/Strategy alignment	Goal	Product/Strategy alignment
2	<ul style="list-style-type: none"> • Global Sustainable Food Fund 	9	<ul style="list-style-type: none"> • Global Sustainable Listed Infrastructure Fund • Pillars of Responsible Property Investing Initiative • Engagement – Principal Equities • Corporate sustainability bond
3	<ul style="list-style-type: none"> • Muni Impact SMA • Corporate sustainability bond • Pillars of Responsible Property Investing Initiative • Global Sustainable Food Fund 	11	<ul style="list-style-type: none"> • Product – Infrastructure Fund • Pillars of Responsible Property Investing Initiative • Corporate sustainability bond
4	<ul style="list-style-type: none"> • Muni Impact SMA 	12	<ul style="list-style-type: none"> • Pillars of Responsible Property Investing Initiative • Engagement – Principal Equities • Global Sustainable Food Fund
5	<ul style="list-style-type: none"> • Engagement – Principal Equities 	13	<ul style="list-style-type: none"> • Global Sustainable Listed Infrastructure Fund • Pillars of Responsible Property Investing Initiative • Engagement – Principal Equities
6	<ul style="list-style-type: none"> • Global Sustainable Listed Infrastructure Fund • Muni Impact SMA • Pillars of Responsible Property Investing Initiative • Global Sustainable Food Fund 	15	<ul style="list-style-type: none"> • Pillars of Responsible Property Investing Initiative • Claritas Timber Fund
7	<ul style="list-style-type: none"> • Global Sustainable Listed Infrastructure Fund • Corporate sustainability bond • Pillars of Responsible Property Investing Initiative 	17	<ul style="list-style-type: none"> • Principal Financial Group and Principal Asset Management are signatories/participants of organizations committed to promoting sustainability values • Social Impact Bond Fund (Indonesia)
8	<ul style="list-style-type: none"> • Global Sustainable Listed Infrastructure Fund • Pillars of Responsible Property Investing Initiative 		

¹³ SDG aligned sustainable investment strategies include our thematic and impact products as well as our Equity ESG Engagement strategy and our Pillars of Responsible Property Investing initiative.

Our global approach to ESG integration

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Our commitment to sustainable investing stems from the belief that considerations of ESG factors foster relationships with investors and communities by aligning with their values.

Integrating ESG factors can influence investment outcomes by adding climate, regulatory, and environmental risk mitigation to client portfolios. Sustainable investing can also give a broader view of what drives an investment’s risk and return, which may lead to better oversight and governance.

Sustainable investing continuum

We integrate the consideration of ESG factors into our sustainable investing approach across all actively managed asset classes. Each investment team determines how we do this within the underlying asset class.

Principal Life Insurance Company General Account

We also own assets through the general account of Principal Life Insurance Company. Sustainability considerations are important here, too: they are part of the analytical frameworks that our investment teams use. At the end of 2022, approximately 65% of assets under management of the general account had ESG integration.

[To learn more about how our different investment teams apply ESG integration, see page 29 of our 2022 Sustainability Report and read the \[Principal Asset Management Sustainable Investing Policy \\(PDF\\)\]\(#\).](#)

As of December 31, 2022

\$228.3B

ESG Integration— Foundational AUM

\$29.2B

ESG Integration— Enhanced Features AUM

\$95.9M

thematic AUM

\$0.870M

impact AUM

In total, approximately \$257.7B of AUM are sustainable investment products, representing ~55% of assets managed by Principal Asset Management.¹⁴

Sustainable investing continuum

Screening

Using ESG criteria to exclude companies, sectors or practices.

ESG Integration Foundational

Using ESG scores as added factors or filters when choosing investments.

ESG Integration Enhanced Features

Integrating ESG into the investment process and promoting ESG characteristics such as carbon risk management.

Thematic

Investing in sustainability-related themes or assets, for example clean energy or green technology.

Impact

Investment that’s targeted at solving social and environmental problems.

Stewardship and engagement

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

¹⁴ AUM representative of Principal Asset Management investment teams as of December 31, 2022. AUM that are sustainable investment products are internally classified by Principal Asset Management and not by any third party or regulatory body.

Our sustainable investment products

Our sustainable investing strategy is agile and responsive. We have converted and launched funds to meet the growing sustainability expectations of clients and regulators. In 2022, we converted nine existing products to Article 8 status under the SFDR classification system, and launched six products with ESG integration and sustainability features.

International products

We're seeing institutional investors around the world become more interested in sustainable investment products—and we're responding. Our goal for the year was to complete an ESG risk analysis for 100% of our actively managed portfolio in Southeast Asia, which we fulfilled in December.

International milestones:

Brazil. Launched at the end of 2021, Principal Claritas launched the Timber FIP Multi strategy fund, which allows investment in forest areas that produce wood for industrial processing or other purposes. Investee companies must have (or commit to) certification from the Forest Stewardship Council (FSC) or equivalent body.

Hong Kong. We launched two sustainable investment funds: the Principal Sustainable Asian Allocation Fund in January 2022, and the Principal Sustainable Asian Income Fund in December 2021. We plan to convert at least one fund to an ESG fund in 2023.

Malaysia. We increased the number of sustainable investing classified funds we offer from three to five in 2022. One of these, the Islamic Global Responsible Equity Fund (IGRE), has Article 8 status under SFDR and is also the first Shariah-compliant ESG fund offering by Principal. We plan to launch another fund that feeds into the IGRE in 2023.

Thailand. The new Principal Global Equity ESG Fund, which we launched in May 2022, has grown by 1.634% since its inception.

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Principal Asset Management: active ownership and engagement

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

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Active ownership and engagement is essential to our role as active, long-term investors. It includes communicating with senior management and/or boards of companies, voting on shareholder proposals, and maintaining sustainable proxy voting guidelines.

We believe that by encouraging corporations to be sustainability leaders, we can play an active role in the betterment of society. Each of our investment teams has freedom to decide how it engages with companies and industries.

In 2022, we formalized our [Principal Asset Management Stewardship and Engagement Policy Statement \(PDF\)](#), which brings together the work of our various investment teams under one guiding document. It helps to guide how we engage with companies and carry out our stewardship responsibilities.

Proxy voting

Proxy voting is part of the investment process. As shareholders acting on behalf of clients, we are responsible for voting on proxies related to the the portfolio securities. Principal Asset Management has a committee responsible for developing and monitoring our [Proxy Voting Policy \(PDF\)](#) and guidelines across all vote themes, as well as providing oversight of all matters related to proxy voting.

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

During 2022, Principal Asset Management voted in 5,012 out of 5,036 votable meetings, including 19 proxy contests. The votes cast on ballots during the reporting period are aligned with management recommendation in 88% of cases. Across categories, votes cast on management proposals show the closest alignment to the Benchmark Policy guidelines of proxy research and administration provider, Institutional Shareholder Services (ISS).

These include climate change and greenhouse gas emissions, board diversity, sustainability reporting, and ESG compensation-related proposals.

After our Proxy Voting Committee determined in 2021 that additional vote disclosures were needed, we partnered with ISS in the framework for robust disclosure. In 2023, we will produce elevated disclosure materials through our website.

2,200

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

Enabling consumer access to products and financial literacy

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Enabling product equity and access

Financial planning takes in many factors, from age and gender to cultural values and income. We work with these variables to help create inclusive experiences for individuals and businesses. We're working to make it easier to understand and engage with our products and services.

This includes disabilities or impairment support, hearing-impaired resources, language and cultural resources and the use of gender-neutral language. We ensure our materials reflect the diverse populations we serve, including women, people of color, members of the LGBTQ+ community, and other underserved populations.

Designing equitable and inclusive products

In addition to enabling better access to products and services, we also promote equity by providing products that are affordable and customizable. This includes products for small and mid-sized businesses, custom retirement plans, and funds that help people to start their saving journey.

Education and financial literacy

Financial security depends on education, resources, and tools as well as high-quality financial products. We provide a wide range of materials that make financial information and resources more accessible to everyone. Educational materials are available to support people worldwide, including Spanish-language resources and content tailored for Southeast Asia and Latin America.

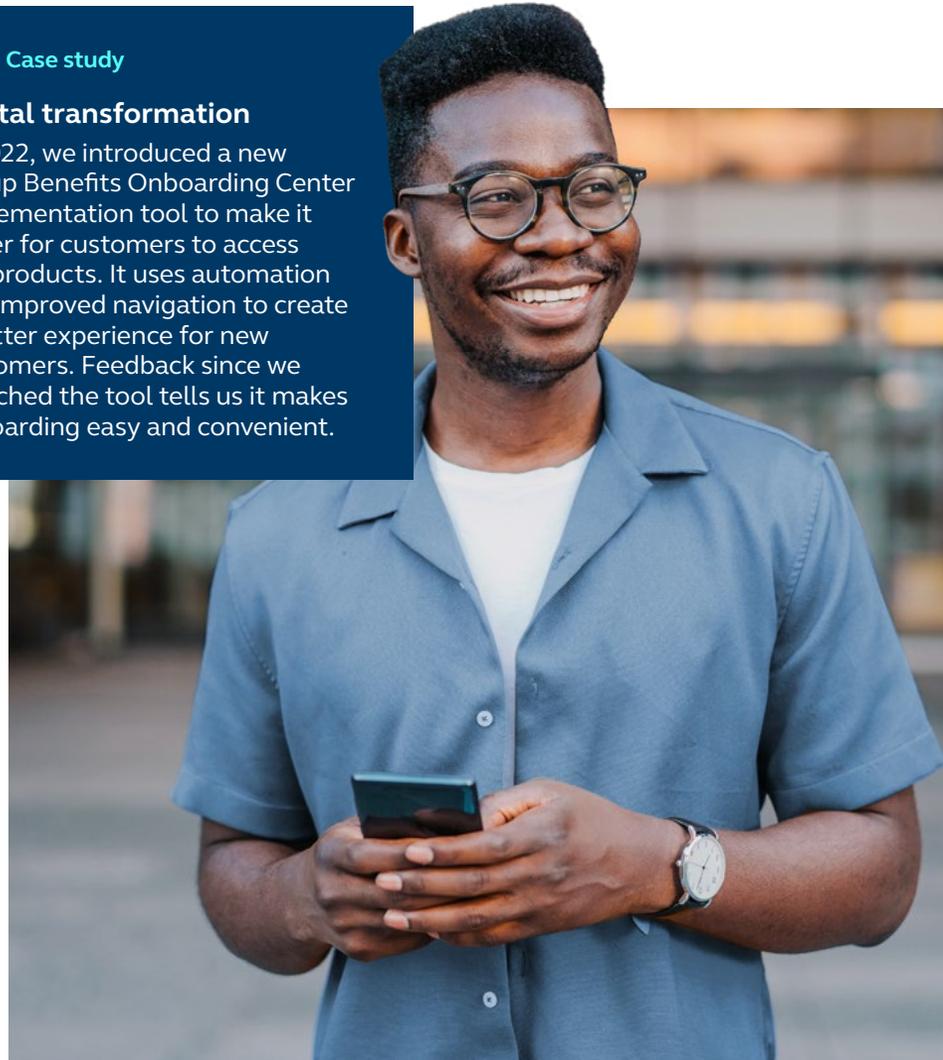
Resources include:

- webinars and seminars on topics including financial wellness,
- culturally relevant Spanish language resources,
- tools to help employers and customers assess their financial plans,
- investment content and knowledge sharing on social media, and
- financial education tailored for the specific challenges that women face.

Case study

Digital transformation

In 2022, we introduced a new Group Benefits Onboarding Center implementation tool to make it easier for customers to access our products. It uses automation and improved navigation to create a better experience for new customers. Feedback since we launched the tool tells us it makes onboarding easy and convenient.



Inclusive financial access

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

8,292

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

Product access

10.4% of our SMB customers in the U.S. are owned by diverse business owners, namely women and people of color.¹⁵

Capital access programs

In December 2022, we announced our support for First Women's Bank (FWB) as a Mission Partner to help provide capital through mission deposits and lending programs to fuel growth for women-owned businesses.

Community development

We hosted a panel discussion with the Small Business Administration (SBA) and Business Forward, and sponsored listening sessions with Inc. Magazine, to help understand the needs of diverse business owners.

¹⁵ Represents small and midsize businesses in the U.S. owned by women or people of color. Not captured here is approximately 0.1% of small and midsize businesses that are owned by people of color who are also women.

Financial education

We deliver webinars on financial education and provide fundings to non-profit organizations that offer SMBs access to capital, coaching in business finance, and financial education.

Extending reach to international markets

Thailand: the Principal Investment Opportunities video series provides investment outlooks, market updates and fund recommendations.

Indonesia: our distribution affiliates host monthly financial educational sessions on social media.

Chile: our Dejando Huella program promotes financial education.

Brazil: through our Claritas Solidária Program, our employees can host financial education and business classes for high school and elementary school students.

Embedding sustainable business practices

We understand the need to embed sustainable, ethical, and equitable policies and practices in our business. It helps to improve governance, drive better social and environmental outcomes, and promote more transparency in our reporting.

We embed sustainable practices across our organization in the following ways:

- protecting the environment,
- promoting sustainable sourcing, and
- ensuring integrity in our business practices.

Goal	2022 target	2022 performance	Status	2023 target
<i>Aim to reduce our global scope 1 and market-based scope 2 GHG emissions by 65% by 2034 and achieve net-zero GHG emissions by 2050.</i>	Aim to reduce our global scope 1 and market-based scope 2 GHG emissions by 4.3%.	Decreased our global scope 1 and market-based scope 2 GHG emissions by 30.3% from our 2019 baseline.	On track	4.3% Aim to reduce our global scope 1 and market-based scope 2 GHG emissions by 4.3%, our annual glidepath goal.
<i>Support diverse entrepreneurs in the U.S. through intentional supplier diversity strategies and best practices.</i>	Source 9% of eligible U.S. spend with diverse suppliers.	Sourced 7.4% of U.S. spend with diverse suppliers.	Almost met	\$53.2M Spend \$53.2M of eligible U.S. spend with diverse suppliers.

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Managing climate impact

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

Climate transition

We made significant progress on our climate goals in 2021 by launching a global energy and GHG data collection project, which now enables us to monitor and report global scope 1 and 2 emissions for all Principal owned and controlled facilities.

Using our new global scope 1 and 2 GHG emissions baseline, we have updated our emissions reduction commitment from a U.S. to a worldwide scope.

Starting from a 2019 baseline, we aim for a 65% reduction in our global scope 1 and market-based scope 2 GHG emissions by 2034 and to achieve net-zero GHG emissions by 2050. Our 65% reduction target over a 15-year period aligns with the Science Based Targets initiative's (SBTi) 1.5°C scenario.

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

In December, Principal maintained 'Management' status for environmental stewardship from the Carbon Disclosure Project. We received a B rating on our 2022 CDP Climate Change Report, higher than the global, North American and Financial Services sector averages.

Scope 3 GHG emissions¹⁶

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

¹⁶ Scope 3 GHG emissions data for FY2021 can be found in the 2022 CDP. 2022 data will be verified in Q3 2023, and final figures disclosed in the 2023 CDP.



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Improving operational environmental performance

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

To reduce our environmental impact, we have established a system and policy that is modeled after ISO14001 and designed to:

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

Energy and GHG emissions

From 2021-2022, our net energy consumption increased by 1.9% globally and fell by 1.4% in the U.S. We pursue opportunities to invest in energy-efficient systems and technologies to help reduce our energy use.

Renewable energy

In the U.S., 58% of our energy and 86% of our electricity comes from renewable sources. Globally, nearly 50% of our energy is from renewables. We have a long-standing partnership with MidAmerican Energy, our utility provider in Des Moines, Iowa, which aims to deliver 100% renewable energy to customers by 2025.

Water consumption

Wherever possible, we use practices that meet or exceed Leadership in Energy and Environmental Design (LEED®) guidelines for water efficiency and implement water reduction measures wherever possible. In 2022, site closures contributed to a reduction of approximately 1,900 kGal of water.

Green buildings

We use LEED® certification to ensure efficient and healthy work environments. Of the Principal owned and occupied portfolio in Des Moines, 93% is LEED® certified, as measured by square footage.

Waste and recycling

In 2022, we diverted 69% of our hazardous and non-hazardous waste produced at our U.S. facilities through recycling, donating, and composting efforts, with 100% of our hazardous waste being recycled. We also diverted approximately 14,200 pounds of food waste from landfill and donated 31,251 pounds of furniture from construction and renovation projects.



Supplier diversity and supply chain management

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

U.S. diverse spend breakdown

Diverse spend in the U.S. ¹⁷	2021		2022		2023
	Target	Actual	Target	Actual	Target
<i>Total (in \$millions)</i>	\$69.5	\$68.4	\$79.5	\$65.8	\$53.2

¹⁷ The reporting model changed from a percentage to an absolute dollar value to more accurately reflect the growth of our eligible spend base and impact of our diverse supplier program.

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

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

2022 program highlights

In 2022, our supplier diversity team met with each business unit to share details and gain feedback about our supplier diversity plans. Their feedback, which we will incorporate into our 2023 program, included having resources to: understand supplier diversity, find diverse suppliers, and get metrics and ‘wins’ to share with clients and suppliers.

Looking ahead to 2023

In 2023, we aim to source at least 5.8% of eligible spend in the U.S. from diverse suppliers, amounting to \$53.2 million through tier 1 and tier 2 spending.

We hope to reach this goal with the following actions:

- develop diverse spend goals for each business unit,
- include progress on supplier diversity in the U.S. Diversity Index, which counts toward employee incentive pay,
- monitor and frequently update on supplier diversity progress,
- embed supplier diversity discussions into standard procurement practices,
- build and maintain a robust and qualified diversity spend pipeline, and
- develop data sharing agreements with all existing and new top 100 suppliers.

Supply chain management

In 2022, we updated our Global Supplier Code of Conduct with more robust expectations and guidelines for environmental, social, and governance performance. We identified specific vendors that will be subject to routine risk evaluations, and evaluated supply chain management solutions that we aim to implement in 2023. All suppliers are evaluated with our NAVEX Risk Rate tool during onboarding for risk-based due diligence.

Our approach to corporate governance

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Board leadership structure

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

Role of Board in risk oversight

The Nominating and Governance Committee monitors risks and mitigation related to our environmental, sustainability, and corporate governance responsibilities. It also oversees the company's sustainability strategy.

The Enterprise Chief Risk Officer and other senior managers report to the Board and its Committees about our risk profile and risk management activities. The Board also receives input from external entities such as our independent auditor and consultants.

Board diversity

We have a diverse and inclusive Board. When it recruits new directors, the Nominating and Governance Committee reviews the Board's diversity for characteristics including age, race, gender, national origin, background, experience, and areas of expertise. Our Board diversity policy is reviewed annually.

[↗](#) For information on our Enterprise Risk Management approach, see pages 74-75 of the [2022 Sustainability Report](#).

Directors are independent

12/13



Directors identify as a woman

5/13



Directors identify as a person of color

2/13



Directors are diverse in their national origin

2/13



Maintaining an ethical culture

We regularly survey our employees about our culture of ethics. In 2022, results from our third annual ethical culture survey reflected our employees’ belief in our commitment to maintain a strong ethical culture, adhering to our core values and assuring we do what’s right. We regularly benchmark our Ethics and Compliance Program through our membership of the Business Ethics Leadership Alliance (BELA).

The 2022 survey results identified that employees wanted more education and awareness on specific topics covered in the survey. In response, we’re working with leaders across the enterprise to enhance communications with employees, using articles, blog posts, videos, and information on key ethics topics.

Training on our Global Code of Conduct

All employees must complete annual computer-based training and acknowledgment related to our Global Code of Conduct. In 2022, 99.9% of active employees completed the training, which included human rights and human trafficking, economic sanctions, insider trading, antitrust and competition laws, social media and news media, and reporting violations of the Global Code of Conduct.

Ethics Hotline

To report concerns about unethical or fraudulent activity relating to Principal, employees, customers, or business partners can use our Ethics Hotline by phone (U.S. only) or online (globally). Both offer anonymous options where allowed. Anonymous concerns go directly to a third party not affiliated with Principal.

We regularly remind employees about using the Ethics Hotline. All submissions are fully investigated.

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

We mandate annual training on anti-bribery and corruption (AB&C) for employees, and conduct AB&C risk assessments. In 2022, Board members and executive and senior management teams received materials on AB&C risks associated with our business. Board members are provided annual

training on the Global Code of Conduct, with AB&C a scheduled topic every third year. No charges were filed by any regulator against Principal for corruption in 2022.

In our aim to empower our employees to feel safe within the communities where they live, we continue to conduct advocacy work, public policy outreach and equip our enterprise safety & security (ES&S) team.

[Read more about this work in the 2022 Sustainability Report](#) on pages 79-80.



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Cybersecurity and data privacy

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Cybersecurity

We understand the nature of cyber threats and the importance of being able to defend against and respond to them. As a result, cybersecurity is treated as a Board-level matter and overseen by the full Board of Directors. In our systems and applications, we continuously test for and resolve weaknesses and vulnerabilities using network and infrastructure vulnerability testing, dynamic application security testing, static application security testing, and adversary emulation. Principal also undergoes a third-party assessment of our information security program maturity every two years. Our controls are frequently updated and refined based on learnings from regular red team engagements and daily analysis by threat hunters. All operations are enriched through a dedicated cyber threat intelligence function.

Data privacy

In 2022, our enterprise privacy office worked to update our digital privacy policies, increasing accessibility and ease of use.

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

Our business and technology partners are expected to complete privacy assessments for any new use of personal data.

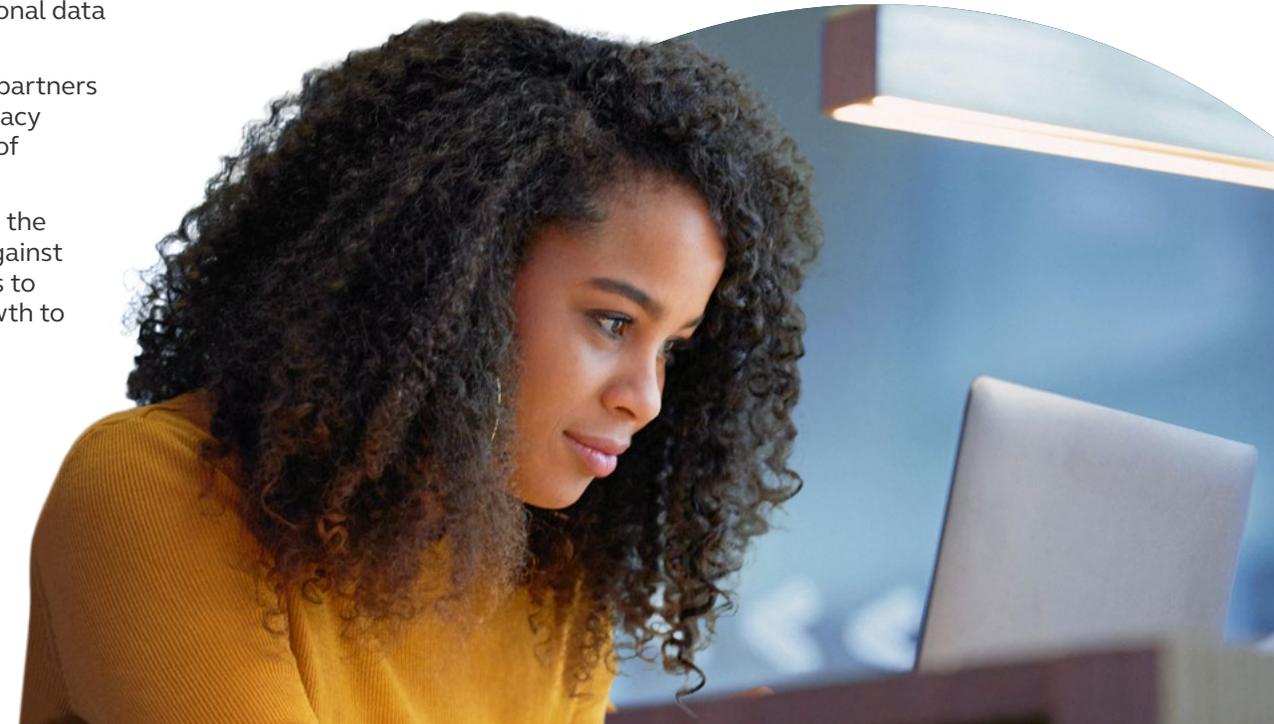
In 2023, we aim to benchmark the Enterprise Privacy Program against industry standard frameworks to help identify key areas of growth to strengthen the program.

Updates in 2022

- More accessibility and ease of use for our privacy center
- New Global Privacy Statement replaced digital privacy policy
- 93% of new hires completed cybersecurity trainings
- 3,163 employees participated in secure software training

Board role

Information security is a Board-level topic, so quarterly Board reports include key metrics, an overview of the threat landscape, progress on strategic initiatives, and timely awareness topics. This approach has contributed to us not experiencing any significant security incidents in our more than 140-year history.



Harnessing the power of our people

We foster a culture that empowers our employees and brings out the best of our leadership. We're focused on building a more diverse, equitable, inclusive, and engaged workforce while providing clear pathways for development, growth, and mobility.

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Goal	2022 target	2022 performance	Status	2023 target
<i>Annually achieve a score of 80% or above in our proprietary Global People Inclusion Index.</i>	Achieve a score of 80% or above on our Global People Inclusion Index.	Reached a score of 82% on our Global People Inclusion Index.	Exceeded	80% Achieve a score of 80% or above on our Global People Inclusion Index.
<i>Annually score 100% on our proprietary U.S. Diversity Index.</i>	Achieve a score of 100% on our U.S. Diversity Index.	Reached a score of 103.1% on our U.S. Diversity Index.	Exceeded	100% Achieve a score of 100% on our U.S. Diversity Index.

Global inclusion in the workplace

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Our objective is to have a more diverse, equitable and inclusive workforce, enhance our sustainability strategy, and ultimately accelerate business growth. The global inclusion strategy outlines our multi-year path toward these objectives and is fueled by key results: the Global People Inclusion Index, Engagement Index, and U.S. Diversity Index.

Global People Inclusion Index (GPII)

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

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

Engagement Index

Our Engagement Index measures employee satisfaction across our global workforce. In 2022, we maintained a strong level of employee satisfaction with a score of 78% and an 80% response rate. Our score indicates that across the questions that make up our

Engagement Index, 78% were positive responses. Our target is to reach an Engagement Index of 79% in 2023. Priorities based on our 2021 feedback include building our employee value proposition and our mentoring program, reducing our people of color turnover rate and highlighting how we provide work/life flexibility.

U.S. Diversity Index

To measure diversity, our proprietary U.S. Diversity Index comprises 17 metrics and measures progress and areas of opportunity. Employee representation makes up 85% of the weighted metric, with the remaining weight focused on areas like employee education and supplier diversity. We exceeded our U.S.

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

Growth in diversity

Women make up 46% of our management team, 45% of our senior management team, and 38% of our executive management group. At the end of 2022, women comprised 54.3% of our workforce. From 2021 to 2022, people of color in senior management positions increased from 12.5% to 18%. Nearly 8% of people in management positions are people of color, up from 7% in 2021. Representation of people of color in our total workforce increased from 14% to 16%.

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

Globally, our workforce spans five generations.

Pay equity

We conduct an annual global pay audit to identify unexplained differences in pay between employees doing similar work in commensurate positions. While we do not currently disclose the results of our pay audit, we are proud that our gender and racial pay equity performance aligns with our non-discriminatory compensation philosophies. To promote pay transparency, in 2022 we began posting the minimum and maximum salary ranges for all open positions in the U.S.

[To learn more about the specific inclusion initiatives we undertook in 2022 see page 90 of our **2022 Sustainability Report**, or read our **2022 Global Inclusion Report**.](#)

Attracting and retaining talent

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Attracting talent

To deliver on our purpose and make the greatest impact we can on the world, we aim to equip our teams with the best talent in the market. We use a range of strategies to do this, from proactively reaching out to top talent and building our employer brand to using data analytics and focusing on early-career roles. To give every candidate an equal opportunity, we offer training to teach interviewers and partners how to mitigate bias.

In 2022, approximately 55% of new hires were in international locations, and 45% were in the U.S. The total number of new hires globally was 4,725. In the fourth quarter of the year, 40% of our hires were diverse.

Retaining talent

By emphasizing what our employees value most, our employer value proposition helps us to proactively engage and retain an inclusive workforce. It's focused on building a collaborative culture, taking a tailored approach to life and work, valuing people's contributions, and providing valuable opportunities and rewards.

In 2022, we introduced a scorecard to measure culture, talent attraction, employee retention, leadership, and development. We met our 2022 goal to keep turnover below 23%. Between 2021 and 2022, our global turnover improved from 24% to 21%, and our U.S. turnover remained steady at 13%. To gain greater insight into why people choose their career elsewhere, we introduced a company-wide exit survey in 2022, enabling us to better understand turnover trends and rationales.

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

[Read more about how we're focused on retaining talent on pages 96-100 of the 2022 Sustainability Report.](#)

Case study

2023 Best Place to Work in IT – Computerworld

The need to hire top talent permeates all our fields, especially IT.

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

Recognized by Computerworld for 2022 data.

[Read more about how we attract talent on page 95 of the 2022 Sustainability Report.](#)



Leadership and development

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We provide opportunities and encourage all our employees to continuously develop. We do so in a variety of ways, including formal development opportunities, experiential and on-the-go education, and professional relationship building.

Learning and growth opportunities

Principal employees can access a variety of opportunities, including onboarding and core job training, cross-job and life skills training, leadership training, short-term growth assignments and educational assistance.

Performance reviews

We aim to promote a culture of feedback between employees and managers. In 2022, 95% of global employees received a rating as part of an annual performance review process.

Feedback and learnings

Following feedback from our Voice of the Employee program, we are currently developing tactics to support the development of skills in several

areas: data and analytics, customer centricity, automation, agility, and setting and working with objectives and key results.

Early and middle-level career development programs

Our programs help build valuable connections and financial capability for students and young adults looking to enter the workforce, and develop our leadership pipeline.

These programs include iJAG partnership, collegiate internship program, Management Leadership for Tomorrow, Sales Development Program and Leadership Development Program.

 Read more about our approach to Leadership & Development on pages 101-104 of our [2022 Sustainability Report](#).



Supporting our communities

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

Goal	2022 target	2022 performance	Status	2023 target
<i>Principal® Foundation will invest \$30 million between 2021 and 2022 to help meet basic needs, develop pathways toward economic mobility, and support financial empowerment and development, focusing on entrepreneurs, small businesses, and diverse populations.</i>	Invest \$15 million.	Invested \$17 million.	Exceeded	Goal met

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Our work in the community and our community investments

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Our work in the community

Through the Principal Gives Back program, employees access volunteer opportunities and incentives, and match giving. In 2022, we extended volunteer incentives worldwide, enhanced our Dollars for Doers and Dollars for Teams programs, and increased the number of sponsored volunteer opportunities related to employees' interests. Employees generated over 59,000 volunteer hours in 161 cities around the world.

Our community investments

In 2022, Principal Foundation increased the number of charitable organizations it supports to 145, up from 75 in the previous year. These organizations all work in at least one of four focus areas: providing basic needs, offering financial empowerment programs, expanding access to capital and financial products, and fostering social and cultural connections.

¹⁸ One hour of recorded, employee volunteering will earn a \$25 reward, which is then made available in the employee's giving account with a \$1,000 annual cap. These earned rewards can be dispersed to eligible organizations of the employee's choice.



59,708

volunteer hours logged by Principal employees

\$4,334,614

matching dollars given to eligible organizations by Principal Foundation

\$501,607¹⁸

volunteer grants given by Principal Foundation

145+

charitable organizations funded by Principal Foundation in 2022



Principal Financial Group®

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

Principal Global Equities Investors is a specialized investment management team within Principal Global Investors.

Principal Global Fixed Income is a specialized investment management team within Principal Global Investors. Principal Global Asset Allocation is involved in the creation of asset allocation solutions and is responsible for the initial selection and ongoing monitoring of affiliated and unaffiliated investment managers. Principal Global Asset Allocation is an investment management team within Principal Global Investors.

Reference to a specific investment or security does not constitute a recommendation to buy, sell, or hold such investment or security and is provided for illustrative purposes. Expressions of opinion and predictions are accurate as of the date of this communication and are subject to change without notice.

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Principal Financial Group Foundation, Inc. (“Principal Foundation”) is a duly recognized 501(c)(3) entity focused on providing philanthropic support to programs that build financial security in the communities where Principal Financial Group, Inc. (“Principal”) operates. While Principal Foundation receives funding from Principal, Principal Foundation is a distinct, independent, charitable entity. Principal Foundation does not practice any form of investment advisory services and is not authorized to do so.

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Principal Claritas

Additional information related to Brazil

Stewardship Report for 2022



Over a century of experience

Principal Financial Group (PFG) offers **asset management, retirement services, and insurance solutions** to institutional clients, businesses, and individuals worldwide.

ABOUT PRINCIPAL FINANCIAL GROUP

Meeting the needs of **more than 51 million** customers who rely on expertise in retirement, insurance, and asset management.

Attracting, developing, and retaining a global workforce of more than **18,500 employees** located in offices **across 25 nations and territories**.

Giving back to the communities where PFG employees live and work, **supporting programs that assist people learn more, earn more, and save more.**

Founded in 1879 and a member of the Fortune 500®, PFG delivers value for its shareholders, who have placed their trust in them (**Nasdaq listed, “PFG”**).

Industry leadership and recognition

The No. 3 defined contribution plan service provider¹ and the No.1 defined benefit plan service provider.²

Included in Fortune Magazine’s **World’s Most Admired Companies of 2022** from 670 companies considered worldwide.

One of the **100 Most Sustainable Companies 2023**.³

As of December 31, 2022. ¹PLANSPONSOR Recordkeeping Survey (July 2021). ²PLANSPONSOR Defined Benefit Administration survey (May 2021). ³Barron’s January 2023. Out of 100 companies assessed in 2021. Compensation was paid to Barron’s for rights to publicize the award and use it in marketing materials.

Pioneer in independent resource management in Brazil

Multi-product manager who has been in the market for 23 years, and has a senior and long-lasting team, which aims to deliver solid and consistent results.

COMMITMENT TO CORPORATE GOVERNANCE

Signatory of the Princípios de Investimentos Responsáveis (“PRI”).

Adherent to the Brazilian Stewardship Code of AMEC.

Managers who are members of the Councils of ANBIMA.

Alignment with ESG practices.

As part of Principal®, we have best practices in risk control and compliance, and we have members of PFG sênior Management in the Claritas Board of Directors.

Top rating by Moody's Local MQ1.br, which rates the management of Principal Claritas as excellent.

MOODY'S
LOCAL
MQ1.br (Excelente)

Signatory of:



ESG Committee

Principal Claritas maintains a corporate governance dedicated to promoting the appropriate treatment of the stewardship program in Brazil, as well as its objectives, monitoring and proposition of improvements:



ERNESTO LEME – CHIEF COMMERCIAL OFFICER

He is responsible for all the firm's distribution channels and marketing at Principal Claritas. He is member of the Directors Board, Executive, Senior Investment and Risk and Compliance Committees and chairs the Wealth Management and the Commercial and Products Committees. He joined the company in 2008 as CEO of Principal Claritas Wealth Management strategy. He has more than 31 years of experience in financial market. He started his career at Citibank and worked for many other companies as Banco Matrix, DLJ (Donaldson, Lufkin & Jenrette) in New York, Goldman Sachs Private Wealth Management Division – Zurich and Geneva and UBS Pactual. He received an MBA from Harvard Business School, a finance post graduate degree from Fundação Getúlio Vargas (FGV) and bachelor's degree in engineer from Universidade Estadual de Campinas (Unicamp).



HELDER SOARES – CHIEF INVESTMENT OFFICER

He holds a bachelor in Business Administration from Getulio Vargas Foundation (FGV) and Economics from University of São Paulo (USP). He began his career as an investment equity analyst at Banco Patrimônio in 1992. In 1994, he moved to Banco Matrix, where he became a partner responsible for equity operations. In 2001, he joined Principal Claritas to serve as Equity Portfolio Manager. Currently, he is Claritas' CIO. Helder is a member of the Board of Directors, Executive Committee and Senior Investment Committee. He is the founder and chairman of Association of Investors in the Capital Markets (AMEC), an association focused on the defense of minority shareholders' rights in Brazil.



EDUARDO MORAIS, CFA – PORTFOLIO MANAGER (EQUITY)

He holds the CFA designation and holds a BA degree in Economics from Federal University of Rio de Janeiro (UFRJ). Eduardo started his career in 1998 at Banco Matrix as an equity analyst and portfolio manager. Joined Principal Claritas in 2002.



DANIEL ALMEIDA, CFA - RESEARCH MANAGER

He holds the CFA designation and holds a bachelor in Mechanical and Aeronautical Engineering from Technological Institute of Aeronautics (ITA). In 2003 he began his career in derivatives and arbitrage trading at Santander Bank. In 2004 he Joined Principal Claritas as equity analyst and trader. In 2017 he left Claritas to work as VP and project leader at Parthenon Group. In 2021 he returned to Principal Claritas as Head of Equity Research.

ESG Committee



THIAGO FIDALGO – CHIEF RISK AND COMPLIANCE OFFICER

He graduated in Economics from USP. It has certifications such as FRM (GARP) and CAIA. With more than 23 years of experience, he has worked for companies such as Santander, FRAM Capital, and Votorantim Wealth Management. In 2015, he joined Claritas as head of the Risk area.



DAMONT CARVALHO – PORTFOLIO MANAGER MACRO

BA degree in Business Administration – Mackenzie/SP, Brazil and MBA in Finances. Started his career at Chase Manhattan Asset Management/JP Morgan Asset Management working in several positions related to fixed income and hedge fund from 1996 to 2003. In 2004 worked as VP responsible for Hedge Funds at ABN AMRO Asset Management. In 2005 worked at Fator Administração de Recursos (FAR) in several positions related to fixed income and derivatives and before leaving the company was head of the asset. In 2012 joined Claritas in the portfolio management of Macro strategies. As well as he is also Member of the Senior Investment Committee.



LUIS RODRIGUES – PORTFOLIO MANAGER CREDIT

Bachelor degree in Mechanical Engineer from UNICAMP and master in Economy from FGV – Fundação getulio vargas. In 2011, began his carrer at BNP Paribas, working as a fixed income trader. In 2014 became credit portfolio manager for BNPP AM funds.in 2019, joined Principal Claritas serving as credit portfolio manager.



BÁRBARA REJANI – HEAD OF LEGAL AND COMPLIANCE

She is a Lawyer graduated from Universidade Presbiteriana Mackenzie and holds a Master of Laws (L.L.M) degree from Insper University in Sao Paulo, with a focus on Financial and Capital Markets. She began her career in 2011 at Banco Bradesco, where she spent over three years. In March 2015, Barbara joined Principal Claritas in the Legal and Compliance Departments. She serves as the DPO (Data Privacy Officer), responsible for ensuring compliance with the Brazilian General Data Protection Law (LGPD). She is also a member of the Risk and Compliance Committee, Asset Allocation Committee, ESG Committee and serves as the Secretary of the Board of Directors.

ESG Committee

The frequency of meetings is, ordinarily, every six months, with the possibility of having extraordinary meetings. The materials used for the Committee's discussion are formalized and filed internally.

Among the subjects discussed with at the Committee's meetings:

- ✓ regulatory updates on sustainability;
- ✓ the news being discussed in working groups and external forums in which part of the Committee members participate;
- ✓ the applicability and/or possible interest in adherence to regulatory innovations and national and international guidelines that are being discussed in the market;
- ✓ expected timeline for the ongoing implementation of the Stewardship principles;
- ✓ alignment of possible adherence to new objectives within Claritas and/or in the funds under its management;
- ✓ eventual feedbacks from institutional clients, partners and services providers;
- ✓ among others.

Notwithstanding the dedicated governance structure, the “owner” of the project at Principal Claritas is Bárbara Rejani, who is responsible for organizing the topics to be addressed, coordinating meetings and propose discussions to ESG Committee members.

Depending on the decisions taken in the Committee meetings, the person responsible for the project will address the implementation with different areas, if necessary. For instance, when the Committee's decision was taken to include the classification of "funds that integrate ESG issues" in some strategies of the funds under Principal Claritas' management, it was necessary to involve the company's products and marketing area to update the documents and materials of the funds, aligned with the management team, which was done by the person in charge.

ESG Committee

During the ESG committee meetings related to 2022, it was discussed, among other items:

- ✓ Development of ESG topic in the Brazilian regulation.
- ✓ ANBIMA ESG Guide:
 - ✓ Requirements applicable for the asset managers
 - ✓ Requirements applicable for the investment funds
 - ✓ Rules and Procedures for Substantiable Investment Funds
 - ✓ Rules and Procedures for Funds that integrates ESG factors in its Investment process
- ✓ Principal Claritas Funds which would be applicable
 - ✓ Adaptation processes: operational and documental
- ✓ AMEC and PRI:
 - ✓ Annual report feedback
 - ✓ Analysis and suggestions of improvements
- ✓ Principal Claritas Social and Environmental Responsibility Policy: annual review
- ✓ PCAF: suggestion of adherence
- ✓ Diversity: suggestion for hiring consultant for a lecture about diversity topic for all employees
- ✓ Distributors, clients and partners: feedback, rating compared to the peers and discussion of the demands for Social and Environmental aspects.

Transparency to the annual reports

Aiming to provide transparency to the activities carried out by Principal Claritas in relation to the Stewardship Code and the evolution in adherence to the principles, the annual reports are available on its website through the links below:

Relatório de Stewardship

RELATÓRIO REF. 2021 - CÓDIGO AMEC DE STEWARDSHIP

2021 CLARITAS REPORT - STEWARDSHIP AMEC CODE

2020

2019

2018

2017

[Stewardship Report](#)

Signatory of:



[PRI Public Transparency Report](#)

In addition, Principal Claritas formalizes its Social and Environmental Responsibility Policy, which is public and can be accessed on Principal Claritas website

POLÍTICA DE RESPONSABILIDADE SOCIOAMBIENTAL

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY POLICY

[Social and Environmental Responsibility Policy](#)

Proxy voting policy

Principal Claritas regularly reviews its Voting Policy to ensure that it remains up to date with the necessary requirements and principles for exercising voting rights at general meetings of the investment funds it represents.

As a representative of the investment funds under its management, Principal Claritas exercises the right to vote at these general meetings, always considering the interests of the funds and shareholders and acting with the utmost care and diligence required by the circumstances. Therefore, Principal Claritas votes in favor of the resolutions that will give value to the assets that make up the fund's portfolio, seeking to consider the risks and returns of the assets.

To effectively manage and track meetings and votes, Principal Claritas has established procedures that include maintaining a detailed internal spreadsheet documenting the participating funds, providing justifications in cases where the manager abstains from voting, utilizing the Remote Voting Document, and fostering increased collaboration with the custodian of funds managed by Principal Claritas to enhance efficiency and effectiveness in representation. All voting decisions made by Principal Claritas are public and can be accessed on the company's website.

Through the provided link to Voting Decisions, interested individuals can verify whether the votes were in favor, against, or abstentions:

[Voting Decisions](#)



Proxy voting

Please find below the list of companies that Principal Claritas voted in the shareholder meetings during 2022:

MBLY JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA MOBLY S.A. – 30/04/2022	VALE JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA VALE S/A – 29/04/2022	RRRP JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA 3R PETROLEUM ÓLEO E GÁS S.A. – 29/04/2022	MULT JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA MULTIPLAN EMPREENDIMENTOS IMOBILIÁRIOS S/A – 29/04/2022	VBBR JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA VIBRA ENERGIA S.A – 28/04/2022	VAMO JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA VAMOS LOCAÇÃO DE CAMINHÕES, MÁQUINAS E EQUIP. S/A – 28/04/2022	SIMH JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA CIA SANEAMENTO BÁSICO DO ESTADO DE SÃO PAULO – 28/04/2022	SBSP JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA CIA SANEAMENTO BÁSICO DO ESTADO DE SÃO PAULO – 28/04/2022
MRVE JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA MRV ENGENHARIA E PARTICIPACOES S.A – 29/04/2022	CURY JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA CURY CONSTRUTORA E INCORPORADORA S.A. – 29/04/2022	CSAN JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA COSAN S.A. – 29/04/2022	CPFE JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA CPFL ENERGIA S.A. – 29/04/2022	BBAS JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DO BANCO DO BRASIL S/A – 28/04/2022	B3SA JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA B3 S/A – 28/04/2022	ASAI JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA SENDAS DISTRIBUIDORA S/A – 28/04/2022	SUZB JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA SUZANO S/A – 27/04/2022
COGN JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA COGNA EDUCAÇÃO S/A – 29/04/2022	BCAV JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA COMPANHIA BRASILEIRA DE ALUMÍNIO – 29/04/2022	BRAP JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA BRADESPAR S.A. – 29/04/2022	BBSE JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA BB SEGURIDADE PARTICIPAÇÕES S.A. – 29/04/2022	RAIL JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA RUMO S/A – 27/04/2022	LREN JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA LOJAS RENNERT S/A – 27/04/2022	JSLG JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA JSL S/A – 27/04/2022	ENGI JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA ENERGISA S/A – 27/04/2022
ITSA JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA ITAUSA S.A. – 29/04/2022	ELET JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA ELET BRAS S/A – 28/04/2022	DXCO JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA CURY CONSTRUTORA E INCORPORADORA S.A. – 28/04/2022	YDUQ JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA YDUQS PARTICIPACOES S.A. – 28/04/2022	WEGE JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA WEG S/A – 26/04/2022	VIVT JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA VIA S.A. – 26/04/2022	VIIA JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA VIA S.A. – 26/04/2022	MOVI JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA MOVIDA PARTICIPAÇÕES S/A – 26/04/2022

Proxy voting

ITUB JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA ITAU UNIBANCO HOLDING S/A - 26/04/2022	HYPE JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA HYPERA S/A - 26/04/2022	EMBR JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA EMBRAER S/A - 26/04/2022	BEEF JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA MINERVA S/A - 25/04/2022	MYPK JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA IOCHPE MAXION S.A. - 14/04/2022	UGPA JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA ULTRAPAR PARTICIPAÇÕES S/A - 13/04/2022	RAPT JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA RANDON S/A IMPLEMENTOS E PARTICIPAÇÕES - 13/04/2022	PETR JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA PETROLEO BRASILEIRO S/A - PETROBRÁS - 13/04/2022
HAPV JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA HAPVIDA PARTICIPAÇÕES E INVESTIMENTOS S/A - 25/04/2022	GOAU JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA METALURGICA GERDAU S.A. - 25/04/2022	ABEV JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA AMBEV S.A - 29/04/2022	CYRE JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA CYRELA BRAZIL REALITY S/A - 22/04/2022	ALUP JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA ALUPAR INVESTIMENTO S/A - 11/04/2022	JHSF JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA JHSF PARTICIPAÇÕES S/A - 05/04/2022	ODPV JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA ODONTOPREV S/A - 04/04/2022	SULA JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA SUL AMÉRICA S/A - 30/03/2022
JBSS JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA JBSS S/A - 22/04/2022	UNIP JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA UNIPAR CARBOCLORO S.A. - 20/04/2022	PRIQ JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA PETRO RIO S/A - 20/04/2022	NTCO JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA NATURA&CO HOLDING S/A - 20/04/2022	TIMS JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA TAURUS ARMAS S/A - 29/03/2022	BRFS JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA BRF S/A - 28/03/2022	POSI JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA POSITIVO TECNOLOGIA S.A - 25/03/2022	KLBN JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA KLabin S/A - 23/03/2022
TOTS JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA TOTVS S/A - 19/04/2022	TASA JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA TAURUS ARMAS S/A - 19/04/2022	LOGG JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA LOG COMMERCIAL PROPERTIES - 19/04/2022	CCRO JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA CCR S/A - 19/04/2022	BBDC JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DO BANCO BRADESCO S/A - 10/03/2022	CMIG JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA CIA ENERGETICA DE MINAS GERAIS - 25/02/2022		
BRKM JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA BRASKEM S/A - 19/04/2022	GGBR JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA GERDAU S/A - 19/04/2022	MGLU JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA MAGAZINE LUIZA S/A - 18/04/2022	RADL JUSTIFICATIVA DE VOTO EM ASSEMBLEIA DA RAIA DROGASIL S.A - 14/04/2022				

Proxy voting – monitoring

- ✓ Principal Claritas' Proxy Voting process starts with verification on custodian portals or on B3's news system about Meetings whose deadline is closer. Within the weekly stipulated timeframe, we separate all Shareholder's Meetings (and their respective ballot papers, if applicable) and carry out a verification with the position of our funds.
- ✓ If there is indeed a position on the part of any fund, such meeting (or ballot paper in most cases) is separated for qualitative evaluation by the manager for later completion. Each of the ballots is completed manually and sent to our representatives for signature.
- ✓ Afterwards, we forward the newsletters to the custodian, either on a specialized platform (eg BNY Mellon) or to an e-mail key reserved for this purpose. After the conference by the responsible employee, we are sent a confirmation message on the computation of the votes.
- ✓ For Meetings in which there is no remote ballot, we assess whether there is remote participation via the platform (Teams, Zoom or similar device) and if so, we provide documentation for one of our employees to participate and vote directly.
- ✓ When there is only a face-to-face meeting, we call the main manager of the investment funds (as the case may be) and carry out an assessment of convenience and opportunity, as well as a survey of the costs involved, providing better information for the decision on whether or not to participate in the meeting.
- ✓ Finally, after the end of the year's Shareholder Meetings season, Compliance team prepares a report in the form of an executive summary, surveying all our participations, votes and nominations, making the due comparison with previous years. Such material is available to fund managers, as well as to Principal Claritas' Executive Committee.

Proxy voting – improving proxy voting process

- ✓ In recent years, we have identified that the Proxy Voting process in the Brazilian Capital Market has shown significant improvement. We understand that the reason for this lies in the increase in collective awareness by its main players, regarding the importance of incorporating aspects of governance in investment decision-making, as a result of more ostensive ESG policies.
- ✓ Among the main factors which demonstrate this improvement, first, we highlight the mobilization on the part of the custodians in offering teams that are increasingly specialized in the collection and computation of votes in the B3 system, which is directly responsible for the processing of each deliberation. In short, custodians that had poorly defined structures in this process, today have channels or at least an e-mail key responsible for directing votes.
- ✓ Another positive point is the digitalization process and electronic systematization of the vote survey, creating a more agile and intuitive interface for the fund manager. Currently, we understand that the custodian Banco BNY Mellon stands out in this regard, and it would be important for the other custodians to monitor what was done.
- ✓ However, it is important to point out the improvement points aiming at a continuous growth in quality of Proxy Voting for the market as a whole. Firstly, although digitization is taking place, we understand that it is still far from ideal, since the systems only allow forwarding of the remote ballot paper, which must be filled in manually and individually, which entails an expenditure of labor (and time) highly substantial. In addition, some companies frequently change their ballots, resulting in very high rework. It would be important for the next step to incorporate the deliberations into the system itself, so that voting takes place more efficiently, allowing automatic ballot update.
- ✓ There are custodians who charge remuneration for part of the funds for participation in the Shareholder Meetings by ballot papers. We understand that this practice is diametrically opposed to the ESG guidelines (supposedly valued by such institutions), since it brings an unnecessary cost that has the potential even to make voting unfeasible for more engaged managers, since the cost would be highly impactful.

Proxy voting – improving proxy voting process

- ✓ Principal Claritas has been engaged in the improvement of such mechanisms as it understands that Proxy Voting is one of the policies that is most in line with the pillars of Sustainable Governance. In 2021, we held a meeting with B3 to address our perceptions and offer constructive feedback. In 2022 and 2023 we have already noticed improvements in line with our recommendations.
- ✓ As part of the ESG philosophy adopted by Principal Claritas, our employees, as well as its managers, are engaged to extend this conversation and feedback not only with B3, but with players (custodians, administrators and other managers), as we understand that dialogue is the main vector for obtaining improvements in the short and medium term.

Collective Engagement

Principal Claritas actively participates in the meetings of issuers of securities held by the funds and is involved in discussions whenever there is concern about the health of the asset and/or the company.

As an example, we can mention the significant participation in the general meetings of shareholders and, in the funds that have a Private Credit position, in the general meetings of debenture holders there is also involvement and engagement with the other debenture holder investors in search of the best result for the final investors.

In addition to the companies in which he takes direct positions on the board (Friendly Activism), partnerships are also formed with other activist shareholders to elect minority representatives in more than 30 companies.

Additionally, in the event of an obvious breach of fiduciary duty by an investee company, Principal Claritas has already represented the funds in two arbitration proceedings against such companies (which are still in arbitration process), with the objective that final investors do not suffer losses resulting from the devaluation of the company's shares and are indemnified. Moreover, Principal Claritas represented the funds in the general meetings of debenture holders to hire external legal firm to take any necessary measures to protect the interests of the Debenture Holders within the scope of the judicial recovery process filed by Americanas S.A., B2W Digital Lux S.A.R.L. and JSM Global S.A.R.L.

Examples of Cases

In 2022, Principal Claritas engaged with other asset managers in order to support the indication of candidates for the Fiscal Council for the following companies and to request the inclusion in the Distance Voting Bulletin:

- ✓ CPFL Energia S.A.: Márcio Prado (member) and Paulo Frade (alternate member)
- ✓ Vamos Locação de Caminhões, Máquinas e Equipamentos S.A.: Paulo Frade (member) and Eduardo Morais (alternate member).

In addition, Principal Claritas also signed, with other asset managers, a request for inclusion in the Distance Voting Bulletin of candidates for the Fiscal Council of Vale S.A. and Fiscal Council and Board of Petrobrás S.A.

In 2023, one example was the Request for inclusion in the Distance Voting Bulletin of candidates for the Fiscal Council of **CPFL Energia S.A.** that Principal Claritas asked to AMEC publish in their website and engaged with other asset managers for them demonstrate support to the proposal.

The Request for inclusion is public and can be accessed on AMEC website: [CPFL Energia S.A - AMEC \(amecbrasil.org.br\)](https://amecbrasil.org.br)

In addition, Principal Claritas also signed a request for inclusion in the Distance Voting Bulletin of candidates for the Fiscal Council of **Vamos Locação de Caminhões, Máquinas e Equipamentos S.A.** and, with other asset managers, signed a request for inclusion in the Distance Voting Bulletin of candidates for the Fiscal Council of **Vale S.A.** and Fiscal Council and Board of **Petrobrás S.A.**

Friendly activism

- ✓ Main objective is to unlock value for shareholders
- ✓ Focus on communication with the market, financial planning and business strategy
- ✓ Activism does not interfere in the discipline of disinvestment

Company	Medial	Cremer	OHL	Taesa	Tereos	JHSF	Directional	São Martinho
Council	Fiscal	Fiscal	Fiscal	Fiscal	Fiscal	Board	Board	Fiscal
Period	2009-2010	2009-2010	2010-2013	2011-2012	2011-2016	2011-Present	2013-2020	2020-Present
Contributions	<ul style="list-style-type: none"> • Structured the audit committee • Strategy review: analysis of product line 	<ul style="list-style-type: none"> • Helped to implement a readjustment of the capital structure 	<ul style="list-style-type: none"> • Structured the audit committee • Contributed to enhance company's financial planning 	<ul style="list-style-type: none"> • Improved market communication (implementation of IFRS) • Enhanced financial controls 	<ul style="list-style-type: none"> • Structured the audit committee • Increased coverage of sell side • Improvements in communication • Financial controls 	<ul style="list-style-type: none"> • Improved communication with the market disseminating the recurring revenue strategy 	<ul style="list-style-type: none"> • Business strategy discussions • Improved communication with the market 	

Examples of Cases

- ✓ CPFL
 - ✓ Principal Claritas led a group of minority shareholders to appoint and elect a fiscal board member in the 2021, 2022 and 2023 mandates. We decided to engage and have a representative of the minorities in this board to look after the best practices in corporate governance and somehow ease the market fears of conflict of interests since State Grid became the controlling shareholder of CPFL. This approach made us and other investors much more comfortable with corporate governance of this investment case, especially regarding capex discipline.
- ✓ Simpar group (Simpar/Vamos/Movida)
 - ✓ Principal Claritas engaged with the controlling shareholder to share our views over the group, indicating that a more balanced path between growth and leverage would be key to create value in light of very high interest rates in Brazil.
 - ✓ In addition, in Vamos, Principal Claritas led a group of minority shareholders to create the fiscal board, appoint and elect a fiscal board member in the 2022 and 2023 mandates. We decided to engage and have a representative of the minorities in this board to look after the best practices in corporate governance.
 - ✓ The stocks started to perform much better after the group reduced growth target in pursue of a better capital structure.
- ✓ Petrobras
 - ✓ Principal Claritas, together with other minor investors, appointed Mr. Marcelo Gasparino to the Board of Petrobras. The risk of political interference in the company is a long-term concern of investors and to mitigate it we engaged to elect Gasparino, an experienced lawyers and board member, and he has achieved success in getting to key committees within the board, particularly, the HR committee, responsible to check the background of directors and the committee responsible to oversee the fuel price policy. Our impression from this engagement is that changes in Petrobras (fuel pricing and capex) would be much more restrained than what was feared by the market, giving us comfort to maintain a significant exposure to the company.

Potential Conflict of Interest

When Principal Claritas is aware of a shareholder meeting and the respective agenda, the management team must define the vote that best reflects its Proxy Voting Policy and Compliance team assess the existence of a potential conflict of interest.

The Chief Investment Officer is responsible for executing the Proxy Voting Policy, as well as for coordinating the decision-making procedure with Compliance team, which is responsible for registration and formalization of the exercise of voting rights, on behalf of the investment funds under Principal Claritas management.

It is important to mention that the votes sent are aligned between the Compliance and management areas, in a way that seeks to reflect the most beneficial decisions for minority investors and guarantee that any potential conflict of interest has been properly addressed.

It is also important to mention that employees are also subject to the Conflict of Interests Policy. Employees must refrain from being in any position that could result in a conflict or the appearance of a conflict between their personal interests and the interests of Principal companies.



More details of Compliance Manual and Code of Conduct are public and can be accessed on Principal Claritas website: [Compliance Documents](#)

In line with the ANBIMA Code, Principal Claritas has a specific policy for the Prevention and Management of Conflict of Interests for Private Equity Funds in order to formalize the rules and procedures for the prevention and management of conflict of interests, which are available internally.

Potential Conflict of Interest

In order to mitigate potential conflicts of interest, Principal Claritas has a mapping, which is controlled by the Compliance area, of all companies where an Employee may become aware of Material Non-Public Information (MNPI) to be part of some committee or charges in spheres of governance or even occupy another charge that gives them access to privileged information.

When a manager will support or intends to be member of investee's Board or Fiscal Counsel, the manager needs to verify with Compliance area and needs to approve it. If necessary, Compliance area can submit the topic to discussion in the Risk and Compliance Committee to make sure that the support or participation will not be involve any potential conflict of interest.

In addition, the Compliance area seek to guarantee a barrier, ensuring that such information will be kept confidential and will not circulate between trading sectors and that a person with privileged access to information will not participate in Principal Claritas' investment decisions.

The following procedures will be adopted to guarantee a Chinese wall, in case the Collaborator has access to MNPI:

1. Exclusion from Committees where investment decisions are admitted during the restriction period for trading with issuers holding the MNPI;
2. Absence of meetings with managers and/or management teams aimed at defining strategies and assets for trading, during the trading restriction period with issuers holding the MNPI;
3. If the Employee belongs to the Management area, not only are the mandatory hypotheses observed above, but the restriction period will also be extended to the funds managed by the company.

More details and information on the procedures adopted to mitigate conflicts of interest and risks of information leakage, including when there is participation in the management of companies, please see Principal Claritas' Information Security and Confidentiality Policy, contained in the Compliance Manual available on its website (Compliance Documents). Please note that all employees are requested to sign Confidentiality Agreement when join the company and agree with the Compliance Documents and Policies of Principal Claritas.

ESG factors in Brazilian Funds

Equities Funds

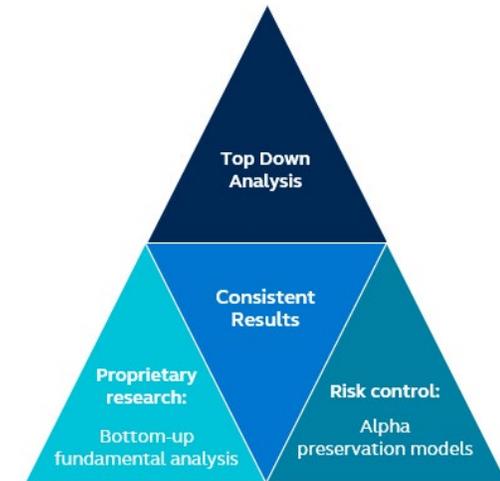
Principal Claritas' equities team believes that the combination of deep top down analysis aligned with fundamentalist asset picking produces stable and meaningful alpha over the medium to long term. Quality assets to compose the portfolio must present (i) sustainable fundamentals, (ii) attractive valuation and (iii) triggers that can materialize the intrinsic value. During the selection process, the team performs a thorough and in-depth analysis of the companies covered, which includes regular visits/contact with management, competitors, customers and suppliers.

Among the sustainable fundamentals analyzed are: quality of management; alignment of interests; corporate governance; industry growth; industry fragmentation; competitive environment; and regulatory profile.

Principal Claritas chose to rely on the assistance of MSCI ESG Data to improve the efficiency of its process of adopting ESG factors in the investment process of the funds, helping to identify and monitor the main risks of environmental factors and of social aspects. In this way, the reports and information provided by MSCI ESG Data allow the manager to assess the integration of ESG factors in investee companies. Among such data, it is possible to verify, as mentioned on the provider's website (www.msci.com/esg/reporting-services):

- ✓ MSCI ESG Ratings Quality,
- ✓ Distribution and Momentum,
- ✓ Carbon Risk,
- ✓ Reputational Risk, and
- ✓ Governance Risk

Portfolio construction main pillars



ESG factors in Brazilian Funds

Fixed Income

Principal Claritas has a strict credit analysis process, aimed at assessing the payment capacity of each counterparty. To this end, the industry in which the issuer operates and its comparative advantages are analyzed, and the analysis process is based on the 6C's of credit, described below:

- ✓ Character: information regarding the nature, suitability and reputation of the client. Since this assessment is very subjective, it is possible to determine it by analyzing the debtor's intention to honor its financial obligations based on its history of punctual payment of obligations;
- ✓ Capacity: this “C” must provide information that makes it possible to assess whether the revenues and expenses allow for the fulfillment of the obligations to be assumed. This criterion is based on aspects such as cash flow dynamics, business strategy, organizational structure, operational performance, directors' history and liquidity and indebtedness indicators;
- ✓ Capital: information regarding the capital structure, indebtedness, liquidity, profitability and other financial ratios obtained through the Issuer's financial statements;
- ✓ Collateral: is the ability of the Issuer company or the partners to offer additional guarantees for a given credit operation;
- ✓ Conditions: refers to the Issuer's capacity to adapt to conjunctural situations, to have the agility and flexibility to adapt and create defense mechanisms;
- ✓ Conglomerate: information on the situation of other companies located in the same economic group and how they may affect the company under study.

ESG factors in Brazilian Funds

Fixed Income

Additionally, the acquisition of assets is only carried out after the Alternative Products team has had access to all the information necessary for a proper credit risk analysis for the purchase and monitoring of the asset. Since additional questions from the Committee may generate the need for additional documents, which will be requested from the Issuer or Issue Coordinators (as the case may be) by the Alternatives area, and will be passed on to all Committee members.

The Alternative Products team, in conjunction with the Credit Committee, thoroughly checks each issuer's ESG factor, which may affect the price of the asset under review, prior to any purchase proposal. Some of these factors are:

- ✓ Sector of the Issuer;
- ✓ Ownership structure and shareholders;
- ✓ Social impacts;
- ✓ Sustainability;
- ✓ Corporate governance standards;
- ✓ Transparency.

Once all the variables have been evaluated, the Alternative Products team tries its best to price the asset at what would be its “fair acquisition price”, before offering it.

ESG factors in Brazilian Funds

Equities and Fixed Income

Aligned with ANBIMA ESG Guide, some funds of equities and fixed income strategies published its methodology of Investment process and how ESG factors are considered in these strategies.

Principal Claritas makes available the documents of the funds below, that are considered as “Funds that integrates ESG factors” in its Investment process:

The screenshot shows the Principal Asset Management website with a navigation bar at the top containing links for 'Sobre nós', 'Fundos', 'Gestão de Patrimônio', 'Compliance', 'ASG', and a 'Invista aqui' button. The main heading is 'ASG nos Fundos'. Below it, a text prompt says 'Vide abaixo o Formulário de Metodologia ASG para os fundos que integram questões ASG em seu processo de investimento:'. There are six document icons arranged in two rows of three. Each icon is accompanied by the fund name, its type, and CNPJ number, with a 'Baixar' button below it.

Fund Name	Type	CNPJ n.º	Action
Claritas FIRF Crédito Privado Longo Prazo	FIRF Crédito Privado Longo Prazo	11.447.136-0001-60	Baixar
Claritas FIC de FIRF Crédito Privado Longo Prazo	FIC de FIRF Crédito Privado Longo Prazo	29.813.630.0001-67	Baixar
Claritas Liquidez FIRF Crédito Privado	Liquidez FIRF Crédito Privado	48.038.284/0001-31	Baixar
Claritas Liquidez FIC de FIRF Crédito	Liquidez FIC de FIRF Crédito	48.263.105/0001-60	Baixar
Claritas Valor Feeder FIC de FIA	Valor Feeder FIC de FIA	11.403.850/0001-57	Baixar
Claritas Valor Fundo de Investimento em Ações	Valor Fundo de Investimento em Ações	11.357.735/0001-93	Baixar

Such documents are public and can be accessed on Principal Claritas website:

<https://www.claritas.com.br/esg/>

ESG factors in Brazilian Funds

Timber Funds

As mentioned in page 10, Principal Claritas launched at the end of 2021 the Claritas Timber FIP Multi strategy fund. Timber fund base in its management in ESG context in Brazil:

- I. Attractive Returns as a result of wood production from planted forests;
- II. Social Benefits for rural communities in the vicinity of the enterprise (local employment and improved income for the countryside population);
- III. Environmental Responsibility in full compliance with environmental laws, conservation of local ecosystems, carbon sequestration from tree planting and rational use of renewable natural resources.



Economically viable

Highly attractive expected returns to investors



Socially Fair

Respect for the communities surrounding the enterprise, job creation and income improvement in the countryside



Environmentally Responsible

Carbon sequestration from the atmosphere, contributing to the balance of the planet's climate and nature preservation.

Historically, the timber funds through its Invested Companies have been certified with **the FSC international certificate** (Specific and Pioneering label in the ESG context – based on the Sustainability Tripod).

ESG factors in Brazilian Funds

Timber Funds



Good Governance Practices

Transparency and ethics:

_Adoption of Internal Socio-Environmental policies, technical-operational procedures, Code of Ethics/Conduct, outlining the daily routines in invested companies

Asset management:

Technical staff with professionals focused on competitive costs, sustainable wood production and attractive returns for investors

Socially Fair Actions

Fair Relationship with Communities

Job Generation / Local Income improvement and adequate Social Projects (beekeeping and others) in the surrounding of forest massifs

Good Working Conditions

Compliance with the Ministry of Labour's regulatory standards and occupational health and safety procedures in the workplace (responsibility and health for employees)

Environmental Responsibility

Environmental care:

_Conservation of nature ecosystems, waste separation routines and responsible use of forest pesticides

Mitigation of global warming effects:

Carbon sequestration as a result of eucalyptus planting (up to 61.7 tons / acre)

ESG factors into the company

✓ PCAF

✓ In 2022, Principal Claritas have committed with the challenge of climate change and decarbonizing through the adherence of PCAF (Partnership for Carbon Accounting Financials) with the purpose of measuring and disclosing the greenhouse gas (GHG) emissions associated with our portfolio within the next three years.



✓ Principal Claritas Solidária



✓ As mentioned in page 13, Principal Claritas through our volunteer project Principal Claritas Solidária enables its employees to host classes on financial education and business to public high school and elementary school students in São Paulo. Form more details about the Program, please visit: [ASG - Claritas](#)

✓ Diversity, inclusion and equality

✓ As part of Principal initiatives on diversity and inclusion, Principal Claritas hired in August of 2022 a specialized consultant to explain, talk and discuss with all employees about these topics as part of important awareness.

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